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Angie Ngoc Tran
California State University, Monterey Bay, atran@csumb.edu

Soren Jeppesen

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Industry matters: A comparison of the views of SME managers and workers on CSR practices in two industry sectors in Vietnam

Angie Ngoc Tran and Soren Jeppesen

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ABSTRACT:

This study investigates what Corporate Social Responsibility (CSR) means to Vietnam's small- and medium-size enterprise (SME) owners and workers, using Scott's three-pillar (norms, regulation, cognition) institutional framework. The findings are based on factory visits and interviews with 40 managers/owners and 218 workers conducted in two sectors - textile/garment/footwear (TGF) and food/beverage processing (FBP) - around Ho Chi Minh City in 2011. Scott's framework is useful in highlighting similarities and differences between these two sectors. We found more stringent state regulation and greater industry pressure on the quality and safety of products than on labour standards in both sectors. Most factories in the TGF sector assembled for the global supply chains and are under pressure by industry norms, while most companies in the FBP sector produced for the domestic market are subjected to greater state regulation. Moreover, contributing critical perspectives to Scott's framework, we found an overlapping between the normative and the regulatory, and between the cognitive and the industry norm, which reveals how institutional and cultural pressures contribute to different outcomes in TGF and FBP sectors. We also contribute to Scott's framework by analyzing the unequal power relations in the global supply chains and explain how different levels of linkage to the global systems explain *different* outcomes in FBP and TGF sectors. FBP workers in domestic-serving factories negotiated for job stability, whereas workers in the export-oriented TGF factories bargained for flexible work schedules in exchange for wages below the living wage and overtime work.

KEYWORDS:

SME managers and workers, CSR, Vietnam, Food and beverage, Textiles/Garment and Footwear

INTRODUCTION

The literature on small- and medium-size enterprises (SMEs) and Corporate Social Responsibility (CSR) in developing countries has been growing, yet few studies have focused on the actual perspectives of managers and workers. While scholars have paid attention to supply chain pressures and the significance of CSR standards to SMEs in developing countries (Authors A; Baden et al., 2009; Ciliberti et al., 2008; Lepoutre & Henné 2006), limited emphasis has been on how SME labour and management view such pressures and relate them to CSR (Authors C; Jamali et al., 2015; Moore & Spence, 2006; Morsing & Perrini, 2009). As highlighted by

Lepoutre & Henne (2006) and Jamali et al. (2015), many studies do not employ theoretical frameworks and mainly base their arguments on empirical observations. This paper contributes to that gap in the literature by applying Scott's institutional framework—in terms of norms, regulation and cognition pillars—to explain how different sources of institutional pressures explain variations in the understanding and practice of these two key SME stakeholders in different industries. We selected two key industries with different levels of linkage to the global economy—the export-oriented textile/garment/footwear sector (TGF) and the domestic-oriented food/beverage processing (FBP) sector—to explore these overarching research questions: “What does CSR, a Western concept, mean to SME owners and workers in these two different sectors? To what extent can different sources of institutional pressures explain different meanings and practices of CSR in SMEs in different industries?”

Using Scott's framework, we dissect variations in the strengths of different types of institutional pressures on CSR in these two industries, highlighting their similarities and differences. But our application of Scott's framework to the Vietnam case revealed two important observations, informed by the critical perspectives, which we elaborated below: first, the overlapping nature of the pillars; second, the unequal power relations among the actors in the multi-tiered global supply chains.

In particular, we found inadequate and limited institutional pressures at the Normative and Regulative levels in both sectors. At the Cognitive level, we found that “cultural pressure,” or cognition of cultural norms, informed by historical understanding and cultural practices, affects labour-management relations differently in these two industries. An important factor that explains this variation involves different levels of linkage to the global economy: the export-oriented TGF sector with workers bargaining for flexible work schedules and living wages versus the more domestic-oriented FBP sector with workers stressing the importance of job stability and mutually respectful communications with management.

The historical socialist legacy of Vietnam is an important institutional context to understand the practices of the SMEs in these two wage-labour sectors. As a self-proclaimed “market economy with a socialist orientation,” the state's commitments to integrate into the global market system since the late 1990s have been contradictory; yet socially responsible practices have been observed at the SME level long before the arrival of CSR, which was introduced by western institutions. Neoliberal institutions and Western governments (such as the World Bank, the US government, the multinational companies, and the ILO) have put pressure on the Vietnamese government to participate in CSR initiatives since 2002, and with increasing urgency between 2004 and 2006. Since then, there have been studies about CSR in Vietnam: from a critical study on historical development of CSR focusing on multinational companies (MNCs) and their foreign-direct investment (FDI) suppliers (Tran 2011), to focus on public CSR policy in Vietnam (Hamm 2012), to private regulation in Vietnam's apparel and footwear factories (Kim 2012), to an analysis of the complexities of the multi-level supply chain which prevents code compliance at the expense of workers (Hoang and Jones 2012), to an in-depth institutional analysis of managers and workers in one sector: the most important wage-earning textile/garment/footwear sector in Vietnam (Authors C). This chapter adds to this small literature by providing a theoretically-based analysis of CSR practices, and contrasting the views of management and workers in SMEs in the two key industries, TGF and FBP, with different levels of linkage to the global economy.

LITERATURE REVIEW

CSR can be viewed as the societal expectations of businesses at a given time (Newell & Frynas 2007, Frynas 2009). More specifically, we adopt Blowfield and Frynas' understanding of CSR as companies having a responsibility: (a) for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) for the behaviour of others with whom they do business (e.g. within the supply chains); (c) to manage their relationship with the wider society, whether for reasons of commercial viability or to add value to society (Blowfield and Frynas 2005, p. 503). To exemplify this approach, we focus on labour-management relations focusing on three dimensions (physical environment, working environment, and labour conditions), bringing in the voices of managers and workers in SMEs in the Vietnamese TGF manufacturing and the FBP sectors.

The literature on SMEs and CSR in developing countries has been growing (see e.g. Jamali et al., 2015; Hamann et al., 2015; Engels-Zanden, 2015), yet with few studies focusing on the actual perspectives of managers and workers as Authors C have done. A number of authors (Prieto-Carron et al. 2006; Khan and Lund-Thomsen 2011; Fox 2005; and Jamali et al., 2009) call for inclusion of "Southern perspectives," especially on issues that are often excluded from CSR debates, such as inclusion of gender and actual effects as opposed to postulated effects of CSR. As Khan and Lund-Thomsen and Authors C point out, a critical assessment of CSR based on rarely-heard viewpoints from the bottom of the global supply chains can begin to unravel the complexities of CSR in developing countries. Implementation of CSR practices often is portrayed as leading to 'win-win' situations, stipulating economic as well as environmental or health-related or labour gains in SMEs. Nevertheless, evidence shows us that such 'win-win situations' rarely occur to SMEs, which in contrast are failing to see the gains and only feeling pressures of decreasing sales prices and/or increasing costs (Baden et al., 2009; Skadegaard Thorsen and Jeppesen 2011). Comparative studies of multiple sectors can provide particularly helpful insights into similarities and differences between the sectors in terms of CSR practices and the views of managers and workers (Authors A).

