



## Managing change in socially responsible businesses Reality in Vietnam

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### Abstract

Joining WTO means that Vietnamese enterprises must participate an international playing field with many harsh new "game rules" that if not done properly we will be excluded from that game. In addition, the consumers around the world today are not only concerned with the quality of products and services but also increasingly concerned about the protection of health and the environment and the responsibility to the community. Consumption of clean, environmentally friendly products has formed and will become an inevitable consumer trend in the future. Therefore, businesses that want to survive and develop will not only have to set a profit target on the top but alcohol must pay attention to the social responsibility aspect of the business. In Vietnam, in recent years public opinion has begun to be closely concerned and pressing for a series of serious violations of business ethics, environmental harm and human health at a serious level. The problem of corporate social responsibility in Vietnam is posed as a difficult question to be answered. So, in this study we will discuss the topic: "managing change in socially responsible businesses - the reality in Vietnam".

**Keywords:** change management, socially responsible business, practice in Vietnam

### 1. Introduction: General theory of social responsibility

#### 1.1. Social responsibility concept

There are many different definitions of corporate social responsibility (CSR). Each organization, company, government recognizes CSR under its own angles and perspectives, depending on characteristics, conditions and levels of development. Some main views about CSR are as follows:

- According to the World Trade Commission for Sustainable Development, the social responsibility of enterprise is the continuous commitment through business activities by virtue of conduct and contribution to economic development while improving the quality of life of the labor force and their families as well as the local community and the whole society in general. Businesses are not merely a profit-generating organization but also need to become part of the community. They not only promote the interests of shareholders but also the interests of all stakeholders.
- According to the British government, CSR is an act voluntarily implemented by enterprises in addition to complying with the minimum legal regulations, in order to satisfy the competitive needs of businesses and the benefits of the whole society.
- According to HSBC, CSR is managing business responsibly and sustainably for long-term goals. Organizations never pursue profit, knowing that tomorrow's success depends on the credibility built today. It can be said that CSR is a dynamic concept that is always challenged in each particular economic, political and social context.

The term social responsibility of business officially appeared more than 50 years ago, when H. R. Bowen (1953) published his book entitled "Social Responsibility of the Businessmen" for the purpose of propagating and calling on

property managers not to harm rights and benefits of others, calling for charity to reimburse the damage caused by businesses to the society. However, since then, the term of corporate social responsibility is being understood in many different ways. Some people understand that social responsibility implies increasing business behavior to a level that is consistent with norms, values and expectations of the society (Prakash and Sethi, 1975: 58 - 64). Some others understand that corporate social responsibility includes social expectations of economy, law, ethics and charity from organizations at a given moment of time (A. B. Carroll, 1979).

#### 1.2. CSR's development history

In the CSR debates one who prominently stands out for his management theory is Milton Friedman. According to his point of view, enterprises have only the responsibility to maximize profits, increase stock value. According to him, the business managers (board members or board of directors) are the representatives for the owners/shareholders who stand out to manage the company. They are elected or hired to lead the company in a way that shareholders want, mostly to make as much profit as possible, and to abide by the basic social rules that are expressed in the law and common moral principles. That is the for-profit nature of the business. Secondly, the company is an inanimate object created by people. Therefore the company cannot perceive and shoulder the moral obligation that only people have. Only human beings have the heart to realize the right things. Moreover, the social responsibilities of the state are to provide the public service for public interest and based on non-profit basis. Only the state has enough information to make the right decisions in allocating resources efficiently. And this isolationist structure has ensured that the distribution is fair and controlled. The responsibility of the business is to create value-added,

technological development (because the business is the sole beneficiary of the society) to generate profit, to create jobs and income for the workers. The main responsibility of the enterprise to the state is tax contributions. And the state's responsibility is to use that tax money most effectively to produce the public goods. From a point of view of the school opposing CSR concept, the programs of enterprises named "social responsibility" are just PR programs, hypocrisy, but in fact the ultimate goal is still for the profit of the business only. CSR supporters do not reject all of these arguments. But they make another convincing argument that the company itself has been a subject of society, using social and environmental resources, so it can affect extremely the society and environment. Therefore, enterprises must be aware of the impacts from their production and business activities and be responsible for their own behavior in front of the society. It can be said that the nature of an enterprise cannot be only for the sake of the enterprise but from the beginning it has played the citizen role in the society with all of its appropriate obligations and rights. Indeed, if one simply considers that enterprises operate solely for profit and compensate for social costs, as well as pay for public services that businesses benefit, we will see the environmental pollution and social costs that businesses cause can be much larger than the benefits that this company brings about from tax contribution or jobs creation. Therefore, it is impossible to separate completely the economic from social characteristics when recognizing the nature and operation of the business.

