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The impact of CSR on organizational performance: Cases of SMEs in Ho Chi Minh City

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Abstract

This paper studies the impact of CSR on organizational performance in SMEs in Ho Chi Minh City. By clarifying the issues of the theoretical basis, the author has analyzed the practice, studied this impact through the mediating

variables of organizational cohesion and creative behavior. Since then, the article has made implications for improving organizational performance through improving CSR-related work.

Keywords: CSR, Organizational Performance, SMEs, Vietnam

1. Introduction

In the past few years, social responsibility is an issue that economic and social organizations pay much attention to, especially in developed countries, the government there has paid attention to the risks that can be caused by foreign investment. Besides, industrial development in the past time is said to have adversely affected the economic environment and caused social evils.

The development of globalization has contributed to the promotion of social responsibility in developing countries, restructuring areas such as national business systems, finance, politics, education, and at the same time, culture and social responsibility in multinational companies. This is an urgent issue because in these countries, economic, environmental and social problems can be mentioned such as unsecured human rights, resource depletion, environmental pollution and other problems.

In their goals and activities, business organizations need to focus their strategic planning on business operations and profitability, some examples are differentiation, diversity, focus and globalization. Recently, business organizations also have the desire to expand their business activities into social activities, this is an urgent job and plays a significant role in the strategic thinking of organizations, especially at the top level of the organization. Through a number of studies, the results show that “the implementation of corporate social responsibility (CSR) brings many competitive advantages to enterprises.

Small and medium enterprises (SMEs) have limitations in terms of capital, revenue or labor. Based on those characteristics, SMEs are classified into three types, respectively, which are micro enterprises, small enterprises and medium enterprises. In Vietnam, “SMEs have always played an important role in the economy with the majority of the number when accounting for approximately 97% of the total number of operating enterprises, contributing about 45% to the Gross Domestic Product (GDP) more than 30% of the total state budget revenue”. Along with the increasing number of SMEs, they have been strongly promoting industry restructuring through attracting labor from the agricultural sector, investing in niche markets, focusing on promoting business development and create many job opportunities. Thereby, SMEs have shown their important role and significant contributions to promoting the whole economy to transform and take off.

There are many problems that occur, which can be mentioned are environmental problems, natural resource problems, social policies, human resources, economic crisis. Countries around the world The world has implemented many policies as well as stipulating legal responsibilities to compel businesses, production and business organizations to comply in order to limit problems. However, to maintain and achieve high efficiency, it is necessary to have cooperation from the parties. And activities related to CSR is one of the solutions to help solve these problems.

Despite contributing much to the country's economy, in the face of international integration, SMEs are always under competitive pressure from inside and outside before larger-scale enterprises from both inside and outside. water. In the context that Vietnam is increasingly participating in deep and wide trade with the international market, it further promotes compliance with regulations on business ethics, social responsibility, environmental responsibility as well as sustainable development. sustainable for SMEs. However, Vietnamese enterprises, especially SMEs, do not often seem to show interest in the above issues.

CSR activities in Vietnam have only received the attention and focus on implementation of large enterprises and corporations, while SMEs have not yet received much attention. There are very few studies on CSR conducted targeting SMEs in Vietnam. Furthermore, previous studies on social responsibility in Vietnam have only been interested in studying the impact on organizational performance, without considering and evaluating through the component of employee engagement with the organization. organization and creative behavior at work, while these are two factors that are considered as important and key to helping SMEs bring breakthrough capabilities for development. In the economy of science and technology, creativity and breakthroughs are essential to help businesses get new ideas, thinking, and bring high profits.

In the past time, CSR was only implemented in large enterprises, multinational corporations, joint stock enterprises or hiring foreign managers. Ho Chi Minh City (HCMC) is famous for the busiest and most exciting business activities in Vietnam, most of them have not approached nor have the concept and interest in the concept of CSR. While in the world, especially in developed countries, CSR has been implemented very well and very effectively.

2. Theoretical Basis

Zahra and LaTour (1987): “study of the potential link between CSR and organizational performance. Using factor analysis, the eight factors of CSR (including the need for government regulation on business, obligations to the public, corporate and social material greed, optimism about the economic outlook) and corporate social participation, importance of philanthropy, need for eco-policy, need for ethical standards, religious awareness) and the three components of organizational effectiveness (including entrepreneurship, public demand, profit and growth)”. The research results show that the factors related to CSR affect the components of corporate performance.

Shalley and Gilson (2004) [44]: “study the factors that promote or hinder the creativity of employees at the individual, work, team and organizational levels. Specifically, the authors consider the role of leadership and the use of different human resources to develop creativity at work.

Jong and Hartog (2010) [21]: “developing a scale of creative behavior at work discovered that the concept of creative behavior at work includes the ability to discover, create, protect and implement ideas thought; besides, it is also influenced by leadership factors and external work; and then it affects work output.”