The institutional perspective has provided a useful lens for analyzing SMEs and CSR in developing countries (Jamali et al. 2015; Authors C). The institutional lens allows us to go beyond the regulatory nature of CSR language and incorporate historical and cultural practices which are reflected in the cognition of cultural norms in socialist Vietnam. This approach allows us to analyse institutional pressures, coming from both industry, historical, and cultural norms. Thus it is consistent with the argument made by Jamali & Neville (2011) and Jamali et al., 2016 on the influence of historically grown national business systems, heritage and frameworks. In particular, Scott's 3-pronged framework (see below) allows for an assessment of management and workers views on the influences of important dimensions for CSR practices (regulatory, normative and cognitive) in the SMEs in the two sectors.

Building on these existing studies, this chapter applies Scott's (2001) three-pillar framework to a *comparative study* of two different sectors in Vietnam. We use the key aspects of social institutions, defined as 'social structures that have gained a high degree of resilience' (p. 57) to frame and explain how they affect SME owners and workers in these two sectors differently. The three pillars are: 1) 'regulatory' (laws, regulations and government policies); 2) 'normative' ('normative rules' that introduce a prescriptive, evaluative, and obligatory dimension into social life'); and 3) 'cognitive' ('the shared conceptions that constitute the nature of social

reality and the frames through which meaning is made') (Scott 2001; Amine and Staub 2009). This multi-level structure embraces history, which is important to the analysis of socialist Vietnam transitioning from a command economy to a market system fully integrated into the global capitalist economy.

Next, we outline the methodology of this study, provide contextual information and present empirical findings on the two sectors before we analyse how normative, regulatory and cognitive systems affect CSR practices of the Vietnamese SME managers and workers in these two sectors. Finally, we discuss how our findings contribute to the literature.

METHODOLOGY

This paper analyses a section of the data collected for a 2011-2012 study (Authors A and C), focusing on the wage-labour manufacturing of the TGF and the FBP sectors. We collected a convenience sample. The lack of availability of statistical information on the thousands of SMEs in Vietnam prevented us from conducting a rigorous randomly selected sampling. Thus we do not generalize our findings.

From June to December 2011, our team interviewed managers and workers from 20 SMEs in the TGF sector and 20 SMEs in the FBP sector in Ho Chi Minh City (HCMC) and surrounding rural districts. We conducted three rounds of data collection among these forty SMEs, resulting in a total of 40 interviews with management and 218 with workers: 125 in TGF SMEs (94 females and 31 males) and 93 in FBP SMEs (48 females and 45 males). Most TGF factories produce for export (75% of all TGF SMEs interviewed) while most FBP produce for *domestic* markets (75% of all FBP SMEs interviewed). Most TGF firms are medium-size (65% of TGF firms) and populated by female workers (74%), compared to a more equally split situation in the FBP firms (both in size and gender).¹ The average size of the FBP firms was 44 employees, while it was 126 employees for the TGF firms, and the TGF firms tend to have been in operation longer than the FBP firms.² For the analysis, we triangulated both qualitative and quantitative data generated in interviews with management and workers, using SPSS for quantitative analysis, and content analysis for qualitative analysis (including importing, organizing, coding interview notes, which were translated from Vietnamese to English).

Contexts for Food & Beverage Processing and Textiles, Garment and Footwear

The TGF and FBP sectors consist of a large number of SMEs employing a high number of workers. Based on a 2013 survey, there were 6,610 businesses and thousands of families working in agricultural produce processing (Thanh Yen 2014, p. 1). These processing facilities have generated 1.5 million direct jobs,³ with an average income of about VND 3.5 million per month, and tens of millions of indirect jobs in materials production and services (Nguyen Trong Thua, Director of Agro-Forestry Processing and Salt Industry Department, Ministry of

¹ The official Vietnamese definition of a micro firm is up to nine employees, of a small firm 10-49 employees, and of a medium-sized firm 50-299.

² See Authors B, tables VN.1-VN.4.

³ This list omitted two important categories, sugar-based products (such as candies and dried fruits), and baked goods (such as cakes and pizza), which would increase the employment statistics.

Agriculture and Rural Development, as cited in the Thanh Yen article, p. 1). On the other hand, the more export-oriented TGF industry employed over 2 million workers in 4,000 enterprises (The Vietnam Textile and Apparel Association), with a feminisation of the textile/garment workforce in foreign-direct invested (FDI) factories: over 80% were young female workers (Tran and Norlund 2014, p. 10).

In 2011, the monthly median wage for FBP workers was VND 2.7 million (US\$130), and VND 3 million (US\$144) for TGF workers. In both sectors, there was no significant difference in median monthly wages for female and male workers.⁴ Workers in the more export-oriented TGF factories are paid by the piece rate, which is determined by their first-tier suppliers who receive the subcontracting rate from the global brands. On the other hand, workers in the more domestic-oriented FBP sector receive monthly wages with some overtime payments, and bonuses in some cases. In a few export-oriented seafood companies, wages were based on a piece-rate basis, with 1.5 times the regular wage payment for overtime work. In both sectors, workers often receive some meager overtime compensation for dinner (VND 15,000 per night) in addition to the 1.5 times regular wage (Authors A).

In terms of employment stability, the FBP sector (mostly for domestic market) fared better than the TGF sector (mostly for export). The interviewed TGF factories had been exposed to the global economic/financial fluctuations. The onset of the worldwide financial crisis at the end of 2008 had impacted Vietnam in 2009, especially the export-oriented TGF sector, due to the lower demand from Europe, the US and East Asian countries. This led to a reduction in employment in nearly half of the TGF factories in 2010-2011, compared to only 25% in FBP factories (Authors A).

The FBP sector and its insertion in the global economy

The FBP sector is a large, growing and highly diverse sector which includes many types of food and drink products. The agricultural processing industry accounts for about 20 percent of GDP in the whole processing sector, which has a 7 percent annual growth rate. It includes 12 main sub-sectors: rice (including noodles, pasta), coffee, rubber, tea, cashew, beverages (including water, sugar cane, juices, alcohol-based drinks, coffee, tea, and milk), vegetables, pepper, meat (including beef jerky), cultivated aqua products (including seafood, fish sauce), food livestock, and woodworking.

In particular, the seafood processing industry plays an important role in Vietnam's total exports, and the country ranks third on the top ten seafood exporters in the world as of 2014 (<http://www.worldatlas.com/articles/top-fish-and-seafood-exporting-countries.html>) (accessed July 26, 2016). Fishery products have ranked fifth in export value (following garment/textile, electronics, crude oil and shoes) (Nguyen Hoai Nam, *Vietnamese Seafood Export: Opportunities and Challenges*, Vietnam Association of Seafood Exporters and Producers, 2013, http://www.ide.go.jp/English/Events/Sympo/pdf/130919_unido_04.pdf). In 2010 fishery production increased 406% relative to 1990, primarily due to expansion in aquaculture for export, and created more than US\$5.0 billion of export revenue (Nguyen, Minh Duc 2011). In

⁴ Female and male workers in both sectors responded that it would be around VND 4 million.