CSR has become a true and mature movement throughout the world. Consumers in Europe and America today are not only interested in product quality, but also how companies make that product, which is friendly to the ecological, community, humanitarian environment, safe and healthy for individual consumers. Many movements to protect consumers' rights and the environment develop very strongly, such as obesity food boycott movement aimed at fast food companies. In front of social pressure, most of the major companies actively took seriously CSR into their program of activities. Thousands of programs have been implemented such as energy saving, carbon emission reduction, use of renewable materials, solar energy, improved water resources, eliminating illiteracy, building schools, providing relief, supporting disaster victims, establishing funds and research centers to prevent AIDS and other epidemics in tropical and developing countries. Some of the leading names in these activities include TNT, Google, Intel, Unilever, CocaCola, GE, Nokia, HSBC, Levi Strauss, GlaxoSmithKline, Bayer, DuPont, Toyota, Sony, UTC, Samsung, GAP, BP, ExxonMobil. According to the Giving USA Foundation, the amount of money businesses contribute to activities worldwide social activities amounted to 13.77 billion USD (in 2005) and nearly 1,000 companies were rated as "good corporate citizens". Currently, most multinational companies develop standard codes of conduct applicable to their employees around the world. Benefits gained through CSR commitments have been recognized. Not only did the company image improve in the eyes of the public and local people but also helped the company increase sales or make investment procedures more convenient, but within the company itself, it increased satisfaction and employee engagement as well as energy saving programs that help reduce operating costs for the company. It can be said that CSR has a firm foothold in the

perception of businesses and some corporate responsibility research centers and institutes have been established by US universities.

### **1.3. The meaning of the corporate implementation of social responsibility**

The implementation of social responsibility will have a positive impact on many aspects. First, social responsibility will contribute to the promotion and development of business's brand. Second, the implementation of social responsibility in business and industry is always associated with ensuring salary regime, ensuring labor safety, increasing and strengthening freedom of association, thereby helping to stimulate creativity of workers as well as continuous improvement in management and in improving labor productivity and quality, improving product design, through improving work efficiency. Third, it will increase business competitiveness in the market. Fourth, the implementation of social responsibility will help businesses to survive and grow in the fierce competition today.

### **1.4. The content of CSR**

#### ***Economic responsibility***

The economic obligation in the social responsibility of an organization is concerned with how to allocate social resources used to make products and services. For employees, the economic responsibility of an enterprise is to create jobs with corresponding remuneration, to have the opportunity to develop vocational and professional skills equally, to enjoy a safe and hygienic working environment, ensuring privacy and personal rights. It also includes finding new resources, promoting technological progress for product development. For consumers, the economic obligation of an enterprise is to supply goods and services. In addition, it is related to quality, product safety, pricing, product information, distribution and sales. For all stakeholders, the economic obligation of the business is to bring maximum benefits and fairness to them by providing these benefits directly: goods, jobs, prices, and profits while fulfilling these obligations, businesses have contributed to increasing social welfare and at the same time ensuring the existence and development of the enterprise.

#### ***Legal responsibility***

Legal obligations in social responsibility require businesses to obey and fully comply with the provisions of law as a minimum requirement in social behavior of organization as collective or individuals. They relate to five aspects: competitive regulation, consumer protection, environmental protection, safety and equality. Regulating competition: encouraging competition and ensuring a healthy competitive environment to regulate monopoly power and monopoly control. Consumer protection: businesses must be responsible for providing accurate information about products, complying with food safety standards. Environmental protection: in the production business of enterprises must pay special attention to environmental pollution problems due to discharging toxic substances in production into the air, water, land and noise. Safety and equality: protect workers from discrimination and maltreatment, preventing dismissal of workers arbitrarily and unreasonably. Enterprises must create a safe working environment and pay wages commensurate with the labor effort, encourage detection and prevention of potential

misconduct and misbehavior and to overcome, minimize the consequences.

### ***Moral responsibility***

The moral obligation of organizations is expressed through ethical principles and values presented in their mission and strategy. It is not institutionalized into law that is expressed through the standards, views, expectations of these enterprises about right and wrong, fairness, protected interests of consumers, people labor, partners, owners, communities.

### ***Charitable responsibility***

Corporate charitable obligations involve contributions to the community in four aspects: improving the quality of life, sharing burden with government, improving moral capacity for employees and develop moral character for workers.

## **2. Social Responsibility of Vietnamese Enterprises**

Not now, in Vietnam, the issue of corporate social responsibility has been raised. In recent years, social responsibility is understood more broadly, not only from a moral perspective, but also from a legal perspective. In Vietnam, in recent years, people often use the definition of the World Bank's Private Economic Development Group on corporate social responsibility. Accordingly, Corporate Social Responsibility (CSR) is a commitment of businesses to contribute to sustainable economic development, through activities to improve the quality of life of people. labor and their family members, the community and the whole society, in a way that benefits the whole business career as well as general development of society. In other words, businesses that want to develop sustainably must always follow the standards of environmental protection, gender equality, labor safety, labor rights, fair pay, training and human development, members and community development. Social responsibility of enterprises is shown in a specific way on factors and aspects, such as:

- Environmental protection;
- Contribute to the social community;
- Good performance with suppliers;
- Ensuring benefits and safety for consumers;
- Good relationship with workers;
- Ensuring benefits for shareholders and employees in the business career.

