CORPORATE SOCIAL RESPONSIBILITY AND EXPORT PERFORMANCE IN VIETNAM: EVIDENCE AND POLICY RECOMMENDATIONS

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Abstract: *According to the 12th Party Central Committee's Resolution No. 10-NQ/TW of 2017 on developing the private sector into an important momentum of the economy, Vietnamese business people should have a sense of law observance, social responsibility and good leadership skills. Moreover, they should focus on building corporate culture and business ethics significanlty. This paper investigates the effect of corporate social responsibility on export performance in a transition economy. Our research sample includes 270 firm-years from 50 listed firms. We use three regression models namely pooled OLS, fixed effects and random effects. CSR is measured by CSR disclosure score developed by Branco et al. (2006). We find that CSR is positively related to export performance. Based on the finding, we suggest some recommendations for the government to improve CSR in Vietnamese firms.*

1. Introduction

From the begining of the "Doi moi" reform in 1986, Vietnam has placed great emphasis on exporting activities. Vietnam became official members of the World Trade Organization (WTO) in January 2007 and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in November 2018. However, Vietnamese exporters face severe competition, many technical barriers and requirements from importers when exporting their products to foreign markets especially US, EU and Japan. Recently, beside technical requirements, foreign importers are more likely to use CSR as an additional requirement in order to meet their customers' CSR awareness. On the other hand, CSR has become a new norm in Vietnamese business environment in recent years (Hieu, 2011). With this interesting instutional environment, we posit that Vietnam is a promising laboratory to investigate impact of CSR on export performance.

We develop a research model in which export intensity is a function of CSR and control variables. CSR is measured by CSR disclosure score proposed by Branco et al. (2006). Control variables include firm size, business experience, tangibility and dummies for large foreign shareholders and state-owed enterprises (SOEs). With a sample of 270 observations from 50 firms listed in both Ho Chi Minh City and Hanoi stock exchanges, we find a positve relationship between CSR and export performance in three regression models namely pooled OLS, fixed effects and random effects. Based on the finding, we suggest some recommendations for the government to improve CSR in Vietnamese firms. The rest of this paper includes the following sections. Section 2 reviews the extant literature and develops the research hypothesis. Section 3 is research methods. Section 4 reports research findings. Section 5 presents and policy recommendations and Section 6 is main conclusions.

2. Literature review and hypothesis development

According to Bowen (1953), CSR "refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". The following decades witnessed enormous attempts to conceptualize CSR with many viewpoints; however, the most commonly accepted definition is from the World Business Council For Sustainable Development: "CSR is a continuous commitment of corporations though their business to moral behaviors, contribution to economic development,

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improvements in living standards of the labor force and their family as well as the community and society as a whole". Carroll (1979) posits that CSR is measured by five dimensions including the economic, legal, ethical, and discretionary responsibilities. Wartick et al. (1985) modify Carroll's model to obtain three main dimensions namely principles, processes and policies.

Many prior studies show that there is a significantly positive association between CSR and firm performance. Firm-level CSR increases customers' perceived value (Bhattacharya et al., 2009) and enhances consumer-company identification through strengthening customers' loyalty, advocacy and brand identification (Du et al., 2007). Product-level and firm-level CSR reputational resources are especially related to competitiveness that other firms find difficult to imitate (Hall, 1992). With a sample of Turkish firms over the period from 1970 to 1979, Cochran et al. (1984) find that corporate financial performance is positively affected by CSR. Supporting evidence of this relationship is documented in many following studies (Waddock et al., 1997; Berman et al., 1999; Brammer et al., 2006). Conducting a meta-analysis based on prior 52 studies, Orlitzky et al. (2003) conclude that a positive relationship between CSR and firm performance is significant. Furthermore, CSR is also deemed as a promising competitive advantage (Branco et al., 2007; Porter et al., 2006). In the light of prior studies and the institutional environment, we hypothesize that CSR is likely to affect export performance positively.

H1: CSR is positively related to export performance.

