

CORPORATE SOCIAL RESPONSIBILITY - COMPARATIVE ANALYSIS FROM PETROVIETNAM AND VINATEX

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Summary

Corporate social responsibility (CSR) is one of the key concepts in the study of mutual relations between business and society. Demand for responsible business behaviour has expanded all over the world in the 21st century. Vietnam as a developing country also has typical motivations and initiatives for CSR. This research aims to explore the CSR perception and practices of Vietnamese companies through the cases of two national groups: the Vietnam National Oil and Gas Group (Petrovietnam) and the Vietnam National Textile and Garment Group (Vinatex), highlighting various concepts and themes such as business ethics, social responsiveness and public policy in order to provide authentic insights into the business philosophy in the country.

Key words: Corporate social responsibility, Petrovietnam, Vinatex, Altruistic CSR, Strategic CSR.

1. Introduction

During the last couple of years, Corporate Social Responsibility (CSR) has become the “new catching phrase” in the business world not only in developed countries but also in developing countries. Its initiatives have been materialised and due to the broad, dialectical concept, there are various definitions of CSR depending on different institutions, organisations and companies but all include numerous of social, environmental and ethical issues:

- “The continuing commitment of business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (World Business Council for Sustainable Development).

- “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (The European Commission).

- “Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business” (Business for Social Responsibility).

In Vietnam, the government is recently taking up CSR-relevant issues as a public policy area. This research aims to explore how the CSR concept is applied in the

context of Vietnam through the cases of Petrovietnam and Vinatex. Petrovietnam and Vinatex are selected among other national groups because of three criteria: (i) their importance to the national economy; (ii) their utilisation of a wide range of natural resources and social capitals; (iii) scope of activities covering globally (in order to define international impacts on business philosophy related to CSR). The main objectives of the research are to: (i) document their views and perception of CSR; (ii) address the similarities and divergences between CSR principles and approaches; and (iii) examine to what extent social programmes are perceived in the corporate CSR philosophy.

2. Theoretical framework

This section is intended to give concepts and basic assumptions to the important questions as well as suggest the way to make sense of data, and help to connect a single study to the immense base of knowledge [6]. Social contract theory, social justice theory, rights theory, deontological theory and the theory of the triple bottom line are the framework that this research is situated in.

The social contract theory is that a society contains a series of explicit and implicit contracts between individuals, organisations, and institutions. These contracts are evolved so that exchanges could be made between parties in an environment of trust and harmony. According to this, corporations enter into these contracts

with other members of the society, and receive resources, goods, and societal approval to operate in exchange for good behaviour.

The social justice theory focuses on fairness and distributive justice. The theory argues that a fair society is one in which the needs of all its members are considered, not just those with power and wealth. As a result, corporate managers need to consider how these goods can be most appropriately distributed in the society.

The rights theory means that while the shareholders of a corporation have certain property rights, this does not give them a license to override the basic human rights of employees, local community members, and other stakeholders.

The deontological theory deals with the belief that everyone, including corporate managers, has a moral duty to treat everyone else with respect, including considering their needs.

The Theory of the Triple Bottom Line states that it is necessary for a company to take into account not only financial outcomes but also environmental and social performance starting from the base (bottom)

and three objectives (triple-line) that are social justice, environmental quality and economic prosperity.

The below figure provides a further view on the fact while corporations have always been the “engines” for economic development; they also need to be more proactive in balancing this drive with social benefits.

A multiple corporate social responsibility is conceptualised with a pyramid construct in which the total social responsibilities of business embody the economic, legal, ethical and discretionary categories, with an early emphasis on the economic, legal, ethical aspects as the mandatory responsibilities and later a concern for discretionary factors as in Fig.2 [3].

Economic responsibility entails profitability for shareholders, good jobs for employees and quality products for customers. Legal responsibility refers to compliance with laws and playing by “the rules of the game”. Ethical responsibility involves doing what is right, fair and avoiding harm or mandatory fulfilment of a firm’s economic, legal, and ethical responsibilities. Discretionary responsibility in a voluntary basis consists of (i) Altruistic responsibility-fulfilment of an organisation’s philanthropic responsibilities, irrespective of whether the business will reap financial benefits or not; (ii) Strategic responsibility-fulfilment of philanthropic responsibilities simultaneously benefiting the bottom line.

The above section reviews the CSR initiatives through important theories in order to see the path for the concept to emerge and how it has been reflected in the literature. The latter will discuss the major trends and tries to explore the driving forces beyond CSR practices during the management phase in the two cases.