The first four factors show the outside responsibility of the business, the two final factors show the internal responsibility of the business. The social responsibility of enterprises not only makes the enterprise sustainably developing, but also contributes to the development of society in general. As we all know, in Vietnam, sustainable development has become a strategic goal and has been proposed since the 80s of the twentieth century. Over time, the concept of sustainable development has changed internally and more and more new content has been added.

In terms of origin, the term sustainable development was born in the 70's of the twentieth century and began to attract the attention of environmental and development researchers, internationally thanks to the creation of the World Conservation Strategy (1980). Then thoughts on sustainable development are presented in a series of projects, such as the Our Common Future (1987), Taking care of the earth (1991). When talking about sustainable development people

often use the two definitions outlined in the books above. In "Our Common Future" book, sustainable development is understood as the development that meets current needs without compromising the ability to meet the needs of future generations. Also in the book "Care for the Earth", sustainable development's goal is to improve the quality of human life while existing in the framework of secure ecosystems. In general, both definitions of sustainable development are based on the rational use of natural resources and environmental protection so that today's system is still growing without affecting the future of generations. Thus, considering the origin of the term, sustainable development is a development that ensures economic growth on the basis of rational use of natural resources. However, it protects the natural environment to both satisfy its needs of today's generation and does not affect the conditions to satisfy needs of the future generations. The essence of sustainable development is solving the relationship between economic growth and natural environment protection, public assurance of generations in the equal use of natural resources and environmental protection.

In Vietnam, in addition to the above content, the concept of sustainable development also added many new contents. Vietnam is advocating the building of a sustainable development strategy in accordance with the specific conditions and circumstances of the country. The basics of Vietnam's sustainable development strategy include the following.

- First, rapid development must go hand in hand with sustainability. That must be combined at both macro and micro levels, both in the short and long term.
- Secondly, growth in quantity must go hand in hand with improving the quality, efficiency and competitiveness of the economy.
- Thirdly, while exploiting the development factors in width, it is necessary to attach special importance to the development factors in depth, the development of knowledge economy.
- Fourthly, to attach economic growth with cultural development, comprehensive development of children, people, implementing democracy, progress and social justice, creating many jobs and improving lives, encouraging legal enrichment coupled with poverty reduction.
- Fifthly, to attach importance to protecting and improving the environment right in each step of development.
- Sixthly, economic development must go hand in hand with ensuring socio-political stability, considering this as a premise and a condition for fast and sustainable development.

On the other hand, when we approach corporate social responsibility, we need to approach both ethically and legally. We should not just understand the blame corporate responsibility in the moral aspect of business owners, in charity work of the business, but need to understand both in the legal aspect, i.e. the implementation of social responsibility is a mandatory requirement for businesses. The combination of both moral aspects and legal is an important basis for proposing solutions to improve social responsibility of enterprise.

In fact, in Vietnam, the issue of corporate social responsibility is a new questionable topic, but the first step has been done by some ministries. Since 2005, Vietnam Chamber of Commerce and Industry, Ministry of Labor and War Invalids and Society, Ministry of Industry and Trade, together with the Association of Leather and Footwear and Textile, awarded the "Corporate Social Responsibility towards sustainable development" prize to honor businesses that well implement their social responsibility in the context of integration. Currently, many large enterprises in Vietnam have realized that corporate social responsibility has become an indispensable requirement for businesses, because, in the context of globalization if international enterprises do not comply with corporate social responsibility, they will not be able to access the world market. Many enterprises implementing social responsibility have brought practical effects in their production and business activities. Recent survey results conducted by the Institute of Labor and Social Sciences on 24 enterprises of sectors of Leather and Textile Industry show that, thanks to the implementation of corporate social responsibility programs, their revenue has increased by 25%, labor productivity has also increased significantly. In addition to economic efficiency, businesses also strengthen their reputation with customers and create the attachment and satisfaction of employees to enterprises, attracting the high quality labor force. Being aware of the importance and benefits of implementing social responsibility in the context of globalization and international integration, a number of large Vietnamese enterprises, apart from paying taxes to the state, have posted the implementation of social responsibility in the form of commitments to society in protecting the environment and the local community. However, besides, we must admit that, in recent years in Vietnam, many enterprises have not taken seriously their social responsibility. This is reflected in business frauds, financial reports, not to ensure labor safety, producing and trading goods of poor quality and containing substances harmful to human health, deliberately causing serious environmental pollution, discharge untreated wastewater to rivers and residential communities. In addition, many businesses violate the wage and social insurance laws and labor safety issues for workers are no longer a rare phenomenon that has been pressing for the society.

