

Corporate social responsibility and competitiveness of small and medium enterprises

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ABSTRACTS

The research aims to examine the relationship between corporate social responsibility (CSR) and the competitiveness of SMEs in Vinh Phuc province. The questionnaire was designed based on the results of previous studies and expert opinion. A survey with 300 employees is the director or head of sales in SMEs in Vinh Phuc province was conducted. A total of 215 respondents with full information were used for data entry and analysis. Through quantity methodology, we used descriptive statistics, Cronbach's alpha, EFA, and correlation analysis to determine the relationship between CSR and dependent variables, such as competitiveness. The results showed that CSR had positive relationships with the competitiveness of SMEs in Vinh Phuc province. From the findings, this study suggests several recommendations to improve the competitiveness of SMEs in Vinh Phuc province, such as: innovate new technologies and innovate in the organization; improve CSR policies; enhance CSR programs; and fulfill corporate social responsibility. The results are considered a useful reference for SMEs in Vinh Phuc province.

Keywords: business administration, business performance, corporate social responsibility, competitiveness, economics, SMEs

JEL codes: M10, L21, F65

1. INTRODUCTION

Vietnam's economy is increasingly integrating deeply into the world economy, and corporate social responsibility has become one of the indispensable requirements. Implementing corporate social responsibility well will not only help firms do business well but also support firms in solving strategic and core issues related to business and social issues.

In the context of economic integration and the impact of the COVID-19 pandemic, small and medium enterprises will inevitably face difficulties and challenges. This also requires enterprises themselves to constantly innovate, improve, and develop, including solutions to improve competitiveness.

As an important and key component of the economy, small and medium-sized enterprises (SMEs) in Vinh Phuc province are gradually growing in both scale and quantity, helping to create jobs, improve living standards, and contribute to ensuring social security for the people. In the period of 2013–2020, SMEs contributed more than 15% of the province's GRDP, accounting for 20.8% of total social investment capital; contributed to the state budget annually, accounting for 4.4% of total budget revenue; and created about 70,000 new jobs, contributing to accelerating the process of shifting the labor structure from agriculture and rural areas to industry and services (Do, 2023).

However, during the operation, the SME sector faces many limitations, such as small scale (mainly micro and small enterprises), poor management skills, low technology and creativity, poor competitiveness, and a weak ability to cooperate and participate in the production chain of supporting industrial products to supply products to FDI enterprises operating in some key industries of the province (Honda, Toyota, Piaggio, etc.). Besides, this firm sector always faces great difficulties and challenges in terms of production space, capital, labor, technological innovation, etc. Therefore, SMEs have not developed commensurate with the potential and strengths of the province (Do, 2023).

Up to now, there have been many studies following different approaches on factors affecting the competitiveness of enterprises, such as Porter's value chain model (1985), Porter's five competitive forces model (1990), Barney's capability theory approach model (1991), Wernerfelt's resource theory model (1984), and Narver & Slater's market-oriented model (1990). The common point of these studies is that the factors affecting the competitiveness of enterprises include internal and external factors. The results of the studies also show that there are many factors affecting competitiveness at different levels, depending on each country and each approach.

2. THEORETICAL BASIS AND LITERATURE REVIEW

2.1. Corporate social responsibility

CSR is the obligation of a business to pursue policies, make decisions, or perform a course of action that is socially desirable in terms of goals and values, including the economic, legal, ethical, and philanthropic expectations of an organization at a given point in time (Bowen, 1953).

Corporate social responsibility (CSR) is one of the topics that scholars have researched for many years; however, there is still no unified definition for this issue. Through synthesizing 37 CSR definitions from many different sources, Dahlsrud (2006) concluded that CSR includes issues related to society, environment, economy, voluntariness, and stakeholders of the firm. CSR is also expressed through respect for employees, the environment, legal regulations, and society (Freitas et al., 2020).

CSR is compliance with and meeting regulations on business conditions, being responsible for providing products and services according to commitments, being responsible to customers and the law, and ensuring the legitimate rights and interests of employees (National Assembly, 2020).

Although there are many different statements, the basic definitions of CSR have similarities in stating that CSR is the implementation of business activities in compliance with conditions, always considering the impacts on society, the environment, and the economy, and receiving the attention of relevant parties (Hai & Thu, 2023).

CSR is a consequence of both the institutionalization of business activities and competitive pressures (Singh et al., 2021).

