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# The Competitive Impact of CSR on SMEs: An Empirical Research in Vietnam

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## ABSTRACT

**RESEARCH OBJECTIVES:** This study's primary goal is to investigate how the competitiveness impact of corporate social responsibility (CSR) on small and medium-sized enterprises (SMEs) in Vietnam is based on a new theoretical model developed by the authors.

**THEORETICAL FRAMEWORK:** This study contributes to the literature by providing a new theoretical model to investigate the impact of CSR on SMEs' competitiveness based on the various theoretical CSR and competitiveness factors. This research also the first empirical study focusing on this relationship in Vietnamese SMEs.

**METHODOLOGICAL DESIGN/APPROACH:** The data was collected by an online and offline questionnaire survey of 216 managers and non-manager working in the Vietnamese SMEs. Structural equation modeling (SEM) was applied to examine and test the hypothesis of the proposed research model.

**MAIN FINDINGS:** The study's outcomes confirmed the significant positive relationship between CSR and competitiveness levels of SMEs. We also found that the highest correlation was the employee factor, for which the interaction with the competitiveness variables was significant than the other CSR factors. On the contrary, the environment factor has the lowest correlation between the interaction with the competitiveness variables.

**RESEARCH LIMITATIONS:** The findings of this study were limited to the interviewed Vietnamese SMEs context so that we couldn't generalize our results to other countries and other businesses framework; as a consequence, more research will be needed in this area.

**PRACTICAL IMPLICATIONS:** This research provides Vietnamese managers an alternative tool for learning how to embrace and evaluate the CSR: a CSR and competitiveness scale and helps them understand how CSR contributes to the creation or enhancement of Vietnamese SMEs' competitiveness levels of Vietnamese SMEs.

**KEYWORDS:** CSR, Competitiveness, SMEs, Vietnam

## INTRODUCTION

Under globalization, there have been constant changes in societies and the world economy affecting the way we do business. It changes the rules of competitiveness among companies and requires greater involvement of enterprises in the ethical perspective of the business. Mallen and Chard [1] demonstrate that the link between business and society has changed. Businesses and organizations have become closer because of social and environmental dilemmas around the world. Hence, the concept of CSR has emerged and played an essential role as an emergent strategy between business and society. As can be seen, nowadays, the more corporation integrates CSR as an element of their core business, the more effective and competitive the corporation becomes. It has been proven by various researches and successful models in developed countries. A vast amount of theoretical and empirical researchers has entirely addressed the issues of CSR since the 1950s, and it is now

gaining more importance. However, in developing countries, there are limited systematic studies to review the theory of CSR in general and the influence of CSR on competitiveness in specific to date.

It can be said that CSR is a well-researched area for developed nations and big companies. But CSR in the SMEs, the majority of the registered firms in developing countries, is a comparatively new concept, especially in emerging markets. According to the European Competitiveness Report [2], there is a definite link between the CSR practices of SMEs and their improved competitiveness, at least resulting in the long-term condition. To prevail competitively, business managers should determine how their firms can become socially responsible, ecologically sustainable, and economically competitive [3]. CSR has become increasingly critical to the competitiveness of SMEs [4]. However, the comprehensive practical and theoretical literature has perceived the crucial role of CSR and its impacts on competitiveness, some empirical and theoretical contributions that could be found, especially in developing countries.

In Vietnam context, a developing country, many big companies are aware that to develop sustainably, companies must comply with environmental protection standards, labor rights, talent management, labor safety, gender equality, equal pay, and community improvement. They performed hundreds of actions, such as saving energy, donating build schools, using recycled materials, reducing carbon emissions, or helping sufferers of natural disasters. Besides, recent studies concluded that SMEs are performing an essential role in the national economy, especially in Vietnam. In 2018, the Vietnam Ministry of Planning and Investment reported that Vietnam has about 610.000 active enterprises, of which 96,9% is SMEs. They account for 38 per cent of the country's total labor force and add about 30 per cent of Vietnam's GDP [5].

Furthermore, recent research has shown that CSR benefits both businesses and society, both large and SMEs [6]. However, the implementation of CSR in Vietnamese SMEs encountered many obstacles and limitations. These obstacles and barriers come from the business itself and the operating environment [7].

Thus, this research aims to investigate the impact of CSR on competitiveness levels of SMEs based on the various theoretical CSR and competitiveness factors. The application of SEM analysis method to data collected from small and medium enterprises in Vietnam helps fill the research gap on the relationship between CSR and competitiveness in SMEs in developing countries and helps Vietnamese SMEs increase their competitiveness level to obtain the object of sustainable development.

## LITERATURE REVIEW

### *Corporate social responsibility*

A long and wide-ranging history, since CSR first emerged for the seminal work of Bowen in 1953, 67 years of history, the concept of CSR is still both complex and complicated [8]. There are many definitions and many ways to talk about CSR, numerous reviews of CSR concept have been published over the last decade, including Dahlsrud [9], Carroll [10], Kraus and Britzelmaier [11], Madrakhimova [12], Hopkins [13], and Sheehy [8]. Nevertheless, the scholars have not reached a consensus about CSR definition as CSR diversifies in content, context, process, and value. Much related literature has provided differing definitions of CSR. For instance, Bowen [14] referred to social responsibility (SR) than to CSR; Bowen defined CSR as the obligations of a manager *“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.”* Alternatively, the definition of Carroll [15], [16] separates economic, legal, ethical and philanthropic categories of responsibility/performance; they embraced the five dimensions of CSR, including stakeholder dimension, social dimension, economic dimension, voluntariness dimension, and environmental dimension, discussed by Dahlsrud [9]. Taking these understandings, we defined CSR concept as the behaviors of a firm that positively affect social and nonsocial stakeholders and go beyond its economic interest [17]. We classified CSR initiatives into four different groups that relevance identified by the European Commission [2] and associated to the stakeholder theory approach, as emphasized by Battaglia et al. [18] and Turyakira et al. [4], including (i) Customers, (ii) Community, (iii) Employees, and (iv) Environment.

