

## Building Corporate Reputation through Corporate Social Responsibility

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### **Abstract:**

*The objective of the article is to test the impact of corporate social responsibility on the corporate reputation. Based on survey data of 389 Vietnamese textile enterprises, the results show that CSR positively affects corporate reputation. At the same time, the impact of CSR on corporate reputation in enterprises is much stronger than that of small and medium enterprises. Since then, we recommend that Vietnamese textile enterprises should implement CSR to improve corporate reputation and improve the firm's performance*

**Keywords:** Corporate social responsibility, the reputation of Vietnamese enterprises and textiles.

### **1. Introduction**

Corporate social responsibility has become a true trend and developed throughout the world. Recently, in developed countries, Consumers do not only care about product quality but also how companies make it. They want to know whether the products they intend to buy are eco-friendly, community-friendly, humane and healthy. Currently, movements to protect consumer rights and the environment develop very strongly in many countries. And now, this is a decisive factor when foreign partners choose Vietnamese companies to cooperate.

In Vietnam, the implementation of corporate social responsibility is often seen as an act of solving social problems for charitable and humanitarian purposes. Meanwhile, corporate social responsibility must generally be understood as a way in which a business achieves a balance or combination of economic, environmental and social requirements while meeting the expectations of shareholders and stakeholders. Therefore, promoting the motto of enterprises associated with social responsibility is to attach responsibility to the community. Thereby, it helps enterprises to affirm their position and develop in the most sustainable way.

Previously, a company wanted to build a brand; in addition to quality, product prices also needed conditions to make a difference. Now, besides the above factors, want to sustainably develop social factors such as employment conditions, occupational safety, environmental sanitation, social welfare (salary, income ...) is playing an important role. In fact, many local enterprises have identified an important role in implementing social security strategies associated with business development of enterprises. Enterprises should understand that this is the key to help enterprises increase competitiveness, towards sustainable development. Because now, we have passed the period of competition with simple prices, the difference of products ... which is a time to create the most sustainable competition, in which the issues related to the owners weak to the community such as health, society, environment, human resources ... plays a very important role.

Textile and garment industry contributed 15% of total export value and has an average growth rate of over 12% from 2010 to 2017. With more than 6,000 factories, providing about 3 million jobs across the country and industry only important for the economy but also for Vietnamese society. However, this is also an industry that has caused many environmental impacts. The production process of the industry must exploit, use and discharge a large amount of water, and use a lot of energy for heating and creating steam. These are factors that affect water resources and contribute to increasing greenhouse gas emissions.

In order to reduce the impact on the environment, Vietnam's textile industry needs to change its production process, while still expanding and developing, this is a major challenge for the industry. CSR activities will directly affect the satisfaction of employees, attract talents for businesses and especially affect the reputation of businesses. In this article, we assess the impact of CSR on the reputation of Vietnamese textile enterprises. At the same time, conducting a multi-group analysis of the impact of CSR on business reputation between two large and small and medium enterprises.

### **2. Literature review**

#### **2.1 Corporate social responsibility**

CSR is defined as a distribution of the company's resources to improve social welfare, serving as a mean to strengthen relationships with key stakeholders (Barnett 2007). CSR is extremely important for companies in today's highly competitive business environment. Voluntary CSR activity is a strategic tool for the company to meet the expectations of many different stakeholders (Lai et al. 2010). Previous studies have shown that CSR activities play an important role in influencing behaviors and attitudes of different stakeholders. CSR activities increase customers' intention to repeat purchases, positively impacting customers' beliefs and commitments (Seadie et al. 2015). CSR activities help businesses attract potential employees and increase employee satisfaction and commitment to businesses. At the same time, CSR activities also affect investors' decisions and enhance the reputation of enterprises, which affects the results of the stakeholders' contribution to the competitive advantage of enterprises in the long term (Wei et al. 2014).

CSR has many different approaches, including research on CSR approach by Carroll's CSR tower (1999) in four aspects: Ethics, economy, legal and charity. There are studies that approached CSR according to the global supply chain Porter (2006), according to this approach CSR is understood as activities in the global supply chain from raw material production to after-sales process. After consuming products. Recently, researchers often approach CSR theory of stakeholders, at this time, CSR considered being voluntary activities of enterprises with stakeholders such as Employee, community, environment, suppliers, investors, customers (Mirsha and Suar 2010). In our research, we approach CSR according to the theory of stakeholders. CSR is the policies and activities of enterprises with stakeholders, developed from the research of Mirsha and Suar (2010).

## **2.2. Corporate reputation**

Corporate Reputation is the way people think and feel about businesses. It is created and accumulated from the way of business with related objects including potential customers, internal employees, potential employees, partners, investors, social communities.