There is a broad consensus among researchers in academia that CSR contains important elements of economic, social, environmental, and stakeholder aspects (Chung et al., 2019; Mohammed & Al-Swidi, 2020). Economic CSR emphasizes the need for firms to design and implement strategies with a focus on tight control of costs, profits, economic performance, long-term success, etc. Social CSR refers to the process by which firms adapt their behavior to societal expectations. Environmental CSR refers to the optimal use of environmental resources, which is an essential element of tourism development, protecting essential ecological processes, and helping to conserve natural resources and biodiversity (Martínez et al., 2013).

2.2. Competitiveness

According to Aldington Report (1985), a competitive enterprise is one that can produce products and services with superior quality and lower prices than its domestic and foreign competitors. Competitiveness means achieving long-term benefits for the enterprise, such as the ability to ensure income for employees and enterprise owners.

According to Porter (1990), competitiveness is the capacity of an organization to generate, preserve, apply, and generate new competitive advantages in order to produce goods that are more productive and of higher quality than those of its rivals, increase its market share, and provide high wages for its workers.

Horstmann and Markusen (1992) argue that a producer is competitive if it has an average unit cost that is equal to or lower than the unit cost of its international competitors.

Competitiveness is the ability of a firm to supply its own products in different markets regardless of where the firm is located (Dunning, 1993).

Fafchamps (1999) asserted that competitiveness is the ability of a firm to produce products at an average variable cost lower than its market price, meaning that a firm that is able to produce products of similar quality to other firms' products but at a lower cost is considered to be highly competitive.

According to some experts, competitiveness is the ability to produce the right product at the right price at the right time. That means meeting customer needs with more performance and effectiveness than other firms.

Inheriting the results of the above studies, we believe that the competitiveness of an enterprise is the strength and advantage that an enterprise can mobilize to maintain and improve its position in relation to other enterprises in the market in a long-term manner and with the will to gain increasingly higher benefits.

2.3. Corporate social responsibility and competitiveness

According to Sethi (1975), corporate social responsibility is to bring corporate behavior to a level consistent with prevailing social norms, values, and expectations. Corporate social responsibility positively affects corporate competitiveness (Ho, 2005; Archie & Kareem, 2010; Nguyen, 2017).

The benefits that firms enjoy when they fulfill their social responsibilities well are their brand. When they affirm their brand and reputation, they have the conditions to expand their market and join global supply chains. Then, firms have the conditions to expand production and business, increase revenue, and increase employment for workers. In addition, firms have the conditions to export. Thus, if firms fulfill their social responsibilities well in the context of integration, firms will have the conditions to compete and participate in the market on an equal basis.

3. METHODOLOGY

3.1. Methods of sample selection, data collection, and processing

In order to assess and quantify competitiveness, corporate social responsibility (CSR), and the effect of CSR on the competitiveness of SMEs in Vinh Phuc province, a combination of qualitative and quantitative research methods were employed.

Employees of SMEs in the province of Vinh Phuc who serve as directors or heads of sales served as survey subjects for the study. The sample size for an EFA analysis should be at least five times the number of variables that were observed, according to Hair et al. (1998). Tabachnick & Fidell (2007) state that for multivariate regression, the minimum sample size needs to satisfy the following formula: $n \geq 50 + 8p$, where p is the number of independent variables. One independent variable and one dependent variable are part of the suggested study paradigm. Eight observed variables make up the measuring scale for the independent and dependent variables. According to the above formula, the minimum number of samples needed to be surveyed is 58. The author team collects and conducts direct surveys and online surveys of 150 small and medium enterprises in Vinh Phuc province. Use a convenient, non-probability survey method for the period from January 1, 2024, to February 25, 2024.

Prior to being loaded into the program, the gathered data will be thoroughly examined, cleansed, and modified. Ultimately, the analysis comprised 215 survey surveys. The following order is used when performing data analysis: The utilization of descriptive statistics for data generalization, Cronbach Alpha coefficient analysis for scale reliability, EFA analysis, and correlation analysis are all viable methods. With SPSS software, data analysis techniques were carried out.