The customer dimension defines CSR practices related to core business activities [19] because the initial goal of every organization is satisfied needs of its customers. A business's ability to succeed in the long term depends on its ability to create lasting and high-quality sales networks for its products [20]. Consequently, the socially responsible business was expected to conduct its activities transparently and have positive relations with its

customers. Customers do not only expect companies to be socially responsible, but they also need to be informed about what companies are doing and will support companies that pursue CSR initiatives [21].

The community dimension defines CSR practices related to activities aimed at the community, education, sports, health and well-being, assistance to low-income groups, and community participation. These activities are viewed as support for social and cultural community activities and community development and other related issues [22]. The community is one of the main stakeholders' groups. All companies attempt to engage workers in the communities where they have business operations to create a better quality of life conditions for their communities, i.e. sponsorship of local sports teams to support a particular charity. Thus, having good relations with local communities is also expected to be a strategy for business to present their responsibility to the community.

The employee dimension defines CSR practices as covering how an enterprise treats its employees, including labor practices, equal opportunities policies, safety systems, health systems, human rights, diversity, and working conditions. Employees were considered one of the most critical elements that affect the quality of the company's products, especially in the service sector. They are also declared as enterprise's customers – internal customers; hence, employees' motivation and retention are principal drivers and the main focus area of CSR initiatives within SMEs [23].

The environment dimension defines CSR practices related to all activities that a company could implement in order to minimize its negative impact on the natural environment, such as the ecological and economical use of natural resources, recycling, using environmentally friendly packaging, waste reduction, energy and water conservation, and pollution control [4]. It means the company's CSR initiatives are impacted by their environment-related policies, such as reducing pollutants, water-saving initiatives, energy efficiency measures, and a reduction in dangerous waste production.

#### ***Small-and Medium-sized Enterprises***

Similar to the CSR concept, SMEs definition did not achieve universally accepted. The SMEs concept diversifies in context across nations, industries, companies, agencies, and the academic community. SMEs are often represented numerically or specifically to cover firms with a workforce ranging from 1 to 100 employees and, in some cases, up to 250 employees as the upper limit. According to statistically defined, the lower bound for the employees for the "small scale enterprises" was usually put at between 5-10 workers and the upper limit ranging from 50-100. The upper limit for the "medium-sized enterprises" was often 100-250 employees. In a similar context, the European Union Standard definition for SMEs is any business with less than 250 employees and a turnover of up to 50 million Euros and a balance sheet of about 43 million Euros. This definition may not apply to all countries. Thus, it can be said that SMEs included a broad range of businesses from an established traditional family business employing over a hundred people to survivalist self-employed people working in informal microenterprises.

SMEs were also defined in terms of qualitative criteria such as holding a small market share, personal management by owners, or even lacking a formalized bureaucratic structure. SMEs are therefore distinguished from larger companies by such characteristics as owner-managed, independent, multitasking, cash limited, personal relationships, and informality. Spence and Lozano [24] note that SMEs were majorly oriented toward solving day-to-day problems. There was also the dominance of informal relations, interpersonal relations, and communication. According to Enderle [25], there was a high degree of interrelation with their environment or community of operation. And the SMEs were subject to the market dynamics that large enterprises determined through the supply chain. While Lepoutre and Heene [26] presented an interesting definition of SMEs in terms of a small business responsibility, where a responsible entrepreneur is a person who:

- *treats customers, business partners, and competitors with fairness and honesty.*
- *Cares about the health, safety, and general well-being of employees and customers.*
- *Motivates the workforce by offering training and development opportunities.*
- *Acts as a "good citizen" in the local community.*
- *It is respectful of natural resources and the environment.*

In Vietnam, from the perspective of Vietnamese business law, "SMEs are business establishments registered in accordance with the law. It is divided into three levels: micro, small and medium scale (the total capital equivalent to the total assets determined in the enterprise's balance sheet or the average labor force is a priority

*criterion*)" (Quote from Article 6 of the Vietnamese Government's Decree No. 39/2018/ND-CP.) These characteristics directly affect how SMEs engage in CSR. The orientation of the small business owner used to focus on their employee, customer, and community; thus, CSR initiatives were accordingly designed to satisfy these stakeholders. Many studies have identified several benefits that SMEs derived from the adoption and implementation of CSR programs. Jenkins [27] and Dzansi [28] point out the benefits of implementation of CSR by SMEs include improved image and reputation; improved trust and understanding; more extensive, more prominent profile; better market position; increased sale volumes; increased employer motivation; increased attractiveness to potential recruits; cost-saving and increased efficiency; enhanced risk management; benefits for company culture; enhanced customer satisfaction, employee loyalty.