The process of building reputation and branding, although there are many points involved, but not uniform. The object of branding is often potential customers, with the main purpose of increasing brand identity, increasing customer engagement, and reaching the destination of selling products and services. Meanwhile, the process of building and managing reputation affects many different target groups, both inside and outside the organization, towards creating relationships, establishing position on the market. school, thereby supporting other businesses of the business (recruitment, business, investment attraction).

## **2.3. Corporate social responsibility and business reputation**

Reputation as an intangible asset, a source of competitive advantage in which companies contribute different economic and social contributions to stakeholders (Fombrun 1996). Helm (2007) shows that CR is the perception of stakeholders about the company. Therefore, the reputation of the company can change according to the perception of different stakeholder groups (Mehtap and Kokalan 2013).

CSR is a strategic tool to meet the expectations of stakeholders and enhance business reputation (McWilliams et al. 2006; Sen and Bhattacharya 2001). Garberg and Fombrun (2006) consider achieving a reputation as the outstanding and relevant outcome of CSR programs. CR is obtained through corporate CSR activities (de Fidel et al. 2006). Brammer and Pavelin (2006) argue that CSR improves the reputation of businesses, CSR activities, and policies as a strategic tool to gain a reputation for businesses. In one of the recent studies, Stanaland et al. (2011) found that CSR is perceived to have a positive impact on CR and improve corporate legitimacy in the eyes of consumers. According to the above arguments, we make the following hypothesis:

*H: CSR activities have a positive impact on corporate reputation*

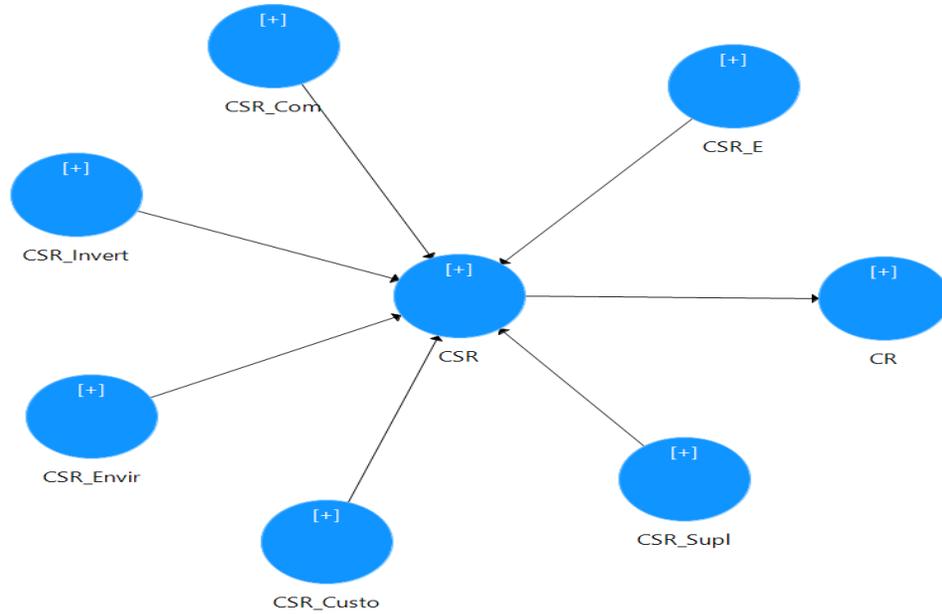
## **3. Research method**

### **3.1. Sample of research**

The study carried out a survey on Vietnamese textile enterprises, included in the "Vietnam textile directory" issued by Vietnam Textile and Apparel Association in 2015. We used random stratified sampling methods. The result selects a target sample of 660 businesses in the directory. After that, we sent survey forms via the monkeysurvey software, email, and post to 660 Vietnamese textile enterprises. After 3 months, we collected 536 surveys. After conducting the cleanup and classifying the survey questionnaire, the remaining 389 valid questionnaires were included in the analysis.

**3.2. Research models**

The research model of the article is as follows:



**Figure 1: a Research model**

The dependent variable is the reputation of the enterprise: Reputation is the image of the business in the heart of customers and employees about product quality, working style and sustainable development ability evaluated on the assessment of the supervisor. Reputable variable scales were developed by Galbreath (2010).

Corporate social responsibility Are the voluntary actions and policies of enterprises to ensure the interests of stakeholders to ensure a balance between economy, society, and community. CSR consists of six aspects with employees, customers, communities, environment, investors, and suppliers developing according to the research of Mirsha and Suar (2010).

**3.3. Analysis method**

We use SPSS 22 and Smart PLS 3.0 software to conduct hypothesis analysis and testing. SPSS is used to evaluate the reliability of the Cronbach Alpha scale; then the remaining observed variables are eligible to be included in PLS analysis on Smart PLS software to test hypotheses.