3.2. Research model

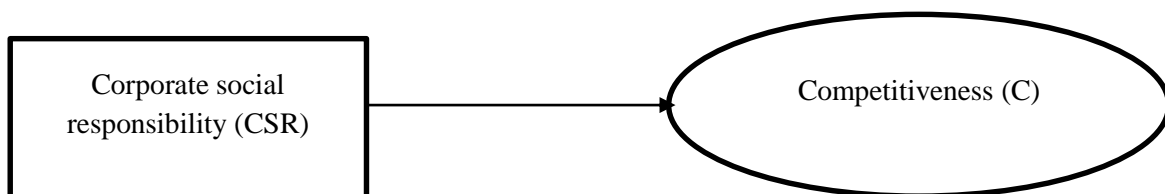


Figure 1: Research model

Corporate social responsibility (CSR): Building on the results of previous studies and expert opinion, CSR includes 4 observed variables: SMEs provide products at competitive prices compared to competitors (CSR1), SMEs ensure superior product quality as announced (CSR2), SMEs fully contribute to charities and community activities to improve social welfare (CSR3), and SMEs fully pay taxes (CSR4).

Competitiveness (C): Includes 4 observed variables (C1, C2, C3, and C4) inherited from the research results of Nguyen et al. (2023).

4. RESULTS

4.1. Descriptive Statistics

Table 1 indicates that the respondents agree with the independent variables (corporate social responsibility—CSR) and dependent variables (competitiveness) of SMEs in Vinh Phuc province in Vietnam, where respectively four attributes and four attributes were quite high. All eight attributes were rated at an average of 3.63 or higher.

Table 1. Descriptive analysis of attributes

Code	N	Mini	Max	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Corporate social responsibility - CSR									
CSR1	215	2	5	3.82	0.603	-0.672	0.166	1.258	0.330
CSR2	215	2	5	3.63	0.635	-0.270	0.166	-0.011	0.330
CSR3	215	2	5	3.79	0.682	-0.156	0.166	-0.077	0.330
CSR4	215	2	5	3.82	0.670	-0.244	0.166	0.128	0.330
Valid N (listwise)	215			3.76					
The competitiveness of SMEs (C)									
C1	215	1	5	3.97	0.870	-0.807	0.166	0.426	0.330
C2	215	1	5	4.04	0.882	-0.782	0.166	0.226	0.330
C3	215	1	5	3.96	0.856	-0.778	0.166	0.457	0.330
C4	215	1	5	4.07	0.878	-0.941	0.166	0.625	0.330
Valid N (listwise)	215			4.01					

Source: Prepared by the authors (2024) and SPSS software.

4.2. Cronbach alpha

To evaluate the internal reliability of the scales, we rely on the Cronbach alpha coefficient. The statistical results in Table 2 show that Cronbach alpha values in the range of 0.720 to 0.875 are higher than the significance level of 0.7 (Nunnally & Bernstein, 1994), confirming the reliability of the scale used in the study. All observed variables on the scales have an item-total correlation greater than 0.3. Therefore, the scales all meet the requirements, thus qualifying for exploratory factor analysis (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 2. Results of Cronbach’s alpha testing of attributes and item-total statistics

CSR	
Cronbach’s Alpha	N of Items
.823	4

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
CSR1	11.24	2.883	0.558	0.815
CSR2	11.43	2.760	0.581	0.806
CSR3	11.27	2.448	0.691	0.755
CSR4	11.24	2.369	0.763	0.720
C				
Cronbach's Alpha	N of Items			
.898	4			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
C1	12.07	5.471	0.757	0.875
C2	12.00	5.294	0.796	0.860
C3	12.09	5.520	0.760	0.874
C4	11.97	5.364	0.780	0.866

Source: Prepared by the authors (2024) and SPSS software.

4.3. EFA analysis

Next, tables 3, 4, and 5 show that exploratory factor analysis (EFA) was conducted through component analysis and variance.

The results of Bartlett's test examining the hypothesis of correlation between observed variables show that the KMO index, respectively, is 0.733 and 0.841, greater than 0.5 (>0.5); the extracted variance, respectively, is 65.381% and 76.614% (>50%), which means that these 4 and 4 observed variables explain 65.381% and 76.614% of the variation in the data. Bartlett's test is statistically significant (Sig. < 0.05). Therefore, it can be concluded that the indicators in the study meet EFA analysis standards (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

These statistics demonstrate that research data analysis for factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified four components of corporate social responsibility (CSR) and four components of the competitiveness of SMEs (Hoang & Chu, 2008; Hair et al., 2014).