**Table 1: SME criteria by Vietnamese Government's Decree No. 39/2018/ND-CP**

<i>Business sector</i>	<i>Company category</i>					
	<i>Micro</i>		<i>Small</i>		<i>Medium-sized</i>	
	A and R* (Bil. VND)	L**	A and R* (Bil. VND)	L**	A and R* (Bil. VND)	L**
<i>I. Agriculture, forestry and fisheries</i>	$A \leq 3$ or $R \leq 3$	$L \leq 10$	$A \leq 20$ or $R \leq 50$	$10 < L \leq 100$	$A \leq 100$ or $R \leq 200$	$100 < L \leq 200$
<i>II. Industry and construction</i>	$A \leq 3$ or $R \leq 3$	$L \leq 10$	$A \leq 20$ or $R \leq 50$	$10 < L \leq 100$	$A \leq 100$ or $R \leq 200$	$100 < L \leq 200$
<i>III. Trade and services</i>	$A \leq 3$ or $R \leq 10$	$L \leq 10$	$A \leq 50$ or $R \leq 100$	$10 < L \leq 50$	$A \leq 100$ or $R \leq 300$	$50 < L \leq 100$

Source: Summary from the Vietnamese Government's Decree No. 39/2018/ND-CP

Note: (\*) A: Total assets (Bil. VND); R: Total revenue of the year (Bil. VND); (\*\*) L: The average number of employees participating in social insurance of the year.

### **Competitiveness and its dimensions**

Despite its acknowledged importance, the concept of competitiveness is often controversial and misunderstood [29]. Competitiveness is a multidimensional concept spanning enterprise to industry and country levels [30]. At a country level, some commonly accepted indicators quantify and qualify competitiveness by different dimensions Budd and Hirmis [31], Porter [32], Zadek [33], producing several benchmarks such as the Global Competitiveness Report [34] or the World Competitiveness Yearbook. The same was not true at a sector or firm level, for which there were no agreed frameworks or measurements for competitiveness [35]. At the industry level, competitiveness is the ability of the nation's firms to achieve sustained success against (or compared to) foreign competitors, again without protection or subsidies. For a company, competitiveness is described as the strength of an organization compared to its competitors [36] or is considered synonymous with success [37]. Competitiveness could describe the ability to provide goods and services as or more effectively and efficiently than the relevant competitors. Competitiveness also can be defined as the ability of a firm to design, produce, and market products better than those offered by its competitors [30]. This study focused on the definition of competitiveness and its dimensions at the firm level.

Generally, at the firm level, the competitiveness levels can be measured by criteria, including market share, profit, return on investment, and revenue from sales [38]. Many scholars considered productivity as a good indicator of competitiveness at the enterprise level [39]. Competitiveness was treated as a dependent variable, and it refers to a company's ability to sustain its long-term performance better than its competitors in the market, as indicated by profitability, sales, market share, and growth rate [4], [18]. The competitive performance also can measure by seven items: Sales, Market share, Customer satisfaction, Benefits/utility, Profitability, Quality of products, Technological superiority [40]. According to Buckley et al. [41] and Cho et al. [42], it is necessary to understand and analyze factors such as costs reduction, financial performance, and technological adoption to know the firm competitiveness level. Similarly, John Kay described firm competitiveness in four factors: the capacity to innovate, critical internal and external relationships, reputation, and strategic assets [43]. A company can gain competitiveness through acts of innovation [44], and [45]. While, Vilanova et al. [19] described the firm's competitiveness in terms of capacity to innovate, key internal and external relationships, reputation, and strategic assets. These four factors represent measures of competitiveness. According to Vilanova et al. [19], competitiveness at the firm level can be summarized as (i) performance - which involves standard financial

measures such as earnings, growth or profitability (ii) quality - which involves the capacity to satisfy customer expectation (iii) productivity - which involves higher production and lower use of resources (iv) innovation - including products, services, and management processes, and (v) image - including corporate branding, trust, and reputation.

In sum, there are many competitiveness definitions, frameworks and proposals [30]. However, in this study, we suggested that three key dimensions could measure competitiveness levels of SMEs:

- *Financial performance, including standard financial measures such as sales revenue, profit margin and return on assets [46], [47];*
- *Innovative performance, including products and services as well as management processes, labor management and marketing method [48], [18] and [49];*
- *Relational performance, including company image and relations with stakeholders [40].*

### **Connecting CSR and competitiveness**

Now a day, CSR has become increasingly significant to the competitiveness of SMEs [4]. SMEs could enhance their competitiveness if they implement CSR policies [50]. Business managers should determine how their businesses can become socially responsible, ecologically, sustainable, and economically competitive to remain competitive [3]. Haigh and Jones [51] concluded that competitiveness was one of the key drivers for adopting CSR initials. According to Porter and Kramer [52], context-focused philanthropy can offer companies a new set of competitive tools that well justify resource investment. Porter and Kramer [52] defined competitiveness as productivity growth derived from lower costs or differentiated products that command premium prices. They suggested considering four elements of competitive context, including factor conditions, local demand conditions, the context for firm strategy and rivalry, and related and supporting industries. And how companies have influenced these elements through philanthropy in ways that have improved their long-term economic prospects.