2015, Vietnam earned US\$6.6 billion from seafood exports. The ongoing environmental crises in central coast Vietnam could result in dire consequences for the FBP sector in general.⁵

The TGF sector and its insertion in the global economy

The TGF industry accounts for the largest share of the wage earning labour force since Vietnam joined the WTO in 2007 (Tran & Norlund 2014). Since 2007, Vietnam has become a major world exporter of textile/garment products, with exports reaching US\$24.5 billion in 2014 (Donaldson 2015), second highest export value only to the mobile phones and components industry (Ministry of Industry and Trade, “Garment and textile market achieved its growth in the first 10 months,” 12/09/2014, <http://www.moit.gov.vn/en/News/721/garment-and-textile-market-achieved-its-growth-in-the-first-10-months.aspx> (accessed July 26, 2016). The United States continues to be the largest market for Vietnam's textile and garment products (Vietnam News, February 2015), with the EU second, followed by Japan, South Korea and Russia (Business2Community.com, May 2015). Overall, apparel exports accounted for US\$21 billion, and textile exports only US\$3 billion (Donaldson 2015). However, it is important to note that the value-added that remained in the TGF industry remained very low (only 35% in 2011), since most fabrics and accessories inputs for exported garments were imported and assembled in Vietnam (Tran & Norlund 2014, p. 9).

The rapid integration of the TGF industry into global value chains has created at least three tiers. The upper/first-tier includes foreign MNCs (corporate buyers and the brands) which place orders with contract suppliers (often termed ‘first-tier suppliers’). Most of these first-tier suppliers are from East Asian countries (especially Taiwan, Korea, Hong Kong and Japan) and who provided at least 70% of the inputs (Tran & Norlund 2014). These first-tier suppliers produce and subcontract work to second-, third-, and fourth-tier Vietnamese subcontractors, most of which are small- and medium-size firms.

FINDINGS

In this section, we present the findings for each institutional dimension. In each section, we start with general observations of the findings, then we provide specific findings in each sector, with examples of the effects of each level on workers and owners in their own voices. Overall, applying the conceptual framework to Vietnam suggests that institutional pressures, at both normative and regulatory levels, are limited and inadequate. However, analysing the cognitive pressures in Vietnam highlights the significance of cultural norms which result in some improvements in labour conditions, as discussed below.

Findings on the Normative Level

The normative level introduces a prescriptive, evaluative, and obligatory dimension into social life (Scott 2001). Codes of conduct (examples of industry norms) and industry standards (such as

⁵ Vietnam investigates mass fish deaths, <http://www.theguardian.com/environment/2016/apr/21/vietnam-investigates-mass-fish-deaths-pollution>. Accessed April 28, 2016.

ISO26000 and SA8000) constitute obligatory normative dimensions for SMEs. Moreover, norms can be viewed by society as the expectation that a business adds value to society and fulfills its responsibility to the society, the natural environment and others in the supply chains beyond commercial viability (Blowfield & Frynas 2005; Frynas 2009).

Overall, we found that pressures from industry norms are inadequate and limited in the area of CSR practices. Most MNCs do not enforce codes of conduct in their supplier factories nor share the costs to implement a code, while keeping substantial pressure on *other* areas such as price and product quality. Consequently, most interviewed SMEs do not have codes as it is prohibitively expensive to do so.

As discussed further in the overlapping section below, in the context of Vietnam, we argue that industry norms are *not* influenced only by what is happening within an industry, but also by history and culture, including societal belief systems, which include workers' perspectives that one should have decent wages and working conditions, job security and benefits, and a clean working environment.

While codes of conduct are often perceived to be voluntary, in reality Vietnamese SMEs experience them to be compulsory and that the companies have to comply with them if the SMEs want to assemble products for MNCs. These requirements can be very costly for SMEs to comply with and can lead to their exclusion from the MNCs' value chains (Baden et al. 2009; Skadegaard Thorsen & Jeppesen 2010). Often, first-tier suppliers only pay some of those costs, with the brands turning a blind eye to manufacturing conditions in the invisible subcontractors at the lower tiers of the global supply chains. In addition, many SMEs might face a phenomenon called "code mania" (Skadegaard Thorsen and Jeppesen 2010). Many subcontracting SMEs must compete for orders from many first-tier suppliers in order to maintain full-time employment for their workers. Thus, the SMEs must comply with different codes of conduct required by the top two tiers, making it a confusing, costly, and untenable situation.

On general findings, we found higher awareness and adoption of industry norms among FBP companies than TGF factories. This demonstrates an overlapping between industry norms and cognitive pillars. All exporting FBP enterprises (25% of the FBP enterprises interviewed) are certified in global management systems (such as HACCP, ISO, OHSAS, GMP). About 60% of TGF managers stated that they were aware of the CSR concept, compared to 80% of the FBP firms. Thirty percent of the interviewed FBP SMEs had a global management system as well as the Vietnamese Food Administration standard, compared to only 5% of the interviewed TGF firms reported adhering to certified management systems. Some FBP workers express knowledge of these global industry norms. *'Inspection by an external unit (according to ISO 26000). I don't yet understand the whole process of inspection based on this ISO'* (a worker in a vegetable processing export company). *'I think inspection in the company is good. We have HACCP code of conduct'* (a worker in a seafood enterprise).

However, we found low levels of CSR report preparation in both sectors. Fewer than one-third (30%) of TGF SMEs prepared CSR reports, while slightly fewer FBP SMEs (25%) stated they did so (Authors A). There are three possible explanations for these low figures: 1. the MNCs do not have to enforce compliance if these SMEs are not visible to public scrutiny. MNC buyers and their Tier 1 suppliers often turn a blind eye to these subcontracting SMEs; 2. Most SMEs have a very small profit margins, thus they cannot afford to comply even if they are aware of CSR requirements; 3. Report preparation is time consuming, especially when SMEs have to comply with many codes of conduct, the "code mania" discussed earlier.

Transnational monitoring of codes of conduct and standards — provided by third-party global monitors or auditors—tends to focus on the consistent quality of the products. In the TGF sector, managers/owners found that most industry norms are aimed at ensuring product quality, safety and performance standards for the end consumers, not the labour standards of the workers who manufactured those products. Sometimes, the buyers pay for and send in third-party global monitors or auditors, such as Intertek, SGS⁶ or Fair Labour Association (FLA) with branches in Vietnam, to carry out factory inspections.⁷ In one medium-size garment factory, the final products must meet the Eco Tex standards, otherwise it cannot export to the EU. At another medium-size shoe factory, one management representative said that *‘we must follow what our buyers regulate; otherwise, we cannot export our shoes’*. In this case, SGS was the transnational auditor. One representative at another medium-size garment factory said: *‘Foreign buyers from Hong Kong often come to the factory to assess the quality of the working environment. Otherwise, foreign buyers hired global auditing companies based in Vietnam with mainly Vietnamese employees. For instance, Intertek did come to audit our factory’*.

