

SOCIAL RESPONSIBILITY AFFECTING OPERATIONAL EFFICIENCY: A CASE OF ENTERPRISES IN HO CHI MINH CITY

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ABSTRACT

Corporate social responsibility is no longer a new concept for the Vietnamese enterprise community. However, social responsibility activities in most enterprises are only understood as charitable contributions, community sharing or voluntary corporate social work. Therefore, the article main objective is to find out factors impacting the enterprises' operational efficiency in Ho Chi Minh City (HCMC). The researchers surveyed 800 leaders who managing enterprises in HCMC. The researchers had used random sampling method. The article had tested Cronbach's Alpha, the exploratory factor analysis (EFA), confirmatory factor analysis (CFA) and Structural Equation Modelling (SEM). The article had used questionnaire on a 5-point Likert scale. Finally, social responsibility factor affecting the enterprises' operational efficiency in HCMC with significance level 0.01.

Keywords: Social Responsibility, Operational, Efficiency, Enterprise, UEH.

INTRODUCTION

In Vietnam, the implementation of corporate social responsibility is still considered an action to solve social issues for charitable and humanitarian purposes. Meanwhile, social responsibility in general must be understood as the way that an enterprise achieves the balance or combination of economic, environmental and social requirements. At the same time, social responsibility meets the expectations of shareholders and partners. The way businesses interact with shareholders, workers, customers, suppliers, governments, non-governmental organizations, international organizations. Besides, social responsibility is always considered a key feature. Enterprise performs social responsibility and affirms their brand in society. Therefore, accompanying the development of the country is not only a responsibility but also a benefit for businesses, thereby creating human values (Adeyanju, 2012).

Moreover, in the regulations and criteria for awarding awards of the Corporate Social Responsibility Award since 2009 proposed by the Vietnam Chamber of Commerce and Industry (VCCI). In addition, the implementation of corporate social responsibility has two labour area and the environment which also sets the criteria doing business with operational efficiency. The good implementation of corporate social responsibility is investment in long-term business strategy and sustainable growth of enterprises.

In recent years, Vietnam has been many enterprises to implement social responsibility, thereby creating a brand. Since 2005, Vietnam has received the award of Corporate Social Responsibility towards Sustainable Development organized by VCCI, Ministry of Labour, War Invalids and Social Affairs, Ministry of Industry and Trade and religious organizations. VCCI honours enterprises that well perform social responsibility in the context of integration. Based on

above mentioned things, the researchers study social responsibility factor affecting the enterprises' operational efficiency in HCMC in order to improve operational efficiency.

LITERATURE REVIEW

Operational Efficiency (BP)

Business is the implementation of some or all of the stages of the process from production investment to consumption or provision of services on the market for profit-making purposes. All of enterprises are most concerned about operational efficiency (Post, 2003). Effective business production helps enterprises survive and develop. Under the ultimate goal, operational efficiency is synonymous with profit categories which is the difference between the results obtained and the costs spent to achieve that result (Agnes, 2015). Besides, it is also said that operational efficiency is an economic category in depth, reflecting the level of exploitation of resources and the level of resource costs in the reproduction process to achieve the goal. The effectiveness of operations depends on the level of organization of production and management of each enterprise. In addition, corporate social responsibility is positively correlated with the performance of corporate finance when using return on assets (ROA), return on equity (ROE), return on sales (ROS) and gross on sales (GOS) (Arvidsson, 2010). In the article, the authors focus on analysing the operational efficiency in the production and business activities of enterprises affected by the implementation of corporate social responsibility. In particular, it is to evaluate the financial performance of enterprises, managers and investors often pay attention to the above mentioned indicators (Torugsa et al., 2014).

Business Benefits (BB)

Most enterprises are very interested in and accept positive business results and easily measure them through financial indicators such as: cost savings, revenue growth, cash flow increase or increase profits (Bebbington et al., 2008). However, many other enterprises think that measuring financial indicators and clearly not taking into account the non-financial criteria are called specific business benefits: customer satisfaction, employee engagement, risk reduction, branding, service quality, corporate image and racial definitions for costs and benefits (Servaes et al., 2013). Business benefits can be defined as the result of actions or decisions that contribute to meeting business goals. This definition caters well to many enterprises plans and business analytics needs (Brammer et al., 2015). Determining business benefits on business objectives provides a realistic basis for measuring, pricing and comparing both financial and non-financial benefits. Business benefits have a positive impact on the operational efficiency of the enterprises. Therefore, the following hypothesis built.