Many scholars have endeavored to understand how competitiveness impacts CSR on SMEs, e.g., Turyakira et al. [4], Castro et al. [53], Ljubojevic et al. [54], Battaglia et al. [18], and Herrera Madueño et al. [40]. Turyakira et al. [4], have been classified and empirically test the impact of CSR factors on the competitiveness of SMEs in Uganda. Their empirical outcomes indicated that the competitiveness of SMEs was significantly impacted by workforce-oriented CSR activities, society-oriented CSR activities, market-oriented CSR activities, and regulated CSR activities. Similarly, Castro et al. [53] have investigated the effects of CSR on the competitiveness in Mexican SMEs. Their results from the analyzed sample of 397 companies show that CSR positively influences SMEs' competitiveness.

In 2012, Ljubojevic et al. [54] surveyed to evaluate the relation between strategic CSR activities in financial companies and the achievement of sustainable competitive advantage. Their conclusions have shown that there was a positive trend in organizational forms that are holders of CSR activities in financial services companies. Even though the majority of companies define their CSR policies, but do not make them public, they did not use as a means of achieving competitive advantage. Research results obtained in a country that is in slow transition, compared to the former socialist economies, represent a unique contribution. In another context, Battaglia et al. [18] analyzed the link between the adoption of CSR and competitiveness performance among SMEs operating in the fashion industry. Based on the analysis of 213 SMEs located in Italy and France, the outcomes have shown a notable correlation concerning the innovation process, both from the technological and the organizational point of view, and the intangible performances. Besides, the market-oriented CSR practice had shown a positive relationship as well. In the nearest study, based on the multi-stakeholder perspective, Herrera Madueño et al. [40] investigated the existence of a direct or mediated link between the development of CSR initials and competitive levels. Their results had shown that the improvement of CSR practices could lead to enhancing the competitiveness both directly and indirectly, through the ability of these companies to manage their stakeholders.

In summary, there was a significant link between CSR and the competitiveness of SMEs. It ordinarily begins with subjects of image and reputation [19]. Most of the present researches define competitiveness in terms of financial performance or productivity. Besides, they discovered that once CSR policy was accepted internally, it could provoke unexpected transformations in business values and processes. However, there was no common framework for evaluating the relationship between CSR and competitiveness, and most companies adopt CSR approaches that are more reactive than proactive. Therefore, this study investigated the theoretical various CSR

factors that could impact the competitiveness of SMEs, then determined appropriate measuring instruments for empirical testing the proposed research model, and to examine the possible connections between CSR and competitiveness level of SMEs.

## HYPOTHESES AND MODEL

To identify and empirically test the CSR factors impacting the competitiveness level of SMEs, Turyakira et al. [4], Castro et al. [53], Battaglia et al. [18], and Herrera Madueño et al. [40]. Turyakira et al. [4] proposed the difference hypothesized models of CSR practices and competitiveness, including independent variables, mediating variables, and dependent variables. The model of Turyakira et al. [37] demonstrates how the independent variables, including workforce-oriented, society-oriented, market-oriented, and environment-oriented CSR activities, impact the mediating variables, namely, employee satisfaction, the business's reputation, and customer loyalty. These, in turn, lead to increased competitiveness, which is measured by market share, sales, profitability, and growth rate. Also, in the empirical study on SMEs in Uganda in 2014, Turyakira et al. [4] indicate that workforce-oriented CSR activities, society-oriented CSR activities, market-oriented CSR activities, and regulated CSR activities significantly impact the competitiveness of SMEs.

In a similar context, to analyze and investigate the CSR of SMEs, the European Union [55] provided a widely accepted classification that includes two dimensions. The internal dimension encompasses the management of human resources, the safety, health of employees, change adaptation, management of environmental impact, and care of the natural resources. The external dimension encompasses the support to local communities, suppliers, associates, and customers where the enterprise was settled, the respect of human rights, and the global environment. Besides, one of the most common and accepted classifications contributed to the scientific community proposed by [56], who suggested three dimensions. The social dimension included the relations with the stakeholders and the ethical behavior in companies. The environmental dimension comprised the influence of the firm's activities regarding the responsible use of natural resources. The economic extent which related to the financial expectations of the suppliers and responsible trade. However, based on the CSR multi-stakeholder perspective, this study considered a CSR measure that gathered items classified throughout four fundamental stakeholders: (i) Customers, (ii) Community, (iii) Employees, and (iv) Environment [17], [4], [37] [18], [40] and [47]. On the other hand, as analyzed in the previous section, to measure the competitiveness level of SMEs, this study focused on three key dimensions, including (i) Financial performance, (ii) Innovative performance, and (iii) Relational performance. Since the proposed research model, as shown in figure 1. Based on the theoretical background and the proposed research model, the following hypothesis was established:

*H<sub>1</sub>: Competitiveness level is strongly influenced by the CSR level.*

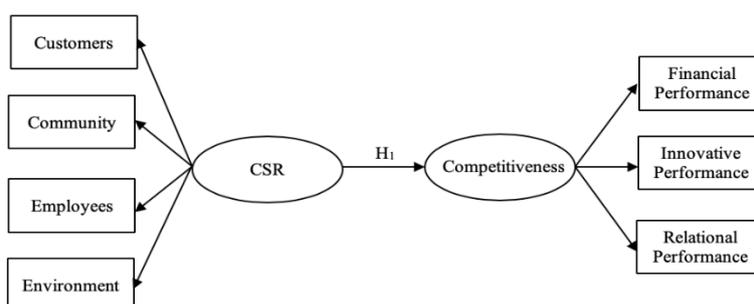


Figure 1. The proposed research model

## RESEARCH METHODOLOGY

### Sampling and data collection

To test the proposed research model, this study applied the deductive approach based on the quantitative technique. The objective of this method is to investigate the connection between CSR and competitiveness. The quantitative way was proper to test the correlation between independent and dependent variables [57]. The target population of our study was SMEs in Vietnam. We chose the survey method to collect the primary data because it was an economical and efficient approach to gather quantitative data concerned to a given population to generalize the result. A web-based survey, in combination with direct interviews, was applied to collect data from the sample. Our questionnaire was generated based on the literature, as shown in table 3 and appendix 1.