Similar priority requirements existed for the FBP exporting firms. A manager of a medium-size seafood company connected ISO22000 requirements to quality products and sanitation standards (as an end), while working conditions served only as a means: *‘(We have) ISO22000, (but) even ISO does not put any pressure on us. They only require us to meet their quality and sanitation standards. In order to produce quality products, work conditions have to be good which means that we have to make adjustment on our water treatment and energy systems. They do not demand that we do anything, but in the long run, we still need to pay attention to these issues’*., as expressed by a manager from a seafood company: *‘Ensuring customers’ standards on food safety. Guaranteeing food safety and sanitation, as well as environmental protection. (We are) HACCP (certified)’*.

Influences of Industry Norms on SME Owners/Managers

SME management perspectives point to the MNC’s failure to share the costs of monitoring and implementing codes of conduct. Most SME managers do not receive support from their foreign suppliers or MNCs because the main concerns are on-time delivery of final products with consistent quality for profit maximisation, not codes of conduct compliance. Many Vietnamese SME managers complained that these top tiers put pressure on them to keep subcontracting prices stable, even when input costs go up, at the expense of the workers whose wages were reduced: *‘If the raw material prices increase, our customers [the MNCs] will pay for it, but they do not raise subcontract price for our workers. The reason is that they provide the raw materials, so they are willing to raise prices for their own products, but not for workers’ wages’* (a manager from a medium-size garment firm).

The pressure/influence of industry norms/standards in the export-oriented TGF sector is noticeable. Most TGF factories have to pay the certification (and sometimes also inspection) costs to be able to export their assembled products. Management at a medium-size factory making leather purses and gloves explained: *‘Funds are needed to carry out these [CSR] responsibilities. Due to the fact that this is our company’s responsibility, we cannot ignore this*

⁶ <http://www.intertek.com/what-we-do/>; <http://www.sgs.vn/en/Our-Company/About-SGS/SGS-in-Brief/SGS-in-Vietnam.aspx>.

⁷ Sometimes the buyers themselves come down to the factories to inspect. We found that some Japanese buyers did factory inspection.

CSR cost, but have to include it in the final price of our products'. By absorbing this cost, they lose their price competitiveness compared to other factories that spend nothing on CSR. While this problem is more overt in the TGF sector, for the few export-oriented FBP companies, management also had to absorb CSR-related costs. A president of a vegetable processing company (exporting to the EU) shared: *'We handle this [ISO22000 requirements] by providing gloves and masks which protect the workers and also prevents the contamination of our products. Periodic health check is once every 6 months...This is included in ISO22000...If workers are sick, they are allowed to leave until they become healthy again. Social insurance does not cover these [costs]'*. This indicates that global standards, if implemented properly, can help improve labour conditions.

Moreover, we found an overlapping between the normative (industry norms) and the regulatory (labour legislation and state regulation) pillars because the first item in many codes of conduct of most industry norms often refers to the need to comply with national labour laws/code. The two major Vietnamese labour laws, the Labour Code and the Social Insurance Law, clearly stipulate the required labour standards such as wages, overtime work and social insurance benefits. The next section, the Regulatory Systems, presents the progressive Vietnamese labour laws and the regulatory system, and discusses the findings on the regulatory pressures and their limits.

Findings on the Regulatory Level

The regulatory system relates to laws, regulations and government policies. It revolves around compliance, legitimacy, and coercive mechanisms and indicators (Scott 1995/2001). Factors in the regulatory system can either encourage or discourage CSR practices through incentives or disincentives. Stringent enforcement can promulgate healthy and safety practices and certain standards in the working environment in SMEs. We first present the nature of state regulation in the context of socialist Vietnam, then specific the effects of state regulation on each sector from the voices of SME owners and workers.

Labour Legislation

Wage and overtime issues are directly related to industry norms in terms of codes of conduct and are observed in narratives and practices of both managers and workers. As required by most codes of conduct, compliance with national labour law, the context of Article 91 of the Labour Code requires a living wage, not a minimum wage: *"minimum wage, as the lowest level to pay simple labour, must cover at least the subsistence level [living wage] of workers and their families"* (Labour Code 2012, p. 19). This "living wage" clause is consistent with that of some multi-firm stakeholder codes such as SA8000 and the Worker Rights Consortium.

Workers reported that their monthly wages did not cover their basic necessities, even when the median wages in both FTG and FBP sectors were higher than the government-sanctioned minimum wage.⁸ Their monthly 'living wage' ranged from VND 4.4 million (average for FBP workers) to VND 4.7 million (average for TGF workers). Overall, about 47% responded

⁸ Worker-led strike waves in 2005 and 2006 led to annual minimum wage increases since 2006 (Tran, 2007). In 2011, the government stipulated monthly minimum wage was VND 2 million in Ho Chi Minh City, and VND 1.78 million in non-metro areas.

that they barely earned enough for basic necessities and had no savings; 42% said that they did not make enough and had to save and/or borrow to pay for necessities. Only 11% said that they earned more than enough for necessities and had some savings.

Wages below the living wage have led to overtime work to make ends meet. The increase in overtime hours is a direct violation to the overtime stipulation in the Labour Code. The Labour Code allows only 200 hours of overtime work per year (or a maximum of 300 hours in TGF industries with the approval of the labour unions). However, in practice, most codes of conduct allow up to 12 hours of overtime per week which could add up to 624 hours per year, more than double the permitted overtime (ILSSA, 2004). We found that the median overtime hours per week for men and women in TGF was nine hours per week (459 hours/year) and 10 hours in FBP (520 hours/year), more than double the approved overtime work hours (200-300 hours).⁹ We found gender difference in overtime work: on average, male workers did more overtime per week than female workers. In TGF factories, males averaged 12 hours/week versus 8 hours for females; in FBP factories, males averaged 14.5 hours/week versus 11 hours/week for females. Female workers may have to do housework thus cannot do more overtime work. Consequently, many workers in both sectors (42% had to save and borrow to pay for necessities) need to borrow money from their owners/managers to pay for basic expenses.

Moreover, wage is directly connected to social insurance, as required by Article 89 of the 2014 Social Insurance Law, entitled “Monthly mandatory social insurance.” This law stipulates that by January 1, 2018, management has to pay monthly social insurance based on the *gross salary*, which includes the minimum wage as well as all forms of allowances and bonuses (Social Insurance Law 2014, 38-39). Thus, the minimum wage has to be raised to reach a living wage by 2018 with the accompanying level of social insurance fees that management has to contribute to the state funds for workers.

Next we turn to the state regulatory system, and discuss the findings on the regulatory pressures and their limits.

State regulation

The state regulates industry through a mixed structure, encompassing both state and quasi-state agencies. Regulations focus primarily on environmental standards and the working environment (such as work safety), not on labour standards (such as wages and overtime). Both industry norms/standards *and* state regulation can disadvantage SMEs by imposing inspection costs and requiring them to produce time-consuming reports.

