

# The Impact of CEOs to CSR Practices. The Case of Textile and Garment in Nam Dinh, Viet Nam

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## Abstract:

*The objective of the paper is to test the influence of CEOs on the implementation of CSR in Nam Dinh textile and garment enterprises, Vietnam. The study was conducted on 168 managers of Nam Dinh textile and garment enterprises, using the SPSS 22 and Smart PLS 3.0 software, research has shown that CEOs have a positive impact on CSR practices. At the same time, Importance of ethics and social responsibility has a mediate role in the relationship between management profile and CSR practices.*

**Keywords:** CEO, ethics, corporate social responsibility, textile and garment, Nam Dinh, Vietnam.

## 1. Introduction

In the context of developing a market economy, the issue of promoting corporate social responsibility is being appreciated by Vietnam because businesses that want to develop sustainably not only focus on profit, but also pay attention to employees, complying with laws, complying with standards on environmental protection, gender equality, labor safety, staff training and development, community support ...

Studies on corporate social responsibility (CSR) are increasingly concerned in practice and research. Previous studies have mainly been at an organizational level, with little interest in the role of individuals in promoting corporate CSR activities (Post et. Al. 2002). However, the implementation of CSR has a very important role in leading managers of enterprises (Swanson, 2008). Whether CSR activities are carried out depends entirely on managers (Phan and Nguyen, 2018). It is impossible to have socially responsible groups and organizations without socially responsible managers and willing to support socially responsible actions.

Nam Dinh textile and garment enterprises are the main contributors to the development of Nam Dinh economy, the cradle of Vietnamese textile and garment. Every year, Nam Dinh textile and garment enterprises contribute about 20% of the province's GDP and are the province's priority industries in the period of 2020 - 2030. Nam Dinh textile enterprises operate mainly in the form of orders processing by major brands in the world such as HM, Zara, Next, ...

The implementation of CSR in Nam Dinh textile enterprises is still limited. Managers of Nam Dinh textile and garment enterprises are largely from former equitized state-owned enterprises into private enterprises. Therefore, the influence of the old institution greatly affected the leadership style and entrepreneurial spirit of leaders of Nam Dinh textile enterprises. The CEO has the power to decide all activities of the business, including decisions to implement CSR.

The article, verifying the role of CEOs in implementing CSR activities of Nam Dinh textile enterprises. At the same time verify the intermediate role of Importance of ethics and social responsibility; Subordination of ethics and social responsibility in the relationship between CEOs and CSR practices. The layout of the article in addition to the introduction includes Research overview, research methods, research results, conclusions.

## 2. Literature review and research hypothesis

### 2.1. CSR Practices

“In the past, the concept of social responsibility (CSR) for many businesses was often inadequate. They simply think it is charity work to help the poor. Actually, corporate social responsibility covers many problems. First, enterprises must ensure that their activities do not cause harms to the ecological environment, that is to show their environmental friendliness in the production process and their business activities. Secondly, enterprises must know about their workers and workers not only physically but also spiritually. Third, businesses must respect the rights of men and women, not discriminate in terms of gender in employment and pay but must rely on the fairness of each person's ability. Fourth, there is no ethnic discrimination, no discrimination between ordinary people and people with disabilities in their body or past. Fifth, must provide good quality products, not harm consumers' health. Sixth, to know how to spend a part of their profits to contribute to activities to support the community, because businesses always exist in the heart of a community so they cannot just know themselves. Seventh, to participate in the creation of peace and security of the country as well as the world. Thus, the social responsibility of enterprises is to define the responsibilities of enterprises in implementing the main contents related to the fields of economic activities, environmental activities, and social activities. The implementation of corporate social responsibility is both mandatory and voluntary, through written commitments to the content related to ensuring human rights; ensuring harmonious interests of businesses, workers, consumers, and social communities; ensuring good implementation of labor and environmental standards; comply with local laws; conducting transparent and public inspection and supervision of information; prevention of corruption and social waste ... ” (<http://congdoancongthuong.org.vn/tin-tuc/t1682/trach-nhiem-xa-hoi-cua-doanh-nghiep-va-vai-tro -cong-doan.html>).