Hypothesis H1: Business benefits have a positive impact on the enterprises' operational efficiency in HCMC.

Corporate Social Responsibility (CSR)

Corporate social responsibility is a concept that encompasses many different concepts such as business ethics, charitable businesses, corporate citizenship, sustainability and environmental responsibility (Scholtens, 2013). It is a dynamic concept and is always challenged in each specific economic, political and social context (Brammer, 2015). The concept is

comprehensive because placing economic responsibility as the foundation not only satisfies both the need for a representation theory in corporate governance, but also solves doubts about honesty in Corporate social responsibility programs. In this article, the approach of research is that the concept of corporate social responsibility carried out through stakeholders is most appropriate according to the above arguments (Cramer, 2003). Social responsibility has a positive impact on the enterprises' operational efficiency and business benefits (Servaes et al., 2013). Therefore, the following hypothesis built.

Hypothesis H2: Social responsibility has a positive impact on the enterprises' operational efficiency in HCMC.

Hypothesis H3: Social responsibility has a positive impact on the business benefits of the enterprises in HCMC.

Leadership (LE)

Leadership is a process in which one influences other persons to accomplish a goal, and the same time moves the organization towards cohesion. In addition, people often define leadership as a process whereby an individual influences a group of other individuals to achieve a common goal. Leadership is defined as the behaviour of an individual when participating in the direction of a group's activities (Lindgreen & Swaen, 2010). Leadership is seen as a relationship to develop the organization's common goals and leadership is the ability to influence the overall effectiveness of the team. Leadership is thought to influence people towards the common goal. (Lindgreen & Swaen, 2010) defines leadership as leadership that engages employees to accomplish certain goals that represent the values and motivations, desires and needs, aspirations and expectations of employees. When leading the concept of leadership into a research model because the implementation of social responsibility will be initiated and practiced from the leadership, the leadership responds and arouses the implementation of corporate social responsibility (Vinko Lepojevic, 2015). It is very important for an enterprise to carry out its corporate social responsibility to its stakeholders. Thus, the author's research expects leadership to have a positive impact on corporate social responsibility, business benefits and the enterprises' operational efficiency (Bernal-Conesa et al., 2017). Therefore, the following hypothesis built.

Hypothesis H4: Leadership has a positive impact on the social responsibility of the enterprises in HCMC.

Hypothesis H5: Leadership has a positive impact on the business benefits of the enterprises in HCMC.

Hypothesis H6: Leadership has a positive impact on the operational efficiency of the enterprises in HCMC.

Research model (Figure 1 (Source: Researchers proposed)) for factors affecting the operational efficiency of the enterprises in HCMC.

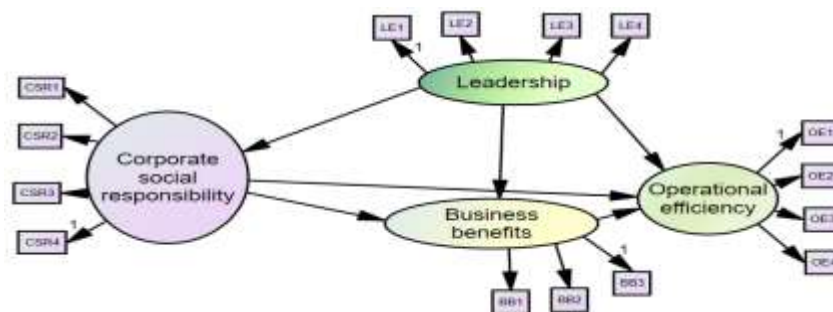


FIGURE 1
RESEARCH MODEL FOR FACTORS AFFECTING THE OPERATIONAL
EFFICIENCY OF THE ENTERPRISES IN HCMC

METHODS OF RESEARCH

The research process (Figure 2 (Source: Researchers proposed)) for factors affecting the operational efficiency of the enterprises in HCMC.