Conducted preliminary survey research with 81 subjects and followed by Exploratory Factor Analysis (EFA) and multivariate regression analysis based on survey data collected from 703 knowledge staff. knowledge at 94 knowledge-intensive service companies. Analysis results to ensure the reliability and suitability of the model have been proposed.

Ali *et al* (2010) [4]: “research on CSR in describing its effects on corporate financial performance or consumer behavior. Research and analyze the multi-faceted influence of CSR on employee's organizational commitment and organizational performance. Perform exploratory factor analysis by collecting 371 data from experts working in different fields in Pakistan. Structural Equation Model (SEM) was used to

test the hypotheses. Research shows that CSR actions and employee organizational commitment, CSR and organizational performance, employee organizational commitment and organization performance exist a significantly positive relationship.

Mura *et al.* (2012) [36]: “research and empirically test the theoretical model linking knowledge resource aspects with creative behavior at work of employees and associated with knowledge sharing behavior. knowledge among employees working at health institutions in Italy”. The survey was used to collect data from 135 employees of three healthcare organizations. The results of SEM model analysis show that knowledge resources are beneficial to creative behavior through knowledge sharing among employees. These findings contribute to the understanding of how behavioral factors work in organizations, highlight the relevance of the micro-foundation of continuous improvement, and also suggest some guidance for managers. management to promote creative work behavior of employees.

Mehralian *et al.* (2016) [33] have: “studied how the relationship between CSR and total quality management TQM affects organizational performance. Using the SEM structural equation model with 933 survey questionnaires sent to pharmaceutical companies in Iran, the analysis results show that CSR is significantly related to the integration into quality management programs. And quality management has a significant and positive effect on organizational performance.” The results show that there is an indirect relationship between CSR and organizational performance that is mediated by the quality management component. Managers can improve stakeholder relationships and enhance organizational effectiveness if CSR for stakeholders is integrated with operational processes.

Mensah *et al* (2017) [34]: “research to evaluate the effect of CSR engagement on employees' commitment to their organizations. Using questionnaires, data from 145 employees of 50 banks were collected across Ghana. The study found a positive relationship between CSR commitment and employee commitment. Commitment to CSR explains 54.1% of the variation in employee commitment. However, this relationship is not significant when education level and number of years working at the bank are controlled. Gender did not affect this relationship. This result affects decision-making regarding the planning and implementation of CSR strategies in organizations”. Finally, the research results show that if an organization pays special attention to employee welfare, it will receive employee commitment and organizational development.

Kim *et al* (2018) [23]: “reviewed how CSR affects employee attitudes. Specifically, the authors hypothesize that CSR awareness will enhance employees' organizational commitment through job meaning and perceived organizational support. To test this hypothesis, the authors surveyed 378 employees working for Korean businesses. Research results show that the meaning of work and awareness of organizational support act as a bridge to mediate the relationship between CSR and organizational commitment. This finding suggests that the practice of CSR can be a positive investment in improving employee attitudes, rather than merely a corporate responsibility.

Ling (2019) [26]: “examine the impact of CSR and knowledge management on organizational performance. Using SEM structural analysis with a sample of 170 enterprises operating in Taiwan, the author confirms the

positive influence of CSR on organizational performance and the regulatory role of knowledge management among CSR and organizational effectiveness”.

Latif *et al* (2020) ^[25]: “studying the outcome mediating role of QCC quality group on the relationship between CSR and organizational performance. The study also used the SEM linear structural model to examine the impact based on 225 employees operating in the cement industry. The results show that CSR has a very significant direct impact on organizational performance and an indirect impact through the mediation of the quality group.

3. Research Results and Discussion

Impact of Social Responsibility on Organizational Performance

The results represent the view that the implementation of new management practices presents many challenges, and one of them is the extent to which the new practices facilitate the achievement of short-term and long term organizational goals. In this view, the implementation of corporate social responsibility is seen as a corporate strategy to gain competitive advantage, which is reflected in the differentiation of the company from its competitors by emphasizes the consistency of performance with social expectations.

Implementing CSR to comply with social expectations can lead to success in increasing company awards, sales and reputation.

Despite the fact that CSR enables organizations to fulfill their stakeholder obligations, these results do not clearly indicate whether companies with complex CSR programs are financially and strategically beneficial. For example, there are contradictions about the relationship between CSR and organizational performance. For example, it is still possible to find a negative relationship between CSR and organizational performance, and this is argued by firms that are at a competitive disadvantage by spending resources on CSR. And besides, there may not be a link between CSR and financial performance.

In summary, no matter how the relationship of CSR and organizational performance is measured and built into the correlation, it is always expected that having good ethics is good business.

The results of this study are similar to the studies of Valiente (2012) ^[49], Márquez and Fombrun (2005) ^[30], Brammer (2006) ^[9], Mc Williams (2006) ^[32], Beurden and Gössling (2008) ^[7], Vázquez and Hernandez (2014) ^[50] in expressing shows the positive influence of corporate social responsibility on organizational performance.