Industry is charged two types of fees: state management fees by the Department of Natural Resources and Environment (DONRE), and service fees by a quasi-state agency, the Institute of Water, Resources, Environment, Technology, (IWRETE). DONRE is a government environmental entity which has jurisdiction over both city/province and district levels; it manages natural resources (including land, water, minerals and marine resources) and the environment of the administrative location in which it resides.¹⁰ DONRE charges management fees to monitor SME compliance with state environmental laws, which it does by visiting

⁹ Overtime work was not always available: “Work overtime when more orders are available. Got paid by the hour x 1.5 times. Overtime only when extra orders are available” stated a worker in a small garment factory.

¹⁰ The cities’ people’s committees govern DONRE administratively, and the Ministry of Natural Resources and Environment directs and supervises DONRE technically.

factories and filing reports. On the other hand, IWRETE, an environmental consultancy, charges service fees as stipulated on the contracts signed with foreign buyers (MNCs who place orders with SMEs), with SMEs directly, and even in contracts signed with government entities. As such, IWRETE service fees vary, depending on the scope, scale and complexities of what it needs to monitor at the SME premises (such as toxic materials, waste water, dust, or noise).

State regulation has targeted different areas in the two sectors. In the TGF sector, workers pointed out that labour inspections have been more lax compared to environmental inspections. FBP workers stated that food and drink safety regulation was prioritised over labour regulation. In both sectors, the focus of inspectors was on the quality of the products, not the workers' welfare. Few labour inspectors go to factories to monitor labour standards, such as wages and work hours, as stipulated in the Labour Code, consistent with a finding by Kim (2012).

Effects of inadequate regulatory practices

The proliferation of state and quasi-state regulations can also be costly to SMEs, and the enforcement of state regulations can have ambiguous results. Most FBP management interviewed abide by government regulations, but there were concerns about the lack of technical sophistication among the government's environmental officials and their unrealistic expectations: *'The environmental compliance and regulation are dependent on awareness of people living in society and (government) officials who are in charge of environmental laws. For example, the Environmental Office mandates that we treat waste water until it becomes type A (or equivalent to potable water), but I have a different opinion. POD and COD [technical names for different types of water] water must have micro-organisms to survive. Change in perspective depends on the lawmakers and educated managers. So, due to the [high quality] requirements of 6-month water inspection, and the difficulty in treating water to type A, we were fined occasionally'* (medium-size FBP firm).

In the TGF sector, thirty percent of interviewed factories reported obstacles that are related to state regulations. These problems range from unclear state instructions, to time-consuming paperwork requirements, to inadequate state regulation on labour standards issues, such as wages and work hours. About 35% of interviewed TGF factories reported obstacles related to state regulation of labour standards, with often-cited concerns such as stable wages, and social and unemployment insurance. For instance, an owner of a medium-size garment factory complained about inconsistent state instructions: *'We are building an environmental project according to the request of Ho Chi Minh City DONRE. The monitoring report is done once every six months. This is a costly endeavor, because we do not completely understand the instructions and have to hire other [consultancy] services (at about eight million VND)'*. Other managers complained about inconsistent government enforcement, leading to compliant companies being at a disadvantage compared to those which did not comply: *'At the moment, our company spends an annual amount of four billion VND on chemicals used for processing [or treating] waste, while many other companies do not do this. If that four billion VND is not spent on waste treatment chemicals, then it can be used for other things such as expanding production. At the same time, we have to keep our product prices the same as those of other companies'* (a manager of a medium-size garment factory). An owner of a medium-size garment factory lamented: *'The waste water treatment system is expensive. It costs about 300 million VND (about US \$15,000), and it is installed once and for all... During inspection, the government can impose*

a fine of up to 500 million VND. A manager from another medium-size garment factory concurred: *'Funds are required to carry out these responsibilities'*.

Analysis of the 93 responses from FBP workers shows that most state inspectors went to the factories to monitor and enforce environmental standards, not labour standards. None of the workers interviewed mentioned state regulation of their wages, benefits and working hours. Eighteen percent of the interviewed FBP workers (both females and males) mentioned that regulation and inspection was aimed to ensure product quality and food safety/standards for consumers' health, not workers' wellbeing. Only 5% mentioned that it was for labour standards and safe working conditions. Here are some workers' voices: *'Thanks to the (state) inspection teams who check work safety and environmental sanitation, the company products will be better and ensured'* (a worker in a water company). *'Inspectors come to check food safety in bakery. I feel comfortable; no problems'* (male, small bread enterprise). From management's perspective, state regulation tends to focus on pollution control and occupational safety and health. One FBP manager explained: *'...waste water goes through a sedimentation tank, with a filtering net, and an aerated process to treat waste water. Afterwards, we have a contract with a waste treatment agency to process the waste water and the odor from waste water. We contract with District 8 sanitary department to collect regular trash'* (a manager from a medium-size seafood company).

In both sectors, our findings show the benefits of state inspection to ensure worker safety and hygienic working environment for workers. However, it also indicates inadequate state regulation to inspect labour standards issues, such as wages and work hours.

Next, we present and discuss findings on the cognitive level by considering *both* Scott's institutional perspective (peoples understanding of industry norms) and critical perspective (which reminds us to pay attention to historical legacy and people's cultural practices for centuries, or cultural norms).

Findings on the Cognitive Level

The cognitive level includes people's shared conceptions that constitute the social reality and the frames through which meaning is made. Normative/belief systems and regulatory factors influence individuals' understanding and reasoning (Scott 2001; Amine and Staub 2009). In this section, we first present cognition of *industry* norms: how SME owners and workers understand industry norms/standards (such as through codes of conduct). Then we explain the significance of cultural practices by both owners and workers, or cognition of *cultural* norms.

Overall, we found that in both sectors, there is a divergence in the understanding of management and workers on the meaning of industry norms, or codes of conduct. Many SME managers expressed knowledge about codes of conduct and their requirements (certification, sustainability report filing and monitoring) but financial constraints prevent them from engaging in this process. On the other hand, most workers perceived codes of conduct as "regulations" with which they have to comply. In both sectors, most workers used their own language to describe what CSR means to them, not the formal CSR language.

Cognition of Industry Norms in owners' and workers' voices

First are findings on cognition of industry norms from management perspectives in both sectors. Seventy-five percent of the interviewed TGF factories manufacturing for export are conscious of required industry standards. Most managers in TGF factories comply with private industry standards in order to export their products. One manager in a medium-size garment firm lamented: *'we are required to implement CSR. If we do not, we would have to close our business.'* But since many first-tier suppliers do not list these subcontractors on their supplier lists, these SMEs are invisible to the general public.

With respect to the physical environment and the working environment, we found that more FBP companies monitored and reported on their environments than did TGF factories. On occupational health and safety and treatment of waste, 85% of FBP SMEs monitored waste, water and energy compared to only 60% of the TGF SMEs. On company procedures for handling Occupational Health and Safety (OHS) issues, the FBP SMEs reported higher percentages: 60% (registering accidents) and 85% (health checks) compared to 50% and 60% among the TGF SMEs respectively.