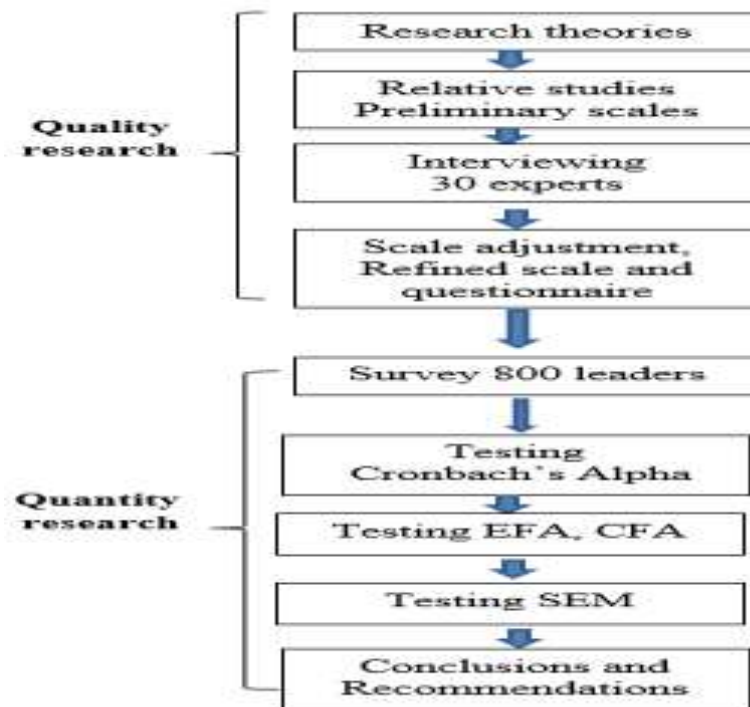


FIGURE 2
RESEARCH PROCESSING FOR FACTORS AFFECTING THE OPERATIONAL
EFFICIENCY OF THE ENTERPRISES IN HCMC

When we are mentioning corporate social responsibility which is still a concept that has not been extensively studied in Vietnam, especially in HCMC. This issue has found a research gap that is the relationship between corporate social responsibility and the operational efficiency of the enterprises. Thus, finding this relationship is really a useful contribution to the research theory of corporate social responsibility and also in the practice of corporate social responsibility and operational efficiency. Research processing has three steps following: Step 1: The researchers find out theories, relative studies to have preliminary scales. And then, Used the expert methodology to interview 30 experts understanding about management to improve the scale and design of the questionnaire. The results of surveying 30 experts are to create a questionnaire for surveying. Step 2: The researchers tested a reliability scale with Cronbach's Alpha, EFA and CFA. The researchers surveyed 800 leaders who managing enterprises in HCMC. There are 15 items, 785 samples processed and data collected from July 2018 to July 2019 in Ho Chi Minh City. The researchers got simple random sampling technique and having 20 minutes for the survey. All data collected from the questionnaire are coded, processed by SPSS 20.0 and Amos. This method is based on the Eigenvalue, the appropriate factorial analysis

and the observed variables in the whole which are correlated when Average Variance Extracted is $> 50\%$, the KMO coefficient is within 0.5 to 1, Sig coefficient $\leq 5\%$, the loading factors of all observed variables are > 0.5 . In addition, the researchers tested exploratory factor analyses (EFA) were performed (Hair et al., 1998). Step 3: the researchers performed CFA and model testing with Structural Equation Modelling (SEM). Researchers specify the number of factors required in the data and measured variable is related to latent variable. Confirmatory factor analysis (CFA) is a tool which used to confirm or reject the measurement theory. The purpose of CFA helps to clarify: (1) Unilaterality, (2) Reliability of scale, (3) Convergence value, and (4) Difference value. A research model is considered relevant to market data if Chi-square testing is $P\text{-value} > 5\%$; $CMIN/df \leq 2$, some cases $CMIN/df$ may be ≤ 3 or < 5 (Hair, Anderson, Tatham, & Black, 1998); $GFI, TLI, CFI \geq 0.9$. According to recent theories and studies, GFI is still acceptable when it is greater than 0.8; $RMSEA \leq 0.08$. The tested results must also ensure the synthetic reliability > 0.6 ; Average Variance Extracted must be greater than 0.5 (Hair et al., 1998).