## ***2.2. Management profile; Management profile and CSR practices***

Because strategic decisions are often made by top managers, they are likely to become assertive in choosing social policies and programs that are accepted and implemented by Thomas (Thomas and Sim in the past, 1994). However, the ability of managers to recognize their intent will depend on their decision (Hambrick, 2007; Hambrick and Finkelstein, 1987). Managers of shareholders will tend to have less CSR implementation to ensure shareholders' benefits rather than an overall stakeholder. On the other hand, stakeholder managers will tend to implement CSR better because they attach importance to ensuring the interests of stakeholders rather than just ensuring the interests of shareholders. Since CSR is often considered voluntary or arbitrary (Barnett, 2007) and CSR actions will depend heavily on the freedom to make management decisions (Hemingway and Maclagan, 2004), it is possible to suggest that stakeholder-oriented management of the theory of stakeholders has more rights to develop and implement CSR activities. Therefore, we propose a hypothesis:

*H1: Management profile positively affects CSR practices*

## ***2.3. Role mediate of Importance of ethics and social responsibility; Subordination of ethics and social responsibility***

Management profile is a fundamental element that controls the CSR implementation behavior of businesses, but this relationship may not be simple but mediated by perceptions of the expected consequences of that behavior. Considering the possible consequences of a behavior known as behavioral belief (Ajzen and Fishbein, 2005; Fishbein and Ajzen, 1975), expected results (Bandura, 1977), or costs and benefits (Becker, 1974). If the perceived advantages of implementing certain behaviors outweigh its perceived disadvantages, managers are able to formulate favorable attitudes towards the behavior in question and due to that, put it into practice.

A number of articles addressing moral awareness and social responsibility have emphasized the moral significance of managers (Marta et al., 2004; Singhapakdi, 1999; Singhapakdi et al., 2008) and about CSR activities implemented in businesses. In particular, managers with greater moral awareness and greater social responsibility responses if ethics and social responsibility are considered important by the decision makers to be effectively organized (Singhapakdi et al., 2001). Therefore, the influence of managers on CSR activities can be impacted indirectly through managers. Awareness of the importance of ethics and social responsibility in achieving the success of the organization. So, we propose a hypothesis:

*H2: Importance of ethics and social responsibility; Subordination of ethics and social responsibility has a mediate role in the relationship between Management profile and CSR practices.*

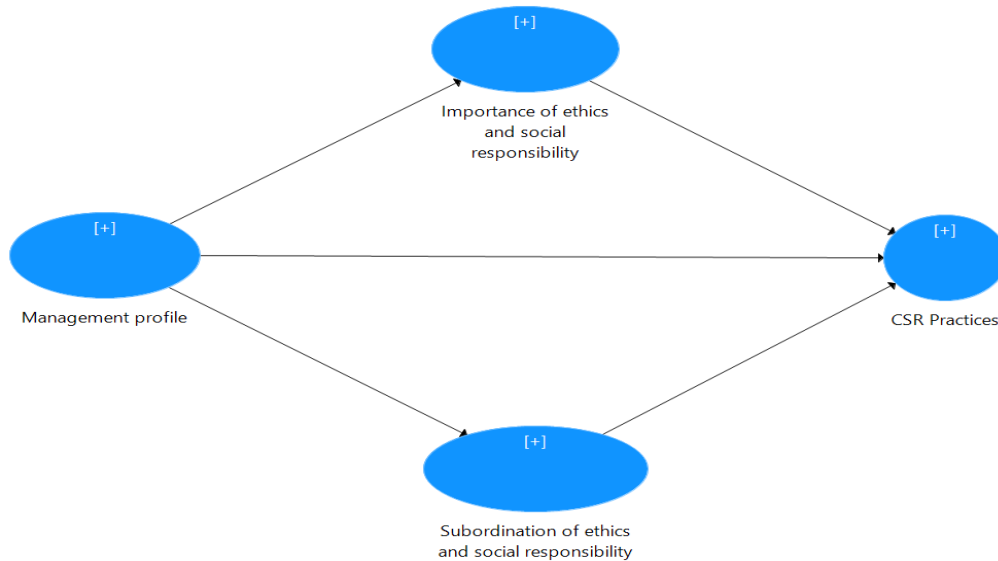
### 3. Research methods

#### 3.1. Sample of research

Data were collected from 168 managers of textile enterprises in Nam Dinh province. A questionnaire with an envelope asking for permission to answer the survey and the survey cost is 50,000 VND / person sent from January to March 2019. We conducted a survey of 190 managers. and collected 181 questionnaires after checking, the remaining 168 questionnaires were eligible for analysis.

#### 3.2. Research models

The research model is as follows:



**Figure 1: Research model**

#### Independent variables

**Management profile:** Measured by 6 observations developed from the study of Godos-Dı 'EZ et. al. (2011). These 6 observations are evaluated through a 5-point likert scale from 1 to strongly disagree with 5 which is strongly agreed. These observations reflect the psychological factors of CEOs and how they perceive the factors related to the situations in the company they manage. Factors include content related to work motivation, organizational identity, use of authority, philosophy and organizational culture.