This difference may be due to more stringent government regulation in the FBP sector (out of concern for consumers' well-being), thus heightening management awareness and practice of these norms. Around 50% of the FBP firms stated that they had improved the working environment/conditions while only 40% reported improvements in the physical environment (such as polluted water and air), which can be very costly for many small- and medium-size FBP enterprises. A few managers in the FBP industry expressed a heightened awareness of cleanliness and sanitation on behalf of their customers/consumers, such as: *'Because our business is in the food processing industry, we are required to guarantee consumers' health'* (a seafood company). This, however, did not translate into the health and well-being of workers. Even so, more savvy managers had deployed ways to protect the environment and workers: *'We have to be responsible for the environment once we deploy industrial production of a commodity. We have to grow plants, and treat waste water'* (a distillery company).

Second, we present workers' understanding of codes of conduct in both sectors. In both sectors, workers believed that a code of conduct is about periodic inspections and a set of regulations that tells *them* what to do, and what to avoid on the factory floor (in terms of health and work safety). Only a few workers understood that it is about the responsibility of employers, not of themselves, to improve labour standards and their working conditions. Based on workers' own definitions of codes of conduct, we witness overlapping between industry norms and cognition. First, workers' misunderstanding could be interpreted as their intuition to comply with a safe working environment for their own benefits. Second, it appears that some FBP workers in the export-oriented companies were savvier than TGF workers in terms of recognizing some global industry norms, such as HACCP and ISO 26000.

When doing factory visits, we noticed that company regulations were posted in prominent places on the factory floor. Most interviewed factories have their own company

regulations regardless of the existence of state regulation or industry norms and standards. In the TGF factories, about 80% of the workers interpreted factory regulations as codes of conduct. Some TGF workers mentioned: *“workers should try their best to meet the company’s requirements; company regulations can supervise workers’ whereabouts and use of safety equipment. Regulations are good reminders for workers; regulations require punctuality, good maintenance of machines, no shouting; sick leaves should be approved before taken.”*

On the other hand, some 56% of FBP workers interpreted company regulations and inspections as codes of conduct. Here are some examples of FBP workers’ responses: *“Workers are supposed to obey regulations if they want to keep their jobs; they inspect food safety, environmental sanitation to ensure consumers’ health; I don’t know if there are any codes of conduct. I only know that the company has regulations. I am pleased with the inspection. The company management does very close inspection work, helping the workers to follow the regulations; Owner explains regulations, especially those related to production safety, avoiding risks of fire and explosions.”*

Workers in both sectors expressed concerns about their working environment because it affects their health and safety, with more concerns being registered by female workers. For FBP workers, 76% expressed concerns with work safety and safe working environment. Many appreciated having protective gears (such as working outfits, boots, hats and helmets, masks, shoes and socks, aprons). A female worker in a seafood company said: *“Equipment for work safety is available [provided by management]: gloves, masks, protective working outfits, clean and separate restrooms for males and females.”* Another female worker in a fish sauce company said: *“Electric appliances are not really safe. [There is] risk of electric shocks; women should not climb high when the electric pump is working. It’s slippery and dangerous. [There is] flood because of bad sewage system.”* On the other hand, most TGF workers had to deal with lint, dust, heat, odor, humidity and lack of ventilation. In a medium-size garment factory making leather purses and gloves, a worker complained: *‘In the process of leather treatment, the odor is very strong and unpleasant’*. Fewer TGF SMEs had improved the working and physical environment (25% and 35% respectively) compared to the FBP SMEs.

Cognition of Cultural Norms in owners’ and workers’ voices

We contribute to Scott’s cognitive pillar by highlighting a cultural component, recognizing the significance of cultural norms in the context of labour standards. In both sectors, management and workers are shaped by cultural norms and belief systems in their understanding and practices.

First is management cognition of cultural norms. In both sectors, when asked for the meaning of “company responsibility”, 72% of managers responded as “being a good corporate citizen”, and only 38% stating that it was “to make profit” (Authors A). While 40% of the TGF managers and 15% of the FBP managers were unaware of the formal concept of CSR, almost all recognised the broad responsibilities of companies to the society at large. All interviewed managers/owners felt responsible for labour standards, working conditions and working environment and 90% felt responsible for the physical environment. One can argue that these cultural norms transcend industry norms: these figures are much higher than the ones for the industrial norms or foreign-imposed CSR practices. This is consistent with Scott’s argument about resilience of social structures, relevant to socialist Vietnam.

Our sample shows that many managers mentioned ‘culture’ and ‘history’ together: around 50% of the firms seeing ‘history’ as having an impact (Authors A). For example, a few TGF managers expressed awareness of the damages done to the people and the environment in Vietnam due to the US-Vietnam war: *‘Businesses must also contribute to help victims of Agent Orange [a toxic herbicide/chemical] used during the US-Vietnam war as well as injured and disabled veterans’* (a medium-size garment factory). These activities can be considered culturally-based CSR practices, Vietnamese style. In another case, a medium-size water company expressed the influences of history and culture on these culturally-based CSR practices: *‘The Vietnamese people have a culture of solidarity, mutual sharing, being compassionate toward other people, loving other people as loving oneself. When we make money, we need to assist and share with less fortunate people and our own workers. Managers and workers should relate to each other as family members’*.

Second is about workers’ cognition of cultural norms. Many workers interpret codes of conduct as relationships between employers and employees, which can be positive or negative. Some examples from TGF workers include: *“company management treats workers well and nice attitude towards us; fair treatment at work and courteous when interacting with workers; the situation is favorable because of good relationships with the owner; the company has no well-defined regulations: the owner shouts at workers whenever he wants.”* Some examples from FBP workers include: *“I don't understand what code of conduct means, but I think it refers to an equal relation between employer and employees; reflecting civilised work ethics in public office; this is to build up a "company culture" here; at the company, relations among workers are good. Inappropriate relations will be immediately reprimanded.”*

Third, we present concrete examples of how management and workers in both sectors rely on cultural practices to relate to each other. Religious beliefs and cultural practices influence managers to give contributions to the local community and for religious celebrations. Most SMEs interviewed—irrespective of location, size, and sector—upheld cultural practices dating back to the socialist era (prior to the market-reform policy that started in the late 1980s). These social practices include the additional 13th month pay (the ‘Tet bonus’) to celebrate the Vietnamese Lunar New Year and to support the families of migrant workers.

Most companies often advance small amounts of money to workers and deduct the amount from the workers’ monthly paychecks. This practice meets urgent needs of workers so they can pay for basic necessities, illnesses, or trips home to take care of family members: 60% of the FBP provided loans, while 50% of the TGF did. Most medium-size factory managers provided some forms of entertainment, such as newspapers, sporting events, musical entertainment, cable TV and access to the Internet to enhance workers’ cultural lives.