RESEARCH RESULTS

The scale reliability tests for factors affecting the operational efficiency of the enterprises in HCMC

Items	Content	Cronbach's Alpha if Item Deleted
CSR1	Enterprise reduces waste and recycle materials and scrap	0.957
CSR2	Enterprise creates a safe working environment and health care for workers	0.968
CSR3	Enterprises supply quality customer service	0.968
CSR4	Enterprises give priority to recruiting local workers, especially people with disabilities	0.955
Cronbach's Alpha for corporate social responsibility (CSR)		0.971
LE1	Leaders build ethical visions	0.890
LE2	Leaders care about people and relationships in the organization	0.889
LE3	Leaders have problem-solving skills such as confidence, initiative, experience...	0.904
LE4	Leaders understand the changing of business environment such as policy, technology...	0.878
Cronbach's Alpha for leadership (LE)		0.915
BB1	Create motivation of employees such as enthusiasm, responsibility, effective work	0.948
BB2	Enterprises increase the number of loyal customers and staffs	0.899
BB3	Enterprises are easy to get capital from investors	0.946
Cronbach's Alpha for business benefits (BB)		0.953
OE1	Enterprises have the growth of return on sales (ROS)	0.808
OE2	Enterprises have the growth of return on total asset (ROA)	0.755
OE3	Enterprises have the growth of return on total equity (ROE)	0.786
OE4	Enterprises have the growth of gross on sales (GOS)	0.697
Cronbach's Alpha for operational efficiency (OE)		0.811
(Source: The researchers' collecting data and SPSS 20.0)		

Table 1 showed that all of 15 variables surveyed Corrected Item-Total Correlation greater than 0.3 and Cronbach's Alpha if Item deleted greater than 0.6. Cronbach's Alpha is very

reliability for corporate social responsibility (0.971>0.6); Cronbach's Alpha for leader (0.915>0.6); Cronbach's Alpha for business benefits (0.953) and Cronbach's Alpha for operational efficiency (0.811>0.6).

Com.	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.556	43.708	43.708	6.556	43.708	43.708	5.419
2	2.931	19.539	63.247	2.931	19.539	63.247	3.506
3	1.647	10.978	74.224	1.647	10.978	74.224	3.985
4	1.136	7.576	81.800	1.136	7.576	81.800	4.897
5	.624	4.159	85.959				
...				
15	0.047	0.314	100.000				

(Source: The researchers' collecting data and SPSS 20.0)

Table 2 showed that extraction sums of squared loadings of cumulative % is 81.800% (>60%) and initial eigenvalues is 1.136 (>1). This result is suitable for CFA.

Code	Component			
	1	2	3	4
CSR2	0.974			
CSR1	0.973			
CSR4	0.966			
CSR3	0.893			
LE4		0.931		
LE1		0.910		
LE2		0.879		
LE3		0.855		
BB3			0.859	
BB2			0.829	
BB1			0.817	
OE2			0.673	
OE4				0.981
OE1				0.964
OE3				0.864
Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.862				
Bartlett's Test of Sphericity; Sig. is 0.000				
(Source: The researchers' collecting data and SPSS 20.0)				

Table 3 showed that KMO coefficient is 0.862 and the level of significance (Sig) is 0.000. Result showed that there are four components. Extraction sums of squared loadings are percent of variance coefficient that is 81.800 percent with the level of significance (Sig) is 0.000.

Table 4 COEFFICIENTS FROM STRUCTURAL EQUATION MODELLING (SEM)								
Relationships			Coefficient t	Standardized Coefficient	S.E	C.R.	P	Conclusion
Corporate social responsibility	<-	Leadership	0.148	0.134	0.051	2.921	0.003	H4: Supported
Business benefits	<-	Corporate social responsibility	0.579	0.628	0.029	20.238	***	H3: Supported
Business benefits	<-	Leadership	0.081	0.080	0.030	2.745	0.006	H5: Supported
Operational efficiency	<-	Business benefits	0.154	0.318	0.022	6.898	***	H1: Supported
Operational efficiency	<-	Corporate Social responsibility	0.127	0.284	0.020	6.281	***	H2: Supported
Operational efficiency	<-	Leadership	0.047	0.096	0.017	2.865	0.004	H6: Supported

Note: ***Significant at 1 percent (All t-tests are one-tailed)
(Source: The researchers' collecting data, SPSS 20.0 and Amos)

Table 4 showed that column P < 0.01 with significance level 0.01 and column Conclusion H1: supported; H2: supported; H3: supported H4: supported; H5: supported and H6: supported. This showed that three factors affecting the operational efficiency of the enterprises in HCMC with significance level 0.01 (Figure 3(Source: The researchers' collecting data and Amos)).