The study's questionnaire was created by the google-forms tool, which researchers regularly used for collecting data. The web-based questionnaires were distributed through E-mail platform to collect the primary data from the selected Vietnamese SMEs, based on the member list of the Vietnam Association of SMEs. Besides, the questionnaire was printed to conduct direct interviews at the companies that agreed to do the interview. One thousand three hundred sixty-six companies were contacted for participation. In total, 216 valid questionnaires were obtained, in which 110 questionnaires were conducted in direct interviews, yielding a response rate of 15.8 per cent. Most questions were measured through a seven-point Likert scale interval scale (1 = strongly disagree and 7 = strongly agree), since it had been broadly used in surveys conducted about CSR in SMEs [58].

The demographic data of the respondents is shown in Table 2. It shows that out of the 216 respondents (45.4%) were the joint-stock company (29.6%), other companies such as state-owned enterprises, multinational companies, and the rest were limited, partnership, and private companies. The majority of the respondents (64.8%) worked in the trade and service sector, (31%) worked in the industry and construction sector, and only (4.2%) worked in Agriculture, forestry, and fisheries sectors. Most of the companies (71.3%) that were contacted and interviewed are operated for more than nine years. A little less than one-ten (7%) are operated in less than three years while (21.8%) are operated between 3 to 9 years. A very high proportion (61.1%) of all surveyed respondents have more than 100 employees. Forty-seven of 216 companies did not disclose their turnover. (36.6%) were having a turnover of more than 200 billion VND, a little less than half of the respondents (41.7%) had a turnover of less than 200 billion VND.

**Table 2: Profile of respondents (N = 216)**

Item		Frequency	Percent
1. What is the form of your company?	Joint Stock Company	98	45.4
	Partnership	3	1.4
	Private business	11	5.1
	Limited company	14	6.5
	Limited company with 1 member	26	12
	Others	64	29.6
2. What is the business sector of your company?	Industry and construction	67	31
	Trade and services	140	64.8
	Agriculture, forestry and fisheries	9	4.2
3. How long has your company been running/operating?	Less than one years	3	1.4
	Between 1 and < 3 years	12	5.6
	Between 3 and < 9 years	47	21.8
	More than $\geq$ 9 years	154	71.3
4. Approximately how many employees are there in your company?	Between 1 and $\leq$ 10	22	10.2
	Between 11 and $\leq$ 50	36	16.7
	Between 51 and $\leq$ 100	26	12
	More than 100	132	61.1
5. What is the range of annual turnover in 2018 of your company?	Less than $\leq$ 3 Billion VND	12	5.6
	3 to $\leq$ 10 Billion VND	15	6.9
	10 to $\leq$ 50 Billion VND	30	13.9
	50 to $\leq$ 100 Billion VND	11	5.1
	100 to $\leq$ 200 Billion VND	22	10.2
	More than $\geq$ 200 Billion VND	79	36.6
	Not willing to disclose	47	21.8

### Data analysis procedure

This study used the Statistical Package for Social Science (SPSS) version 24 and the Analysis of Moment Structures (AMOS) software version 24 for data analysis, which was conducted to address the research questions, objectives, and hypotheses. Before conducting data analysis, the data preparation was done on the completed questionnaires by editing, coding, entering, and cleaning the data. Descriptive statistics such as the frequency, percentage, mean, standard deviation were used to summarize respondents' demographic characteristics. Then, the Pearson correlation coefficient was used to describe the correlations among the variables. Confirmatory factor analysis (CFA) was carried out to assess the validity of the measurement model, fitting, and modification.

Besides, Cronbach's Alpha was used to examine the reliability of the scale items. The overall model fit was assessed using five goodness-of-fit indices, including the chi-square /degree of freedom ( $\chi^2/df$ ) ratio, the comparative fit index (CFI), the Tucker-Lewis index (TLI), the Bollen's incremental fit index (IFI), the root means the square error of approximation (RMSEA). Then SEM was used to test the proposed hypotheses because of its ability to explain the relationships between unobserved constructs (latent variables) from observable variables [59].

### Instrumentation development and measures

The study's questionnaire was improved based on a comprehensive literature review related to the CSR and competitiveness factors. The questionnaire contains two sections. Section one collected participant and company background information of the respondents such as gender, a working position, educational attainment, work experience, form of enterprise, business sector, company age, company size, and annual turnover. Section two included questions designed to measure the study's variables by using a comparative seven-point Likert-type scale ranging from 1-7, in which (1 = strongly disagree, 7 = strongly agree). To some extent, this was crucial for conducting correlational or regression analysis, which was the method adopted by this study to test its hypotheses. The variables used in this research were assessed using multiple items from different studies in the existing literature.