Impact of Social Responsibility on Business Benefits

Indeed, balancing the interests of stakeholders is set as a key content in corporate governance. In which, each stakeholder has a specific interest to different degrees with respect to the economic, legal, ethical, and philanthropic responsibilities of the business.

To the extent that this result represents, business benefits that can be considered include the ability to attract and retain employees, the reputation of the business, and the ability to access resources (capital, people), which are the non-financial benefits of the business. The aim of CSR is not always financial and money. In the era of market economy, managers often define goals for customer satisfaction and loyalty or company image or some other

criteria. However, the majority of managers do not realize or do not recognize the contribution of these interest components and they are often ignored in the goals and operational strategies of the business. Sometimes there are also preliminary perceptions but not enough motivation and knowledge to conduct research, understand, measure and evaluate them. Or the financial benefits are too great for these benefits.

The results of this study are similar to those of Cung & Duc (2009), Freeman (1984), Schmidt *et al.* (2004) ^[42], Arlow and Gannon (1982), Quinn (1997), Mintzberg (1983), Peterson (2004) ^[38] in the use of indicators related to non-financial benefits in studying the relationship with CSR as well as the effectiveness of enterprises with stakeholders.

The influence of Social Responsibility on Creative behavior at work

This result reinforces the view that in today's volatile and uncertain business environment, innovation is the main resource and strategic means for businesses to differentiate themselves. clearly compared to its competitors and secure its competitive edge in a competitive society.

Besides, in the face of increasing diversification in customer needs and increasingly fierce competition among businesses, the efforts of the members of the organization are essential. There can be many methods and related factors that can be applied to achieve innovation in production or services, but the method that is considered to be most effective is to promote innovative behavior at work.

From there, there is a basis to affirm that innovative and creative behavior at work is positively affected by CSR activities from the results of the research. More specifically, value creation and CSR activities will have a positive impact on business operations through the ability to innovate. The higher the job engagement, the higher the job satisfaction, which will eventually lead to productive behaviors. It should be noted that the employee's authenticity and volunteering act as a mediator in this relationship.

This research result is similar to the studies of Park (2020) ^[37] and Afridi *et al* (2020) ^[1] in confirming the view that there is a positive relationship between social responsibility and creative behavior at work.

Effect of Business Interests on Organizational Engagement and Creative Behavior

This view raises the important note that CSR and benefits exist in a relationship that helps inform decision making, planning and implementing CSR strategies in an organization. Since then, integrating CSR strategies with human resource policy and admitting that giving much attention to employees' interests is a difficult job to promote their commitment. Therefore, to promote organizational effectiveness, management will have to increase and maximize employee involvement in CSR. This result coincides with the conclusions of Liu (2011) ^[27], Ali (2010) ^[4] and Mowday (1982).

The results demonstrate that paying special attention to employees' interests and maintaining their commitment to the organization is an important component in the process of promoting employee performance and effort. Since then, business benefits, employee benefits create motivation, a favorable premise for employees to freely explore and create ideas, contribute endless inspiration to the business activities of the organization, the enterprise will be able to create a

new source of inspiration. Karma. This result coincides with the conclusions of authors Mura (2012)^[36], Liu (2011)^[27], Ali (2010)^[4].

Impact of Organizational Engagement on Creative Behavior and Organizational Performance

The results confirmed the view that organizational cohesion helps employees to immerse themselves in the development of the organization, their dedication to the organization will promote creative behavior of work to bring more efficiency. Specifically, job engagement affects employee engagement. The exchange between leaders and members, and the participation in the work is the basis of creative work behavior, on the other hand it helps to expand the research possibilities in the field of exchange. This view coincides with the results of Agarwal (2012)^[2].

An example of the validity of this result is that hospitals in the UK reported better financial performance when staff were actively involved in hospital operations. Indeed, organizational commitment is a variable that directly affects organizational performance and it is expected that employee engagement level will be positively related to hospital performance. The view that this result clearly demonstrates is the positive impact of employee organizational commitment on individual and organizational performance has been recognized by many researchers. Engaged employees are committed to their employers, satisfied with their jobs, and willing to put in extra effort to achieve organizational goals as a requirement for achieving performance High. The results of this study are similar to those of West (2001)^[52], Guleryuz (2008)^[12], Takeuchi (2009)^[47] and Lowe (2012)^[28].

This result shows that, creative behavior at work is expressed through the intentional introduction of new ideas and processes that are useful and highly applicable, which can be applied to work. organization's. Innovative behaviors that take place voluntarily generate new ideas that will help improve the organization's performance. It is important that innovative behavior at the individual level focuses on the leadership role of members in relation to the tasks for which they are responsible, as distinguished from innovative behavior at the organizational level. office. This result is consistent with the research of authors Mura (2012)^[36], Mensah (2017)^[34] and Kim (2018)^[23].

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