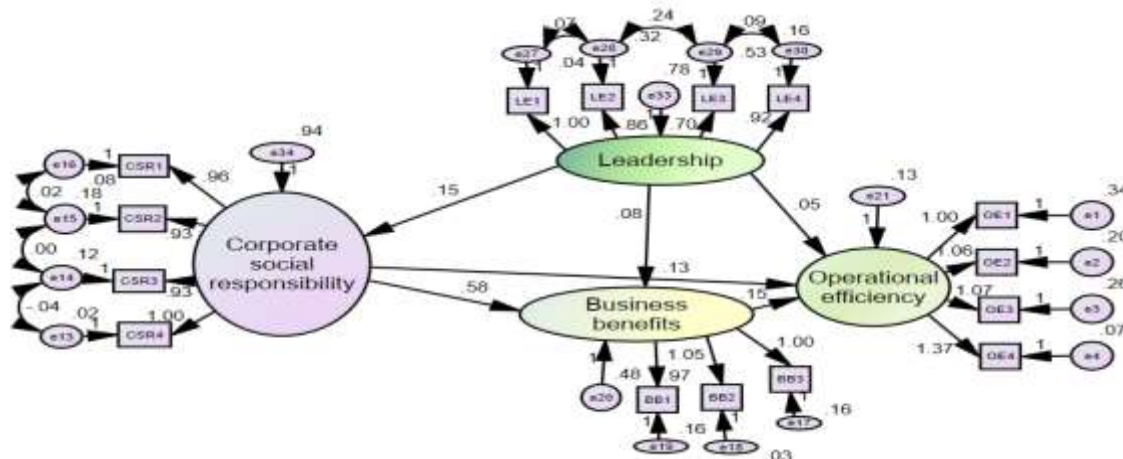


FIGURE 3
THE RESEARCH MODEL SHOWING THE RELATIONSHIP BETWEEN LEADERSHIP, SOCIAL RESPONSIBILITY, BUSINESS BENEFITS

Chi-square = 327.545; df = 78; p = 0.000; Chi-square/df = 4.199; GFI = 0.948; TLI = 0.971; CFI = 0.979; RMSEA = 0.064 Operational Efficiency.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

Conclusions

Corporate social responsibility has become a worldwide trend of development. Although aware of the importance and benefits of social responsibility are for sustainable development. Most of Vietnamese enterprises still do not really know how to apply it proactively, flexibly and effectively. The social responsibility activities mostly follow the rules and standards set by enterprises to achieve the profit objectives but not really for the society and the community. The research results showed that 800 leaders surveyed and related to the enterprises' management activities in HCMC. There are 15 items and 785 samples processed and data collected from July 2018 to July 2019 in Ho Chi Minh City. The researchers applied random sampling technique. Testing Cronbach's Alpha and the EFA, CFA which used for Structural Equation Modelling (SEM) technique and using partial least squares method. Leaders' responses measured through an adapted questionnaire on a 5-point Likert scale. The findings of the article have following: the article also draws conclusions that corporate social responsibility affecting the operational efficiency of the enterprises in HCMC with significance level 0.01. In addition, the article shows that corporate social responsibility affecting the business benefits of the enterprises in HCMC with significance level 0.01. Leadership also affecting the operational efficiency of the enterprises, business benefits and social responsibility with significance level 0.01. The researchers had managerial implications for improving the operational efficiency of the enterprises in HCMC in the future.