### **3. Solutions to Improve Social Responsibility of Enterprises in Vietnam**

#### **3.1. Factors impacting the implementation of corporate social responsibility in Vietnam**

Currently, the concept of social responsibility has been mentioned quite frequently in Vietnamese media and every year there are also big programs and prizes offered to socially responsible enterprises. The award honors businesses that perform well social responsibility. On the other side, there are many big businesses interested in implementing social responsibility and consider it as own obligation to the workers, the environment and the community. However, because most businesses are medium and small, the way to understand the concept of social responsibility is not really right, so social responsibility of enterprises has not been paid attention and implemented accordingly. The biggest barriers and challenges for the implementation of corporate social responsibility include:

- There is quite a different perception of social responsibility between Vietnamese enterprises
- A series of codes of conduct must be synchronized.
- Lack of financial and technical resources to implement social responsibility standards in businesses (especially for small and medium enterprises).
- The difference between the Labor Code and the code of conduct is misleading for customers and for businesses, such as overtime workload or union activities.
- The lack of transparency in applying corporate social responsibility in practice.
- Conflict in state regulations makes the application of a code of conduct impossible in practice.

#### **3.2. Solutions to improve the implementation of corporate social responsibility in Vietnam**

After considering the causes leading to the fact that implementation of corporate social responsibility in Vietnam is still limited, we would like to give some specific measures to improve that situation:

First, we need to improve the quality of legal regulations by applying RIA in legal documents on CSR. RIA is the impact assessment of legal documents, the tool advanced applied by developed countries in law design process. RIA helps to determine a regulatory solution as well to propose a set of the most appropriate benchmark to achieve the goal with the lowest cost for the business. Once the legal documents are highly accurate, the effectiveness of the documents will also be significantly improved. Besides, it is imperative that state agencies need to strengthen the responsibility of law enforcement in their field.

Second, we need to build associations and that need also to be renewed. The bottom-up approach needs to replace the old top-down approach. Taking advantage of the officials' experience and skills is essential, but the leaders of the associations should be those who are attached to the members from the grassroots level. So they will fight for their rights as association members.

Third, implementing non-profit communication and advertising programs is very common in developed countries and it is now applied in developing countries in the region as well. Television and radio stations in our country are still owned by government. Therefore, the government can direct stations to devote a certain amount of time of free of charge advertising for public goals.

Fourth, taxpayer status should be improved. Honored to go along with responsibility and vice versa, there should be rankings of businesses paying the highest corporate income tax and individuals paying the most personal income tax. They deserve the honor of society.

Fifth, the state focuses on perfecting the law and the effectiveness of law enforcement. External responsibilities of laws (moral, charitable) and voluntary mechanisms need also to be encouraged because it is the natural interaction between business and society and the State should only indirectly influence mechanisms such as NGOs, unions, associations, community networks, education to raise people's awareness.

Sixth, through various forms of communication to raise awareness of businesses about social responsibility we can help businesses to become socially responsible. For businesses, the concept of social responsibility must be built from the mission base of the business and a part of corporate culture. Successful CSR programs must be based on

building trust and support from customers and the public, employees, suppliers, distributors, investors, banks and governmental organizations as well. If managers do not trust the importance of CSR, if they do not proactively or support CSR activities at the grassroots level, CSR in professional work as well as in personal life can't succeed. CSR should be applied in all aspects of the company's operations and in all groups with related interests.

In Vietnam, every time there are violations of business ethics, or environmental pollution occurs, people often dump all the sins for businesses. However, as discussed, each business must take advantage of the foundation, so they always tend to minimize costs and maximize profits. In the context of a tight, unified legal framework, the law enforcement system is loose, ineffective and the people are in a weak situation, without the knowledge and tools to protect the common interests. Currently, the state inadvertently unleashes a good environment for companies to take advantage of disregard of the social responsibility. To ensure CSR implementation, the State needs to encourage promotion and develop local civil society mechanisms, to counterbalance business opportunism. Counterbalancing business does not mean that business is always bad. Creating counterbalance here does not mean creating a powerful social mechanism to monitor CSR in the business community. Self-social mechanism in each locality will allow people to have a stronger voice for businesses against negative impacts that businesses can cause, to ensure that the legitimate rights of the community are respected. That helps reduce the volume work and costs for the State administrative agencies and local authorities in monitoring and managing CSR. The cooperation of state-society-business will ensure that CSR implementation is carried out in an optimal way for businesses operating in an environment where the economic benefits of business integrate well with benefits social benefits of the community.

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