#### Mediate variable

**Importance of ethics and social responsibility; Subordination of ethics and social responsibility:** describes the CEO's cognitive role in ethics and social responsibility. The scale of 16 indicators was developed by Axinn et al. (2004). The 16 scales that are evaluated through a 5-point likert scale from 1 strongly disagree to 5 which is strongly agreed.

#### Dependent variable

CSR practices: Includes 5 scales related to certificates of CSR that businesses have achieved or not. If the enterprise has a certificate, it will receive 1 point, if the enterprise does not have a certificate, it will receive 0 points. These 5 scales were developed by Prado-Lorenzo et al. (2008) and the contents of the Global Reporting Initiative (GRI). Include the following certificates: ISO 9001; ISO 14001; OHSAS 18001; Code of Ethics; CSR Report.

In order to analyze the first data, we analyzed the reliability of the scale by SPSS 22. Software based on Cronbach Alpha coefficients and correlation coefficients of variables to evaluate. According to Hair et al. (2006), Cronbach Alpha > 0.6 and correlation of total variables > 0.4 are eligible for further analysis. After that, we conducted hypothesis testing with Smart PLS 3.0 software.

**4. Research results.**

The results of reliability testing on SPSS scale show the Importance of ethics and social responsibility scale; Subordination of ethics and social responsibility has 4 scales with Cronbach Alpha coefficient <0.6 and total correlation coefficient <0.4 so we removed from the analysis model. The CSR practices variable scale with ISO 9001 scale has no variation so we also removed from the analysis model. The remaining scales of potential variables are included in Smart PLS software for analysis as follows:

The results of general reliability test are as follows:

**Table 1: Construct Reliability and Validity**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
CSR Practices	0.949	0.951	0.949	0.650
Importance of ethics and social responsibility	0.945	0.947	0.945	0.774
Management profile	0.920	0.920	0.919	0.696
Subordination of ethics and social responsibility	0.838	0.848	0.839	0.636

**Table 2: Discriminant Validity**

**Fornell-Larcker Criterion**

	CSR Practices	Importance of ethics and social responsibility	Management profile	Subordination of ethics and social responsibility
CSR Practices	<b>0.806</b>			
Importance of ethics and social responsibility	0.339	<b>0.880</b>		
Management profile	0.514	0.237	<b>0.834</b>	
Subordination of ethics and social responsibility	0.280	0.356	0.223	<b>0.798</b>

**Table 3: R Square**

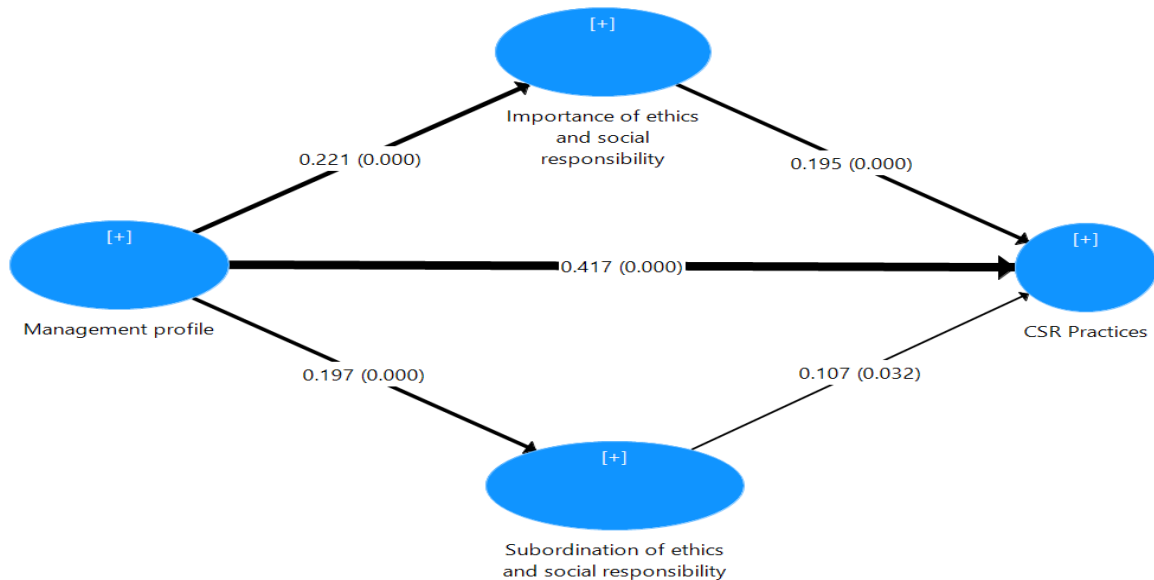
	R Square	R Square Adjusted
CSR Practices	0.365	0.360