Table 3: KMO and Bartlett's Test

CSR		KMO and Bartlett's Test	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.733	
Bartlett's Test of Sphericity	Approx. Chi-Square	351.588	
	Df	6	
	Sig.	.000	

C			KMO and Bartlett's Test	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.841	
Bartlett's Test of Sphericity	Approx. Chi-Square		509.546	
	Df		6	
	Sig.		.000	

Source: Prepared by the authors (2024) and SPSS software.

Table 4: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
CSR						
1	2.615	65.381	65.381	2.615	65.381	65.381
2	0.651	16.270	81.651			
3	0.518	12.960	94.611			
4	0.216	5.389	100.000			
C						
1	3.065	76.614	76.614	3.065	76.614	76.614
2	0.353	8.822	85.436			
3	0.329	8.220	93.656			
4	0.254	6.344	100.000			

Extraction Method: Principal Component Analysis.

Source: Prepared by the authors (2024) and SPSS software.

Table 5: Component Matrix^a

	Component
CSR	1
CSR4	0.887
CSR3	0.846
CSR2	0.757
CSR1	0.735
C	Component
	1
C2	0.890
C4	0.880
C3	0.866
C1	0.864

Source: Prepared by the authors (2024) and SPSS software.

4.4. Correlation Analysis

The results of the correlation matrix are indicated in Table 6. The correlation coefficients of corporate social responsibility with the competitiveness of SMEs are greater than 0, reflecting a positive relationship. In addition, the values of sig. are smaller than 0.05, which means that all variables are interrelated (Hair, Black, Babin, & Anderson, 2009).

Table 6: Correlations

		Competitiveness	Corporate social responsibility
Competitiveness	Pearson Correlation	1	0.495**
	Sig. (2-tailed)		0.000
	N	215	215
Corporate social responsibility	Pearson Correlation	0.495**	1
	Sig. (2-tailed)	0.000	
	N	215	215

Source: Prepared by the authors (2024) and SPSS software.

Thus, there is basis to conclude about the influence of corporate social responsibility on the competitiveness of SMEs. However, to increase reliability, future research should expand on independent variables that affect SMEs' competitiveness in addition to corporate social responsibility. In addition, future studies should also expand the sample size and spatial scope to increase the reliability of the research results.

5. DISCUSSION AND IMPLICATIONS

The 2023 Provincial Competitiveness Index Report shows that only 27% of private enterprises will expand their operations in the next 2 years, and the number of enterprises reducing their business scale or closing down is increasing. The reasons are that enterprises face difficulties in accessing credit, finding customers, market fluctuations, large informal costs, and institutional barriers (Luong, 2024).

Resolution No. 35/NQ-CP, dated May 16, 2016, on supporting and developing enterprises until 2020 with the goal of building and developing enterprises with competitive capacity, large scale, and strong resources. Resolution No. 35/NQ-CP sets out tasks and solutions to support and facilitate the development of enterprises. Since 2014, the government has annually issued resolutions on key tasks and solutions to improve the business environment and enhance national competitiveness, including tasks and solutions on perfecting financial and state budget mechanisms and policies to encourage and support enterprise development.

Enhance the capacity of enterprises to innovate new technologies and innovate in organizations (through changes in structure, strategy, and culture). Policies are needed to support training of enterprises on how to best use technology, and these policies will change as technological capacity in enterprises improves and develops. Strengthen international cooperation in science and technology, import advanced technology from abroad to meet production requirements, and improve the competitiveness of domestically produced products. To effectively implement this solution, there is a need for open policies to encourage the development of the market for science and technology transfer between domestic and foreign countries.

With CSR policies, firms should organize training sessions and seminars for management and employees on the importance of CSR to raise awareness. Firms can promote CSR policies by integrating social responsibility elements into their business processes and operations.

Firms should also organize and encourage employees to participate in social activities such as charity programs, environmental protection, and support for non-profit organizations.

Firms should focus more on CSR programs. This reflects a strong commitment of firms to society and the economy, improving the interests of internal and external stakeholders, and supporting environmental sustainability.

When firms fulfill their social responsibilities well, the rights of employees are guaranteed, employees are retained, and quality workers are attracted. It is also a motivation for employees to work enthusiastically, be creative, and be responsible for the firm, thereby improving the business performance.

When firms carry out social responsibility towards employees, it also requires firms to make improvements in human resource management and production management, thereby saving production costs and contributing to increasing profits and improving competitiveness.

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