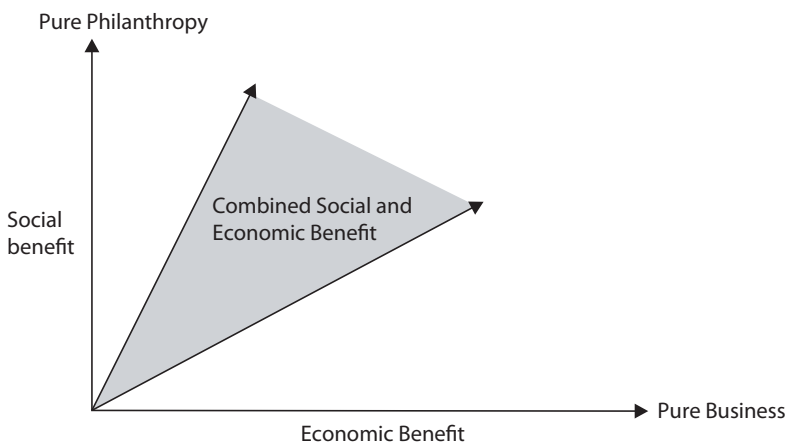


Fig.1. A convergence of interests between business and society [3]

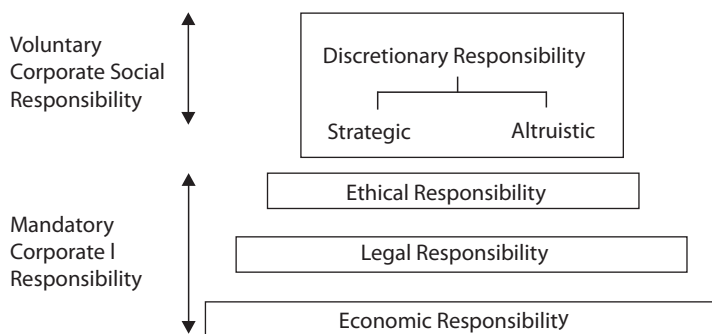


Fig.2. The social responsibilities categories [3]

3. Comparative analysis

Petrovietnam is the leading national group in Vietnam, making an average annual growth of 18 - 20% with a total turnover equal to 20% of the entire country’s GDP and contributing approximately 25 - 30% of the State Budget revenues. Petrovietnam is now focusing on five key areas of operation: oil and gas exploration and production; refinery/petrochemicals; gas industry; power generation and high-quality petroleum

technical services. It is in cooperation with various international petroleum companies in the implementation of 60 petroleum contracts in Vietnam and 17 contracts in 14 countries.

Energy for national development is set as the mission of Petrovietnam and the group identifies its business philosophy respectively to key stakeholders (as in Table 1). This illustrates a crucial point in the company's business due to its strong effects to the decision making process, the management policies taken and the consequential actions undertaken. It also influences the choices of business partners that might work in compliance with Petrovietnam's policy.

Awareness of CSR is being promoted among managers and employees, and underlined to the public as well as the community. Petrovietnam always considers this not only as the political task of the leading national group but also the unique traditional culture of Petrovietnam. A set of policies related to CSR has been systematically established and concretely integrated in the business action plans via (i) co-operation programmes with provinces, cities, ministries and government agencies, (ii) internal legal documents, annual reports, and CSR reports; and (iii) the yearly approved budget (with hundreds of billions VND). Together with effective production and business operations, Petrovietnam has contributed 1752.3 billion VND to the social security programmes in 2011 - 2013 period.

Vinatex was established in 1995 as a complex owned by companies including the Vietnam Textile and Garment Group (the mother company), the centres for research

and training and nearly 120 sub-companies. These sub-companies are joint stock companies doing business in different fields, e.g. producing textile and garments and providing commercial services. They also have their distribution systems including wholesaler and retailers. Vinatex has had a commercial relationship with more than 400 corporations and companies from 65 countries and territorial regions. Its export value has accounted for over 20% of the total export turnover of the Vietnamese textile and garment industry. The average growth rate is 10% per year, its export value is more than one billion USD in 2011 and the income is approximately 1.8 billion USD [15].

In recent years, Vinatex has been seeking for feasible solutions in order to enhance business efficiency. Among these, integrating CSR into its development strategy is considered as the competitive factor to call for overseas importers because this concept is gaining acceptance among trading partners and investors, adhering to international agreements and the global society. It could be a positive business case for companies in developing countries in the global supply chain.

The following table presents a variety of CSR performance indicators and classifies current CSR programmes in the groups.

4. Discussion

The similarity between the CSR practices of Petrovietnam and Vinatex is their major contribution to the society and economic development is widely recognised. Petrovietnam, for instance, has expanded an integrated gas sector with focus given to the development of the national gas industry infrastructure, especially in the North and the Centre of the country. In the case of Vinatex, setting up new spinning, weaving and knitting, fibre and synthetic factories means creating more jobs and promoting regional production, trade and commerce. Over the years in Vietnam there has been a stable trend for the government to provide benefits and well-fare for the people and the community. Getting involved in the social activities might turn companies into political as well as economic agents [4]. In fact, the two groups have fully implemented mandatory CSR (ethical,

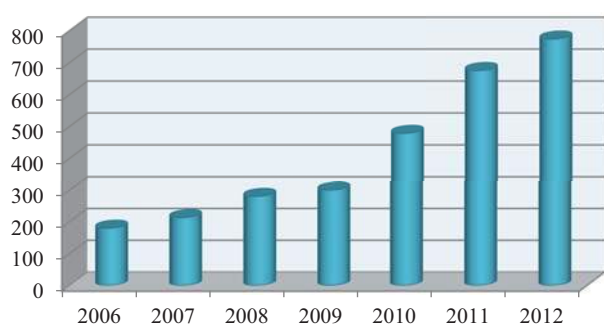


Fig.3. Revenues of Petrovietnam 2006 - 2012 [7]
Unit: thousand billion VND

Table 1. Petrovietnam business philosophy [14]