3. Research methods

3.1. Research model

To examine the relationship between CSR and export performance, we propose a research model in which export performance is the dependent variable while CSR is an exploratory variable. Beside CSR, there are other variables affecting corporate export performance. First, Majocchi et al. (2005), Baldauf et al. (2000) show that there is a positve correlation between firm size and export performance improvement, even in small open economies. Second, several studies find a significant effect of business experience and export performance. Majocchi et al. (2005)

find business experience proxied by firm age positively influences export performance in Italy while Fryges (2006) find the opposite impact among German and British companies. Third, it is also found that foreign-owned firms are more likely to export than domestic ones (Cole et al., 2010). Ngoc et al. (2009) document a significant relationship between foreign ownership and export performance of multinational firms in Vietnam. Moreover, we also control corporate tangibility and state ownership. Firms with more fixed assets have larger production capacity and they are more likely to export. SOEs are deemed to be less efficient and active than non-SOEs; therefore, SOEs export less than non-SOEs. The research model is presented by Equation (1) as follows.

$$\exp = \alpha + \beta_1 \text{csr} + \beta_2 \text{size} + \beta_3 \text{age} + \beta_4 \text{foreign} + \beta_5 \text{soe} + \beta_6 \text{tang} + \epsilon \quad (1)$$

Where exp is firm export performance measured by export revenue divided by net sales. Csr is corporore social responsibility measured by CSR disclosure score proposed by Branco et al. (2006) ranging from 0 to 23. Higher values of csr indicate that firms conduct and disclose more CSR activities. Size is firm size calculated by natural logarithm of number of employees. Age is measured by natural logarithm of firm age. Foreign is a dummy variable which is assigned 1 if firms have at least 1 large foreign shareholders who hold 5% of common equity or more and 0 otherwise. Soe is also a dummy which receives the value of 1 if firms are SOEs and 0 otherwise. Tang is firm tangibility measured by net fixed assets divided by total assets.

3.2. Data collection

The research data is from firms listed in Ho Chi Minh and Hanoi stock exchanges. Accounting information is provided by Stoxplus. Only firms disclosing export revenue are scrutinized for CSR information. CSR disclosure is collected by content analysis of annual reports from 2010 to 2020. Content analysis is the most popular way to collect information of CSR. This collection method is initially used by Bowman et al. (1975) and then Abbott et al. (1979) use annual reports of Fortune 500 firms to analyse their CSR. Recently, Branco et al. (2006) conduct content analysis based on their consolidated measures of CSR to examine the relationship between CSR disclosure pattern and

selection of disclosure channel. The simplest form of content analysis includes detecting the presence or absence of social responsibility information. The analysis of CSR disclosure in this paper is measured using a scoring system assigning a point for each CSR disclosure theme pertaining to any of the categories considered. Information of CSR used in this research merely comes from annual reports without any assumption or inference from other sources. After eliminating firms in finanial sector and observations with missing information, we obtain a final research sample with 270 observations from 50 firms.

4. Research findings

4.1. Descriptive statistics

Table 1 reports desriptive statistics of research variables. On average, export revenue of selected firms accounts for about 2% of net sales. CSR disclosure scores ranges from 0 to 15 and has a mean value of 6.46. There are approximately 54% observations with large foreign shareholder. This implies that foreign investors pay attention to firms with internationalization. About 23% firm-years are from SOEs.

Exp is firm export performance measured by export revenue divided by net sales. Csr is corporore social responsibility measured by CSR disclosure score proposed by Branco et al. (2006) ranging from 0 to 25. Higher values of csr indicate that firms conduct and disclose more CSR activities. Size is firm size calculated by natural logarithm of number of employees. Age is measured by natural logarithm of firm age. Foreign is a dummy variable which is assigned 1 if firms have at least 1 large foreign shareholders who hold 5% of common equity or more and 0 otherwise. Soe is also a dummy which receives the value of 1 if firms are SOEs and 0 otherwise. Tang is firm tangibility measured by net fixed assets divided by total assets.

Table 1. Descriptive statistics

Variables	N	Mean	Standard deviation	Min	Max
exp	270	0.02	0.02	0.01	0.06
csr	270	6.46	2.86	0	15
size	270	6.92	0.84	5.26	8.68
age	270	2.99	0.64	1.10	4.95
foreign	270	0.54	0.50	0	1
soe	270	0.23	0.42	0	1
fa_ta	270	0.20	0.11	0.01	0.67

4.2. Regression analysis

Table 2 shows results of three regression models namely pooled OLS, fixed effects and random effects. CSR is positively related to export intensity at 1% of significance; therefore, H1 is supported. This implies that firms focus more on CSR tend to have better export performance. Moreover, there is a positive relationship beween firm size and export performance. Firms with larger size have better reputation and more resources to penetrate international market. Consequently, their export intensity is higher.