In the TGF sector, having time flexibility is one of the most often-cited reasons by both female and male workers for them to remain with a company. Considering the lack of living wages as discussed above, workers used time flexibility as an important “labour condition” to bargain with management. Many interviewed managers gave workers days off for personal leave (sick leave, weddings and funerals), cultural events and traditional Vietnamese holidays. In return, many migrant workers expressed appreciation for such flexible work schedules. A manager said: *‘Whenever migrant workers from the South have funerals, weddings, or death anniversaries, we have to allow them to go back to their home towns/villages’* (a garment factory). Since most workers are young and many are migrants, they have family obligations and need more education, so it is important to have: *‘Permission to take time off for family matters’*

(a worker in a small garment company); *'Flexible hours; Good relationship between owner and workers'* (a worker in a small shoe company); *'Permission to take time off is the most important factor because I am a student and am doing part-time job'* (a worker in a medium-size garment company). In the FBP sector, the need for flexibility is similar: *'Those who are in difficult circumstances can borrow several million VND... Workers can take day-offs to attend to their family business, we still pay them for their sick leaves.'* (a manager of a beef jerky producing company).

In the export-oriented TGF sector, on-time delivery is vital for subcontracting work; thus most managers placed a high value on stable employment and connections between skills and product quality for their enterprises' commercial viability. Over 90% of all SME management interviewed considered both 'workers' and 'customers' (or buyers) to be the most influential stakeholders. For instance, an owner of a small leather factory said: *'Because they [the workers] determine the quality of our products'*. Another garment-factory owner said: *'If workers are careful and produce good-quality products that receive no complaints from our partners [customers/buyers], the company will not be negatively affected'*.

We observed more 'family-like' type of management-workers relations in the more domestic-oriented FBP sector, compared to the exported-oriented TGF. Treating workers like family members tends to happen in small enterprises and has both positive and negative outcomes. On the positive side, many owners/managers exhibited tolerant, compassionate, and flexible cultural practices that cared for workers and treated them like family. Interviews with the FBP factories showed that stable employment (especially with signed labour contracts), mutually respectful communications and harmonious labour-management relations were the key labour conditions expected on the factory floor. Forty-five percent of all FBP workers expressed their appreciation for management concerns, equal treatment and harmonious relations with the bosses. Workers expressed appreciation when being treated kindly: *'Owner treats workers as family, not as master and servants. The owner and his wife are very nice to the workers'* (a small noodle shop). A worker in a small water company praised, *'Free meals. Treated like family members. No pressure on workers. Generous offers and treat workers with drinks and meals'*. A group of workers in a medium-size pasta factory said: *'There is bonus for good work performance. Uncle Ba is very concerned about workers'*. Another worker in a medium-size garment factory said, *'Co-workers are like brothers in a family. Concerned about each other'*.

However, family structure can exhibit hierarchical and patriarchal relations in Vietnam. Some workers lamented about being reprimanded and treated like 'children' or 'younger siblings'. A worker in a medium-size garment factory said: *'Manager creates convenient situations for workers to deal with family matters, but reprimands them in case of errors'*. Another worker in a small bottled water factory said: *'The owner is concerned and friendly. But when workers made mistakes, they were scolded [like children]'*.

DISCUSSION

In response to the research questions: *"What does CSR mean to SME owners and their workers in manufacturing and food processing in terms of norms, regulation and cognition? In which ways does this western concept influence/affect workers and owners in these two different industries?"* Scott's institutional framework is helpful in dissecting varying levels of different types of institutional pressures and how they contribute to different outcomes in TGF and FBP

sectors. First we discuss the usefulness of Scott's framework in explaining the similarities and differences between these two sectors; then we explain our contributions, informed by the critical perspectives, to the institutional framework.

Scott's three-pillar framework is helpful in highlighting both similarities and differences between these two sectors in terms of the meaning of CSR. On **similarities**, in both sectors, we found more emphasis of state regulation and industry pressure on the quality and safety of company products rather than on labour and working conditions. In the export-oriented TGF, there were high certification fees and inspection fees on garment products, but inadequate state regulation on labour standards. In the domestic-oriented FBP, there was frequent on-site state inspection to monitor compliance with food/drink safety guidelines/standards (set by the Vietnamese Food Administration), but not on labour standards.¹¹ On *cognition*, management in both sectors recognised "socially responsible practices" and acknowledged "cultural and historical practices" (see **Table 1 for the summary of the findings**). When asked about which elements and practices (labour standards, environmental, working conditions) that workers and managers considered as socially responsible, almost 100% responded positively in their *own* terms, focusing on their environment and working conditions. We found overwhelming support among workers and managers to practices informed by historical and cultural norms, such as not polluting, securing a clean working environment, and achieving a living wage and decent work hours. This is consistent with the arguments made by Murillo & Lozano that, while CSR, a foreign concept, is understood as a regulatory language, SMEs' owners and workers use their own language to explain each of their factory's organizational culture and practices, not as an operative language (Murillo & Lozano, 2006).

Scott's three-pillar framework is helpful in identifying the **differences** between these two sectors. First, many workers in the export-oriented TGF sector misunderstood codes of conduct as their responsibilities, whereas workers in the domestic-oriented FBP sector were more aware of their rights on safe and hygiene working environment (see **Table 1**). Second, the adoption of industry norms and compliance with state regulations are costly to the SMEs. This condition affects the export-oriented TGF more than the domestic-oriented FBP companies. We found that the brands (and their first-tier suppliers) use CSR appeal to appease their final consumers by placing the burden of practice and proof onto their lower-tier TGF subcontractors. Most TGF owners cannot afford the costs of codes of conduct certification and remediation of their violations. Nevertheless, the managers and the workers in these TGF SMEs absorb those costs to get the work orders, as other studies have shown (Baden et al. 2009; Fassin 2008; Skadegaard Thorsen and Jeppesen 2010). Moreover, the different nature of these two sectors—one durable and the other perishable—and their levels of insertion into the global economy can also explain their differences. While both sectors are subjected to the same progressive Labour Code, social insurance law and regulatory system, we found stricter state regulations in the FBP sector, most likely due to the perishable nature of the FBP products and important health implications for human consumption. In contrast, the export-oriented TGF factories are less influenced by state regulation, but under more pressure by industry norms/global standards.

¹¹ In the smaller group of FBP companies (25%) that produce for export, management had to comply with additional international food safety standards.

However, our application of Scott's framework to the Vietnam case revealed two observations which form our contributions: 1. the significance of the overlapping of the pillars, and 2. the implications of uneven power relations in the global supply chains.

Recognizing the overlapping can shed light on the nuanced institutional pressures and how they contribute to different outcomes in TGF and FBP sectors. The **first overlapping** is between the normative (industry norms) and the regulatory (labour legislation and state regulations) pillars. The most common code of conduct of many industry norms refers to the compliance with national labour legislation, or the Labour Code and the Social Insurance Law. The misunderstanding of both TGF and FBP workers on codes of conduct as *their* responsibilities points to the connection between labour legislation/state regulation and industry norms. Moreover, this overlapping can explain migrant workers' searching around the city for jobs with perceived higher wages due to the lack of a living wage and social, health or unemployment benefits as stipulated in the Labour Code. The resulting accommodations of many SME managers to keep workers explain how they value stable employment as a win-win outcome for both labour and management.