Managerial Implications

Managerial implication for business benefits ($\beta = 0.318$) has the strongest impact on the operational efficiency of the enterprises in HCMC with significance level 0.01. Business benefits are broad concepts. When the researchers asked experts about the impact of corporate social responsibility on stakeholders, experts said that if the enterprise fulfills its social responsibilities to related parties, it will increase. This increases the interests of stakeholders. It is also the stakeholders who will move to the business to increase the operational efficiency. Thus, the business benefits are considered by experts to be assessed by enterprises. Finally, enterprises need to make motivation of employees such as enthusiasm, responsibility, effective work. enterprises continue increasing the number of loyal customers by supporting new policies about income, welfare... Enterprises build good social responsibility which is easy to get capital from investors.

Managerial implication for corporate social responsibility ($\beta = 0.284$) has the second impact on the operational efficiency of the enterprises in HCMC with significance level 0.01. The internal meaning of corporate social responsibility (CSR) covers many aspects related to the conduct of enterprise to entities and subjects involved in the operation of the enterprise. Besides, CSR is including producers, marketing, consumers. Consumption to local suppliers of raw materials and materials; staff, employees to the shareholders of the enterprise. In particular, there is also a responsibility for the protection of natural resources and the environment which is in

fact also responsible for the common interests of the social community. It is including humanitarian, charitable and donation activities for the overall development of the country. Therefore, leaders must be visionary to look forward to comprehensive operational goals, not just limited by surpluses and merely economic profits. Their measure of success stems from the impact they create on social needs. These entrepreneurs need to find solutions to change society in the direction of getting better. Enterprise will have conditions for more sustainable development. The main long-term benefit of CSR is for the internal business such as improving relationships at work, reducing accidents, reducing employee turnover, increasing labor productivity. In addition, CSR also helps enhance the reputation of the business in dealing with customers and partners, creating a competitive advantage and an advantage in calling for investment. More specifically, when each enterprise decides to implement its social responsibilities, besides contributions and costs for the benefit of social community. They also have its own business benefits based on its activities. Enterprise has strong enough measures to handle violations in the implementation of social responsibility, especially for enterprises producing agricultural products. Food products of unsatisfactory quality, causing affecting the health and lives of consumers and causing environmental pollution. At the same time, it is necessary to strengthen the forms of encouragement and reward for enterprises that are self-conscious and well perform social responsibilities such as social responsibility awards, "green" brands and certificates for enterprises to ensure the requirements related to the standards of social responsibility in the codes of conduct are applied..

Managerial implication for leadership ($\beta = 0.096$) has the least impact on the operational efficiency of the enterprises in HCMC with significance level 0.01. Leader needs to change the perception of implementing CSR, especially for the team of senior managers in the enterprises. The implementation of social responsibility is not simply a matter of business ethics or charitable activities in a traditional way. It is not the activities that require enterprises to spend money but not bring economic benefits. On the contrary, performing social responsibilities will help enterprises gain many advantages in competition in the market. Besides, leader needs a long-term strategy for developing and implementing standards of social responsibility. Implementing CSR in the full and real sense is not a simple issue and lies in the ability to solve immediately of most Vietnamese enterprises, due to the limitation of awareness and factors such as resources that including highly qualified financial, technical and human resources. Therefore, leader needs to develop a suitable roadmap to gradually implement the contents of social responsibility not only in accordance with common standards, but also accepted by relevant stakeholders. The positive part in the development of Vietnam's economy is in the process of deeper and wider integration into the regional and global economy. The Government should quickly focus on perfecting the law and its effectiveness in law implementation of social responsibilities (ethics, charity), voluntary mechanisms should be encouraged and honored because they are the contribution of enterprises to the social community. The Government should not force enterprises to do charity and humanitarian work. But the Government should indirectly impact through organizations such as associations, community networks, education, etc. to raise real awareness of CSR.

Based on above mentioned results, this article has taken in this limitations. Therefore, the paper had recommendations for next studies. First of all, the research model tested on a sample of other big Cities in Vietnam, this has the level of representativeness of the enterprises affected. Secondly, despite the high explanatory power of this model, it could be reinforced by adding control variables such as management capacity, human resource quality, financial management...

Finally, next research can approach the direction of sustainable development to see if the impacts can keep the impact direction as the model studied or redirect the impact to help enterprises operate more and more effectively if they go in the right direction.

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