The conceptual model is developed to investigate the relationship between CSR and the competitiveness of SMEs. For this purpose, CSR was viewed to be implemented through the lens of a multi-stakeholders framework [60]. Four principal stakeholder groups were identified and selected as supported by the literature, including Customers, Community, Employees, and Environment. Subsequently, seventeen items were adapted from the studies of [17], [18], and [4] to operationalize each sub-construct. Competitiveness level was operationalized by three factors: financial performance, innovative performance, and relational performance. Nineteen items were adapted from [53], [46], [49], [47], [61], and [40] to measure competitiveness level (table 6). Since there the questionnaire was translated into Vietnamese, a measurement model was assessed. Cronbach's alpha coefficient was used to examine the internal consistency of the scales where Cronbach's alpha coefficient for all the constructs ranges between 0.833 and 0.952, and it was considered acceptable which indicated that all the items were internally consistent. Table 3 shows detailed information regarding the variables, sources, number of the items, and Cronbach's alpha.

**Table 3: The study measures in regard to the variables, sources, and Cronbach's alpha**

Variables		Source	N of Items	Cronbach's Alpha
CSR	Customers	<i>Turker [17]</i>	4	0.879
	Community	<i>Turyakira et al. [4], [37]</i>	4	0.865
	Employees	<i>Battaglia et al. [18]</i>	4	0.833
	Environment	<i>Herrera Madueño et al. [40]</i> <i>Jain et al. [47]</i>	5	0.841
Competitiveness	Financial Performance	<i>Castro et al. [53]</i> <i>Yuen et al. [46]</i>	6	0.952
	Innovative Performance	<i>Reverte et al. [49]</i> <i>Jain et al. [47]</i>	5	0.908
	Relational Performance	<i>Martínez-Martínez et al. [61]</i> <i>Herrera Madueño et al. [40]</i>	8	0.914

## RESULTS

### Descriptive statistics

Table 4 has shown a descriptive analysis (mean and standard deviation) of the data and the correlation matrix among variables. The means score for all the constructs was between (5.152-6.015) and standard deviation (1.063-1.423), indicating a proper implementation of CSR practices and competitiveness of SMEs in Vietnam. Also, the results have shown that each of the constructs was positively and significantly correlated with each other.

**Table 4: Descriptive and correlation results**

	Mean	Std. Deviation	CUS	COM	EMP	ENV	FP	IP	RP
CUS	6.015	1.067	1						
COM	5.388	1.256	.565**	1					
EMP	5.785	1.113	.687**	.610**	1				
ENV	5.152	1.280	.396**	.553**	.528**	1			
FP	5.339	1.423	.518**	.481**	.465**	.420**	1		
IP	5.435	1.199	.503**	.401**	.516**	.384**	.549**	1	
RP	5.390	1.063	.560**	.620**	.629**	.583**	.631**	.621**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

CUS = Customers, COM = Community, EMP = Employees, ENV = Environment, FP = Financial Performance, IP = Innovative Performance, RP = Relational Performance. Measurement items used for calculation of the listed variables are explained in Appendix 1

### Measurement model

To assess the validity of the measurement model and to test the fitting of the data with the proposed model, confirmatory factor analysis (CFA) was used to evaluate the fitness of a measurement model. Table 5 presents the CFA index, including CMIN/df, IFI, TLI, CFI, and RMSEA. The outcomes concluded that the goodness-of-fit indicators of the two models are satisfied with the suggested threshold value by [62]; hence, they indicated good model fitness.

**Table 5: Index of confirmatory factor analysis of the two sub-models**

	CSR Model	CA Model
CMIN/df	1.997	2.357
IFI	0.949	0.95
TLI	0.937	0.939
CFI	0.948	0.95
RMSEA	0.068	0.079

### Reliability and Validity of Scales

As mentioned above, the AMOS 24 software was used to estimate convergent validity and discriminant validity. The reliability of the scales was evaluated using Cronbach's alpha coefficient as shown in table 3, Cronbach's alpha coefficient for all constructs ranges between 0.833 and 0.952, and it was considered acceptable, indicating that all the items were internally consistent [63]. There are three critical indicators to determine the convergent validity, including Factor loadings, Average Variance Extracted (AVE) and Composite Reliability (CR). Factor loadings, CRs and AVEs for convergent validity are presented in table 6. Most of the factor loadings equal to or greater than 0.6, and only item CSR17 has factor loading equal to 0.456, meaning these items can be maintained as suggested by Hair et al. [62]. CR values for all constructs ranged between 0.842 and 0.942, which were above 0.70, indicating that all the constructs had a good convergent validity as recommended by Gefen et al. [64]. AVE value for all the constructs was between 0.544 to 0.735, above the threshold value of 0.50, which was suggested by Hair et al. [62].