The dependent variables is export performance measured by export revenue divided by net sales. Csr is corporore social responsibility measured by CSR disclosure score proposed by Branco et al. (2006) ranging from 0 to 25. Higher values of csr indicate that firms conduct and disclose more CSR activities. Size is firm size calculated by natural logarithm of number of employees. Age is measured by natural logarithm of firm age. Foreign is a dummy variable which is assigned 1 if firms have at least 1 large foreign shareholders who hold 5% of common equity or more and 0 otherwise. Soe is also a dummy which receives the value of 1 if firms are SOEs and 0 otherwise. Tang is firm tangibility measured by net fixed assets divided by total assets. *** denotes significance at 1%. ** denotes significance at 5%. * denotes significance at 1%.

Table 2. Regression results

Variables	Pooled OLS	Fixed effects	Random effects
csr	0.0005***	0.0001***	0.0002***
size	0.0003*	0.0006**	0.0004*
age	0.0033	0.0055	0.0038
foreign	0.0015*	0.0012***	0.0012**
soe	-0.0107***	-0.013***	-0.0015***
fa_ta	0.0132*	0.0031	0.0033
Intercept	0.0066**	0.0033**	0.0069***
F-statistics	8.23***	5.79***	33.19***
R-squared	0.1586		
No. Observations	270	270	270

Besides, estimation results report that firms with large foreign shareholders tend to achieve higher export performance. This can be explaied that the foreign shareholders can help firms develop their exporting activities and increase export revenue. Furthermore, soe is negatively related to export perfomance at 1% in three models. These findings indicate that SOEs have lower export intensity than non-SOEs.

5. Policy recommendations

According to the 12th Party Central Committee's Resolution No. 10-NQ/TW of 2017 on developing the private sector into an important momentum of the economy, Vietnamese business people should have a sense of law observance, social responsibility and good leadership skills. Moreover, they should focus on building corporate culture and business ethics significanlty. Our study shows empirical evidence supporting this orientation. Consequently, we suggest the following recommendations for the government to enhance CSR in Viennamese firms.

First, the government should provide firms, especially small and medium-sized firms, with awareness and understandings of CSR. Although the term CSR has been widely spread in recent years, the implementation of CSR in Vietnam is still limited. According to a recent study of World Bank in Vietnam, the obstacles in conducting CSR in Vietnam encompass (1) Constrained awareness of CSR concept; (2) Affected productivity during the simultaneous implementation of multiple Codes of Conduct (COC); (3) Lack of financial and technological resources for CSR exercise (especially for small- and medium-sized enteperises); (4) Misunderstanding between CSR regulation and Labor Law; (5) The effects of domestic regulations on the practice of COC. (http://philosophy.vass.gov.vn). Awareness and understanding is considered the first and foremost difficulty faced by firms. Though most firms have a general idea of CSR, their understanding is not adequate. Many firms mistake CSR for philanthropy only without knowing that CSR must be integrated in every stage of operation and production. Many firms are conducting CSR as a mandatory regulation. They fail to recognize that CSR can enhance their competitive advantages.

Second, the government should provide necessary training courses and guidelines for firms to better involve CSR. The lack of knowledge, technical and financial capacity is a big obstacle for firms to conduct CSR. The guidelines should be consistent with the technical and financial capacity of Vietnamese firms. The government may issue different guidlines for various groups of firm size (large, medium and small) in different industries. Financial support can act as a good initial incentive and a starting point for firms to engage in CSR. Besides, it is extremely important for export firms to learn about the CSR requirements of foreign countries and large importers, especially the market or partnet that they are targeting at.

Third, the government may have appreciation and recognition high-quality CSR firms. The "Award for corporate responsibility" granted by The Ministry of Labor, Invalids and Social Affairs, the Ministry of Industry and Trade, the General Confederation of Labor of Vietnam in cooperation with the Vietnam Chamber of Commerce and Industry, the Leather and Footwear Association and the Vietnam Textile and Apparel Association is a good example of regconition. The award does not only recognize and encourage the awarded firms to maintain good CSR performance, but also show the real cases of firms with successful CSR. Therefore, other firms have good models to follow.

Finally, the government should issue legal regulations on CSR and assure their enforceability in order to improve Vietnamese firms' CSR. The regulations should be consistent with international rules and practices in CSR and the current situation of Vietnamese firms. At first, these regulations may be mandatory to large firms and their coverage may be expanded later. Moreover, supervising activities are also important to ensure that firms strictly follow the CSR regulations./.

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