The **second overlapping** is between cognitive and industry norm pillars. On cognition of industry norms, owners/managers in both sectors are more informed about the formal (imported) definition of CSR than are the workers. In both sectors, most workers think of codes of conduct as company regulations and inspection to which they need to comply, instead of responsibilities that corporations promise them. But while CSR as a foreign symbol has been imposed on the Vietnamese economy over the last 15 years, SME managers and workers in both sectors relate to each other, informed by cultural practices. As such, this overlapping highlights the significance of **cultural norms**, very significant within the Vietnamese context. For instance, workers were proactive in using their own terms, focusing on the "relationships" language with their employers and co-workers on the shop floor. Cultural norms in the export-oriented TGF sector allow TGF workers to bargain for flexible work schedules during down times in exchange for stressful work schedule in high seasons. On the other hand, cultural norms in the domestic-serving FBP factories accommodated better job stability, respectful communications and harmonious relations with management.

However, we found some **limits to cultural norms** which can perpetuate power relations between labour and management, as well as patriarchal relations of workers being treated like family members in small enterprises. For instance, while small advances/loans can be a short-term benefit to workers for basic necessities, this common practice reinforces the paternal relationships, perpetuates the cycle of indebtedness and the precarious hand-to-mouth existence experienced by many workers. It does not solve the root cause of this problem: lack of regulation and enforcement of the most basic code of conduct related to the Labour Code—wages and overtime in both sectors.

However, the Scott framework does not reflect **unequal power relations** among the actors in the multi-tiered global supply chains. We incorporate different levels of linkage to such global systems into Scott's framework to explain *different* outcomes in FBP and TGF sectors. In terms of job stability, the domestic-oriented FBP sector (with better linkage to the *domestic* economy) tended to fare better than the TGF sector that produced mostly for export and had to deal with the vicissitude of the global supply chains and the dependency on imported inputs. In 2010-2011, most FBP workers were able to keep their jobs longer, compared to the job losses in the export-oriented TGF factories. While the five export-oriented

FBP factories face similar global fluctuations as did the export-oriented TGF factories, FBP factories have control over *domestic* raw materials (such as seafood, vegetables, passion fruits, and aloe vera plants). As such, these FBP factories have influence and control over the domestic suppliers of their inputs, compared to the export-oriented TGF SMEs. On the other hand, in the export-oriented TGF factories, SME managers in the lowest rung of the global supply chain had to cut wages to deal with tough price competition. Many interviewed managers pointed to the MNCs' failure to share these CSR-related costs, adding more costs to the compliant SMEs, and leaving less for workers' wages which are not livable as required by the Vietnamese Labour Code. Situated in the lower tiers of the global supply chains without cost sharing from MNCs and their suppliers, CSR compliance is beyond the control of most TGF SMEs. Future research is needed to examine the connections among domestic linkage, insertion in the global supply chains and CSR.

Table 1: Overview of main findings on the normative, regulatory and cognitive pillars among workers and managers in the interviewed SMEs

<p><u>Normative:</u> TGF MANAGEMENT: - 60% know 'CSR' - Industry norms and standards key (e.g. 75% adhere to codes of conduct) - No assistance from first-tier suppliers, or brands on certification and inspection fees TGF WORKERS: - Wages low – forced to overtime work <u>Regulative:</u> TGF MANAGEMENT: - Inadequate state regulation on labour standards issues, but state and quasi-state inspection play a more important role in environmental regulation - High certification fees and inspection fees - No assistance from government for certification and compliance - Time-consuming reports TGF WORKERS: - Weak and inconsistent state regulation - More rigorous environmental regulation than regulation on labour standards - Not wearing masks, even when they are issued, due to poorly ventilated conditions <u>Cognitive:</u> TGF MANAGEMENT: - Many 'codes' (or guidelines) found among numerous firms</p>	<p><u>Normative:</u> FBP MANAGEMENT: - 80% know 'CSR' - Few with industry codes and standards (25%, such as HACCP, GMP, ISO) - No assistance from customers, or brands - High level of expenses (in exporting factories) FBP WORKERS: Wages low – forced to overtime work <u>Regulative:</u> FBP MANAGEMENT: - Local government inspections monitor compliance with food/drink safety guidelines - No 'free-of-charge' assistance from government for compliance, but options to pay for services - Some comply with the Vietnamese Food Administration standard (see the Normative section) FBP WORKERS: - Weak and inconsistent state regulation - More rigorous food and safety regulation than regulation on labour standards - Appreciated protective gears (working outfits, boots, hats & helmets, masks, shoes & socks, aprons, etc.) <u>Cognitive:</u> FBP MANAGEMENT: - Vast majority conducting environmental and occupational safety and health practices</p>
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<ul style="list-style-type: none"> - Very high (nearly 100%) recognition of ‘social responsible practices’ - Acknowledgement of ‘cultural and historical practices’ (loans, leave, donations etc.) <p>TGF WORKERS:</p> <ul style="list-style-type: none"> - Codes of conduct are viewed as workers’ responsibilities - Appreciation of ‘cultural and historical practices’ (loans, leave, etc.) - Time flexibility as bargaining tool - Mixed attitudes towards ‘family relations’ 	<ul style="list-style-type: none"> - Very high (nearly 100%) recognition of ‘social responsible practices’ - Acknowledgement of ‘cultural and historical practices’ (loans, leave, donations etc.) <p>FBP WORKERS:</p> <ul style="list-style-type: none"> - Concerned with and aware of their rights on safe working environment - Acknowledgement of ‘cultural and historical practices’ - Mixed attitudes towards ‘family relations’ - Appreciation of job security
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Source: The authors

CONCLUDING REMARKS

Scott’s institutional framework is useful in highlighting both similarities and sectoral differences as discussed above. But our application of Scott’s framework to the Vietnam case revealed two important observations, hence our contributions, informed by the critical perspectives. First, it is important to pay attention to the overlapping nature of the pillars, such as between the normative and regulatory pillars, and between normative and cognitive pillars as discussed above. Further theoretical work is needed to explore these overlaps. Second, the unequal power relations among the actors in the multi-tiered global supply chains are not reflected in the Scott’s framework. Our article contributes to Scott’s institutional framework by incorporating different levels of linkage to the global system to explain *different* outcomes in FBP and TGF sectors. We demonstrate how the MNCs and their first-tier suppliers shirk their responsibilities toward their SME subcontractors at second, third and sometimes fourth tier, and showcase the perspectives of SME management and their workers at these lower tiers which are often hidden from the general public.

Finally, what can be done to improve labour standards in Vietnam? What are the role of the MNCs and the role of the state? First, the MNCs need to recognize publicly the existence of the SMEs in their global supply chains. Second, the MNCs need to share the CSR costs with SME owners in both sectors to fulfill the general public’s expectations of business impacts on society, especially on working conditions and labour standards. Third, both workers and managers pointed to the need for stronger state enforcement of the Vietnamese Labour Code, directly connected to most codes of conduct and global industry standards. Thus, the government needs to strengthen state monitoring and regulation to protect both the consumers and the workers. Last but not least, the MNCs should share the costs of training courses on codes of conduct at the SME level so that workers can improve their knowledge of industrial norms in order to demand their legitimate rights and entitlements promised by the stated CSR intentions via codes of conduct.

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