**Table 6:** Constructs evaluation

Constructs	Mesuament Items	Factor Loading	CR	AVE	P. Value
CUS	CSR1	0.841	0.885	0.659	0.000
	CSR2	0.885			0.000
	CSR3	0.82			0.000
	CSR4	0.687			0.000
COM	CSR5	0.681	0.868	0.623	0.000
	CSR6	0.791			0.000
	CSR7	0.838			0.000
	CSR8	0.837			0.000
EMP	CSR10	0.6	0.842	0.576	0.000
	CSR11	0.775			0.000
	CSR12	0.836			0.000
	CSR9	0.801			0.000
ENV	CSR13	0.818	0.852	0.544	0.000
	CSR14	0.829			0.000
	CSR15	0.791			0.000
	CSR16	0.728			0.000
	CSR17	0.456			0.000

**Table 6:** Constructs evaluation

Constructs	Mesuament Items	Factor Loading	CR	AVE	P. Value
FP	FP1	0.603	0.942	0.735	0.000
	FP2	0.887			0.000
	FP3	0.831			0.000
	FP4	0.941			0.000
	FP5	0.871			0.000
	FP6	0.962			0.000
IP	IP1	0.748	0.906	0.661	0.000
	IP2	0.82			0.000
	IP3	0.737			0.000
	IP4	0.924			0.000
	IP5	0.822			0.000
RP	RP1	0.655	0.908	0.554	0.000
	RP2	0.63			0.000
	RP3	0.663			0.000
	RP4	0.776			0.000
	RP5	0.732			0.000
	RP6	0.809			0.000
	RP7	0.764			0.000
	RP8	0.888			0.000

Discriminant validity was assessed by using a new set of criteria for discriminant validity assessment in variance-based SEM, the heterotrait-monotrait ratio of correlations (HTMT) criteria, which was based on a comparison of the heterotrait-heteromethod correlations and the monotrait-heteromethod correlations, identified

a lack of discriminant validity effectively, as evidenced by their high sensitivity rates, that supported by Henseler et al. [65]. The results in table 7 indicated that the measurement model shows good construct validity and desirable psychometric properties.

**Table 7: Discriminant validity of the constructs**

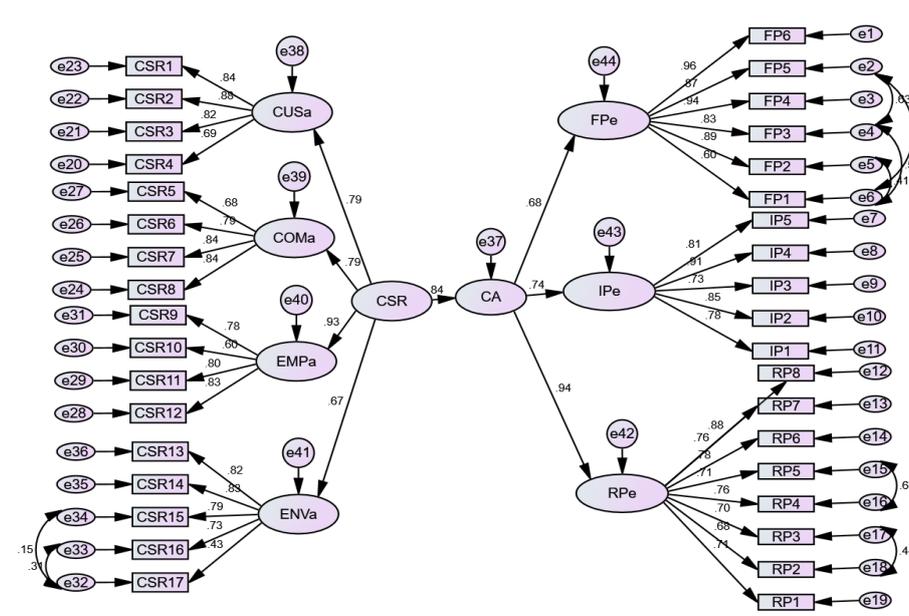
	FP	IP	RP	CUS	COM	EMP	ENV
FP							
IP	0.591						
RP	0.678	0.685					
CUS	0.568	0.564	0.634				
COM	0.531	0.453	0.698	0.648			
EMP	0.524	0.597	0.721	0.805	0.718		
ENV	0.457	0.434	0.658	0.466	0.636	0.639	

**Structural Equation Model**

Structural equation modeling was used to test the hypothesized model. The results of the proposed structural model show the good fit (CMIN/df=2.330, IFI=0.883, TLI= 0.871, CFI=0.882, RMSEA=0.079). The results, presented in (Figure 2 and Table 8) indicated that CSR practices significantly impacted on competitiveness (β=0.836, p<0.001), the hypothesis H1 was supported.

**Table 8: SEM results from the proposed research model**

Hypothesis	Path	Beta Coefficient	P. Value	Result
H1: Competitiveness level is strongly influenced by CSR level	CSR → CA	0.836	0.000	Supported



**Figure 2: The SEM model analysis**

## CONCLUSIONS AND RECOMMENDATIONS

Due to limited studies in the literature, there was still no standard framework for evaluating the relationship between CSR and competitiveness, and most companies adopted CSR approaches that were more reactive than proactive. Therefore, this study had proposed a causal model that explained the links between CSR factors and the competitiveness level of SMEs, then investigated the possible relations between them. The main findings of this study as following.

Firstly, based on the various theoretical CSR and competitiveness factors, this study proposes a new way to evaluate the relationship between CSR and competitiveness, adapted to SMEs. Along with a scale that was initially suggested by Turker [17], this research provides Vietnamese managers with an alternative tool for learning how to embrace and evaluate CSR: a CSR and competitiveness scale. Based on stakeholder theory, this scale can be considered a guideline that involves 17 socially responsible practices with four fundamental stakeholders: customers, community, employees, and environment. So, it provides an essential step in gaining insights into specific CSR factors that influenced the competitiveness of SMEs.