**Table 4: Model\_Fit**

**Fit Summary**

	Saturated Model	Estimated Model
SRMR	0.043	0.063
d_ULS	0.499	1.255
d_G	0.414	0.431
Chi-Square	792.104	815.102
NFI	0.892	0.889

The above results show that variables with aggregate reliability coefficients are satisfactory for further analysis. The model is consistent with the survey data. At the same time, the coefficient  $R^2 = 0.36$  is consistent with the suggestion of previous researchers (Hair et al. 2016). From the above data, we test the hypothesis as follows:



**Figure 2: Hypothesis test results (Bootstrap out of Smart PLS)**

From the above results, the Management profile has an average impact on Importance of ethics and social responsibility; Subordination of ethics and social responsibility also strongly affects CSR practices at the level of 0.417 at the 1% significance level (P-value = 0.000). Importance of ethics and social responsibility has a positive impact on CSR practices at an average level of 0.195 at 1% significance level (p-value = 0.000). Subordination of ethics and social responsibility positive effects are weak to CSR practices at the impact level of 0.107 at the 5% significance level (P-value = 0.032). This means that businesses with managers have a positive perception of CSR, CSR activities are implemented more and better than businesses with managers who value shareholders' rights rather than related parties of the business.

**Table 5: Mean, STDEV, T-Values, P-Values**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Importance of ethics and social responsibility -> CSR Practices	0.195	0.191	0.051	3.851	<b>0.000</b>
Management profile -> CSR Practices	0.417	0.418	0.046	9.068	<b>0.000</b>
Management profile -> Importance of ethics and social responsibility	0.221	0.222	0.060	3.697	<b>0.000</b>
Management profile -> Subordination of ethics and social responsibility	0.197	0.200	0.048	4.095	<b>0.000</b>
Subordination of ethics and social responsibility -> CSR Practices	0.107	0.108	0.050	2.150	<b>0.032</b>

**Table 6: Confidence Intervals**

	Original Sample (O)	Sample Mean (M)	2.5%	97.5%
Importance of ethics and social responsibility -> CSR Practices	0.195	0.191	0.099	0.291
Management profile -> CSR Practices	0.417	0.418	0.318	0.503
Management profile -> Importance of ethics and social responsibility	0.221	0.222	0.098	0.335
Management profile -> Subordination of ethics and social responsibility	0.197	0.200	0.098	0.290
Subordination of ethics and social responsibility -> CSR Practices	0.107	0.108	0.009	0.208

Next, we test the intermediate role of two Importance of ethics and social responsibility; Subordination of ethics and social responsibility:

**Table 7: Specific Indirect Effects**

Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Management profile -> Importance of ethics and social responsibility -> CSR Practices	0.043	0.043	0.017	2.571	<b>0.010</b>
Management profile -> Subordination of ethics and social responsibility -> CSR Practices	0.021	0.021	0.011	1.925	<b>0.055</b>

The above results show that only importance of ethics and social responsibility is possible to have an intermediate role in the relationship between Management profile and CSR practices with an impact factor of  $22 = 0.221 * 0.195$  at the 5% significance level (P-value = 0.010). The Subordination of ethics and social responsibility has no intermediate role in the relationship between Management profile and CSR practices (P-value = 0.055).

## 5. Conclusion

Our research suggests that the psychological characteristics and behavior of leaders influence CSR practices in the enterprise and this relationship through the intermediary role of the Importance of ethics and social responsibility.

CEOs in the corporate management model tend to value ethics and social responsibility with stakeholders to make CSR more and better, which supports Barnett's (2007) study. CSR is considered to bring more benefits in the long run (Peters and Mullen, 2009). Research results show that managers' decisions make CSR activities easier in businesses where managers value profits for shareholders rather than ensuring the benefits of stakeholders.

We also support the idea that the behavior of the CEO in a moral and socially responsible manner will positively impact on the performance of the enterprise, this result supports the theory of parties. and views with Hasan et al. (2018); Aras et al. (2010). At the same time, the manager's awareness of ethics and socially responsible behavior plays an intermediary role in the relationship between the administrator's behavior and CSR implementation.

From the above research results, Nam Dinh textile enterprises, with CEOs with high awareness of ethics and social responsibility will implement CSR better. CSR has been proven in many studies to bring about the financial efficiency of businesses (Phan et al., 2019; Hasan et al. 2018). Therefore, Nam Dinh textile and garment enterprises should consider CSR as a strategy and a corporate culture to gradually implement CSR better and enhance the competitive advantage as well as the business performance of enterprises.



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