Society	Take the lead in social welfare and social programmes
Customers and partners	Share profits and responsibilities
Employees	Take care of material and spiritual life of employees
Safety and environment	Safety for the human beings and property, environmental protection and sustainable development

Table 2. CSR programmes and corresponding classification

Company	Example of social programmes	Altruistic vs. Strategic CSR
Petrovietnam	Contribute to government’s charitable funds and programmes launched by the Central Committee of Vietnam Fatherland Front, Vietnam Veterans Association, etc.	<i>Altruistic:</i> charitable and in-kind donation themes.
	Partnership to build schools and accommodation for local teachers in the uplands; provide undergraduate/postgraduate scholarships for poor students, excellent students of universities.	<i>Altruistic:</i> educational and learning theme.
	Conduct programmes on clean energy, conversion of salt water into fresh water for island people.	<i>Strategic:</i> Renewable energy/environmental theme.
	Provide financial supports to local communities.	<i>Strategic:</i> Supporting the Anti-Poverty Programmes.
	Build houses of Great Unity, build hospitals, health care centres and medical facilities for local people.	<i>Altruistic:</i> community development theme (Improving access to basic human needs).
	Create jobs for off-springs of former veterans, wounded soldiers, families of national revolutionary martyrs, etc. Establish "Petrovietnam Mutual Assistance Fund" to assist the staff (including retired officers) who face with difficulties, sickness and diseases, etc.	<i>Altruistic:</i> Gratitude theme, corporate culture.
Vinatex	Implement buyer code, international certifications such as SA 8000; ISO 14000, etc.	<i>Strategic:</i> create the trust of customers, partners/competition theme.
	Support the poor in mountainous areas, borders and islands, and disadvantaged families across the country.	<i>Altruistic:</i> charitable and in-kind donation themes.
	Organise family festivals for employees.	<i>Altruistic:</i> corporate culture to create the loyalty/faith of employees.
	Human blood donor, Helmets for kids, etc.	<i>Altruistic:</i> community’s health, safety theme.
	Provide Vinatex’s products to people in remote/upland areas, launch the “Vietnamese people use Vietnamese goods” campaign.	<i>Strategic:</i> promote potential/target markets, boost domestic consumption.

legal, and economic responsibilities) and voluntary CSR through specific altruistic and strategic themes as their response to a diversity of internal and external pressures from stake holders in the long-term and/or short-term.

On the other hand, different approaches are observed through the spectrum of policies, strategies, missions and core values of these two groups.

The elements of the *Social justice theory* expressing a company’s responsibilities to behave ethically on a fairness and distributive basis to protect the environment, improve the quality of life of the employees, the local community and the society are connected with the mission of Petrovietnam. The basics of Petrovietnam’s CSR principles are to ensure unity, sharing and mutually assisting community. As a result, it helps to enhance agreements and equality towards a harmonious and civilised society.

Whereas Vinatex has demonstrated susceptibility to market-based CSR pressure that closely links to the *Theory of the Triple Bottom Line*. Joining the global market

does not only bring opportunities (better trade facilities, reduction of tariffs and barriers) but also challenges when international standards are introduced. As a result, companies have to conform to global norms with respect to environment and labour standards. Vinatex with an effort to enhance competitiveness (through CSR programmes) and promote export- oriented business has received orders from top apparel and textile importers (from US, Japan, and EU) and they are estimated to grow approximately 20% year by year. These foreign investors tend to be concerned about the fundamentals (macro-economic performance, governance, and political risks) plus their reputation in markets where high standards are seen as desirable [8]. This is the context in which market driven cycle for CSR is demonstrating how standards can be raised for sound business reasons.

5. Conclusions

In many ways, CSR can be considered as a debate. From the classical economics point of view, the whole economy/society is the place where individuals “freely

pursue their private goals" [1]. The main function of business is to maximise profits and that corporation is not "the right person to solve social problems... such problems should be left to government. Moreover, "violent cities, deteriorating schools, pollution, poverty and other problems are the ingredients of economic stagnation, not corporate welfare" [4]. Another argument is that CSR is "a public relation ploy designed to divert attention away from the destructive social consequences of corporate activities" or it is "driven by certain groups in the West and not the (supposed) intended beneficiaries in the global South" [5] and the conceptualisation might not be relevant to developing countries context.

However, from the liberal perspective, corporations are "social enterprises" to provide goods and services, as well as to secure livelihoods. They are expected to have responsibilities to the society, community development and environmental protection. Besides, corporations are having ever greater impacts on the society as their technological and economic capacities grow. They are not responsible for solving all social problems but for the problems and social issues induced by their activities.

It can be seen in the cases of Petrovietnam and Vinatex that embarking on social responsibility for corporate development strategy implies a new way of doing business to accommodate expectations of the business sector in Vietnam.

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