Secondly, the findings of this study have been confirming the positive relationships between CSR factors and the competitiveness level of SMEs, which is in line with the opinion of, Turyakira et al. [4], Castro et al. [53], Battaglia et al. [18], and Herrera Madueño et al. [40]. We also found that the highest correlation was the employee factor for which the interaction with the competitiveness variables was significant than the other CSR factors. On the contrary, the environment factor has the lowest correlation between the interaction with the competitiveness variables. A partial explanation for this lies in the fact that the interviewed Vietnamese SMEs are more than half of them operating in the trade and services sector, where the employee factor is the most important one. Employees are the ones who directly provide the services. Besides, the Vietnamese SMEs' absence of budgetary and specialized assets to use social duty benchmarks and focus more on augmenting benefits than on social obligation [7].

Finally, as a result, we could conclude that the enterprises that apply CSR could improve its competitiveness level. SMEs need to use and integrate CSR into their business strategies, which set them apart from their competitors and keep their competitiveness in their marketplace. The priority management of employee issues contributes more to the achievement of competitiveness than customer and community activities, especially the development of activities related to the environment.

### *Theoretical and managerial contributions of the study*

Regarding the theoretical contribution, this study provides a research model for empirical literature in CSR and SMEs' competitiveness. Especially, this study developed a model to investigate the direct connection between CSR and competitiveness levels of SMEs. Base on a multi-stakeholder perspective, CSR was measured by gathers items grouped around four key stakeholders: (1) Customers, (2) Community, (3) Employees, and (4) Environment; and the firm competitiveness levels were measure by three principal dimensions: (1) Financial performance, (2) Innovative performance, and (3) Relational performance.

The results from a SEM approach had confirmed the hypothesized relations. The results have shown that CSR practices significantly impacted on competitiveness levels of SMEs in Vietnam. Therefore, the empirical findings of this study have potential significance to fill the gap in the literature.

Besides the theoretical contributions, this study provides practical implications for SMEs management; the present study provided significant insight and demonstrated a good understanding of CSR practices and competitiveness levels in the interviewed Vietnamese SMEs context. The findings of this study can help decision-makers design their CSR practices to increase their firm's competitiveness. The study will bring management closer to understanding the competitiveness impact of CSR at SMEs to address rapidly changing environments, in turn, support makes decisions within the organization that can enhance their company's competitiveness.

### *Limitations and future research*

Despite the theoretical and managerial contributions, this study had some limitations that need to be highlighting. First, the findings of this study were limited to the interviewed Vietnamese SMEs context so that we couldn't generalize our results to other countries and other businesses framework; as a consequence, more research will be needed in this area. Second, the analysis considered correlations between competitiveness

variables and CSR practices, without considering whether the directions of the emerging correlation as significant nor analyzing the nature of these correlations. Therefore, more research and new specific hypotheses should be tested to clarify the characteristics of the essential connections that emerged. Third, even when there was much empirical research, it would be crucial to understand the differences and similarities when implementing CSR in different sizes, especially with various economic activities in future studies. Furthermore, in future studies, it would be interesting to determine what would happen with the SMEs' competitiveness levels if enterprises only emphasized one of CSR factors: customers, community, employees, or environment.

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## APPENDIX: LIST OF MEASUREMENT ITEMS

### CORPORATE SOCIAL RESPONSIBILITY

#### 1. Customer

- CSR1. Clear and accurate information  
 CSR2. Quality assurance criteria  
 CSR3. Value to customers  
 CSR4. Resolve customer complaints in a timely manner

#### 2. Community

- CSR5. Companies recruitment and purchasing policies that favor the local communities  
 CSR6. Involvement in a project(s) with the local community  
 CSR7. Employees volunteer on behalf of the firm  
 CSR8. Donate to charity

#### 3. Employee

- CSR9. Commitment towards the health and safety of employees  
 CSR10. Work/life balance among employees  
 CSR11. Encourage employees to develop real skills and long-term careers  
 CSR12. Activities for employees benefit

#### 4. Environment

- CSR13. Pollution reduction  
 CSR14. Energy conservation  
 CSR15. Recycling and waste management  
 CSR16. Environmentally friendly packaging/containers  
 CSR17. ISO certification

### COMPETITIVENESS

#### 1. Financial performance

- FP1. Change in sales revenue of the company  
 FP2. Satisfaction with the change in sales revenue  
 FP3. Change in the profit margin of the company  
 FP4. Satisfaction with the change in profit margin  
 FP5. Change in return on assets of the company  
 FP6. Satisfaction with the change in return on assets

#### 2. Innovative performance

- IP1. Our company has introduced new or substantially improved products/services in the last two years  
 IP2. Our company has introduced innovations and improvements in production processes, logistics or distribution in the last two years  
 IP3. Our company has introduced innovations in information and communication technology systems by intensifying the company's presence on the Internet and social networks  
 IP4. Our company has introduced innovations in labor-management and organizational structure in the last two years (i.e., knowledge management, supply chain management, quality management systems, business process re-engineering, etc.)

IP5. Our company has introduced innovation in marketing methods in the last two years (i.e., product design, distribution, promotion policies, etc.)

**3. Relational performance**

RP1. Relations with customers

RP2. Customer loyalty

RP3. Relations with suppliers

RP4. Employee satisfaction

RP5. The loyalty and morale of employees

RP6. The owners and investors satisfaction

RP7. Relations with its local community and environment

RP8. The company image