**4. Research results.**

After performing the reliability test of the Cronbach Alpha scale, the observed variables that measure the business reputation all have Cronbach Alpha coefficients and the correlation coefficient of the total variable satisfying the conditions to perform the next analysis. Observed variables measure CSR with 11 observed variables in a total of 29 observed variables. The remaining 28 observed variables measure 6 dimensions of CSR.

**Table 1: Construct Reliability and Validity**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
<b>CR</b>	0.945	0.947	0.945	0.774
<b>CSR</b>	0.982	0.982	0.982	0.666
<b>CSR_Com__</b>	0.911	0.911	0.911	0.672
<b>CSR_Custo</b>	0.872	0.872	0.872	0.694
<b>CSR_E_</b>	0.910	0.911	0.910	0.629
<b>CSR_Envir</b>	0.928	0.928	0.928	0.682
<b>CSR_Invert</b>	0.898	0.898	0.898	0.638
<b>CSR_Supl</b>	0.872	0.872	0.872	0.695

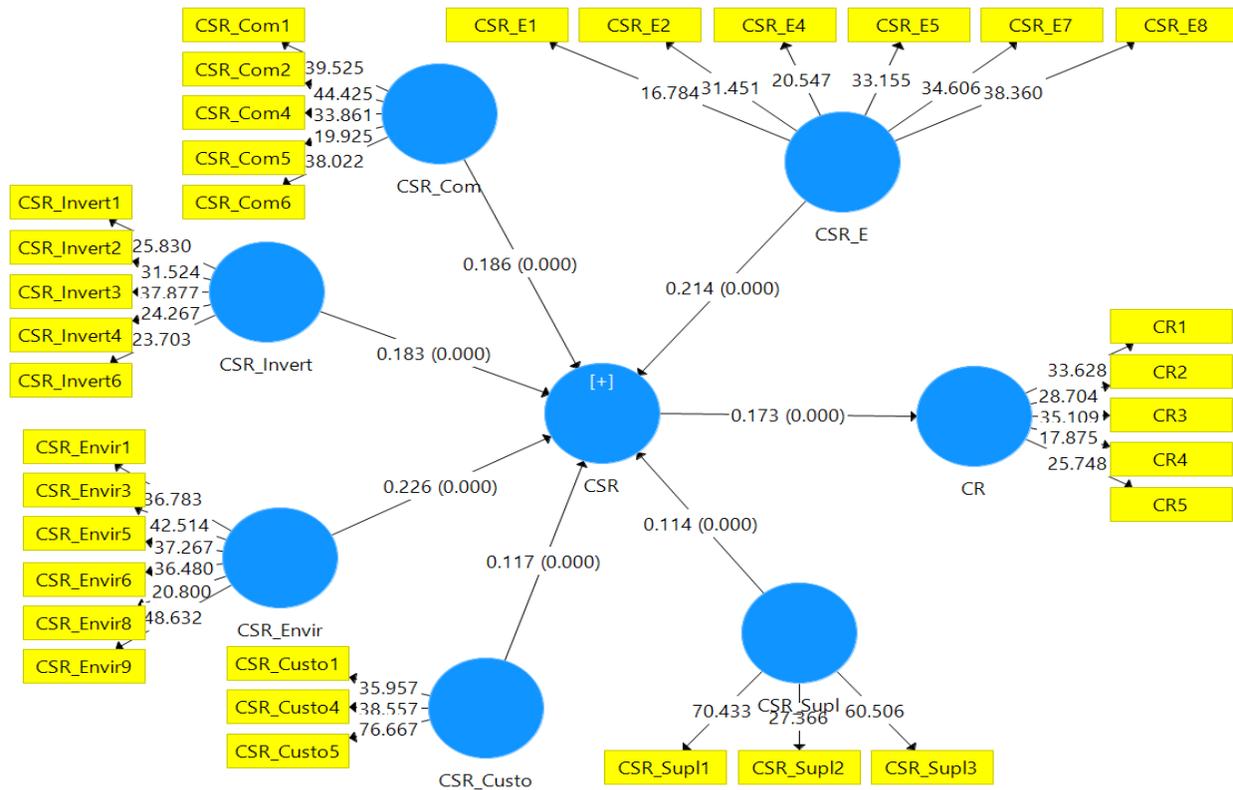
The results show that the reliability of the variables is satisfactory for the next analysis.

**Table 2: Discriminant Validity**

	CR	CSR
<b>CR</b>	0.880	
<b>CSR</b>	0.179	0.816

Model fit shows the data collected in accordance with the research model. The remaining model of observed variables is eligible to carry out the next analysis. First, testing research hypotheses. Second, a multi-group analysis verifies the difference between large and small and medium enterprises.

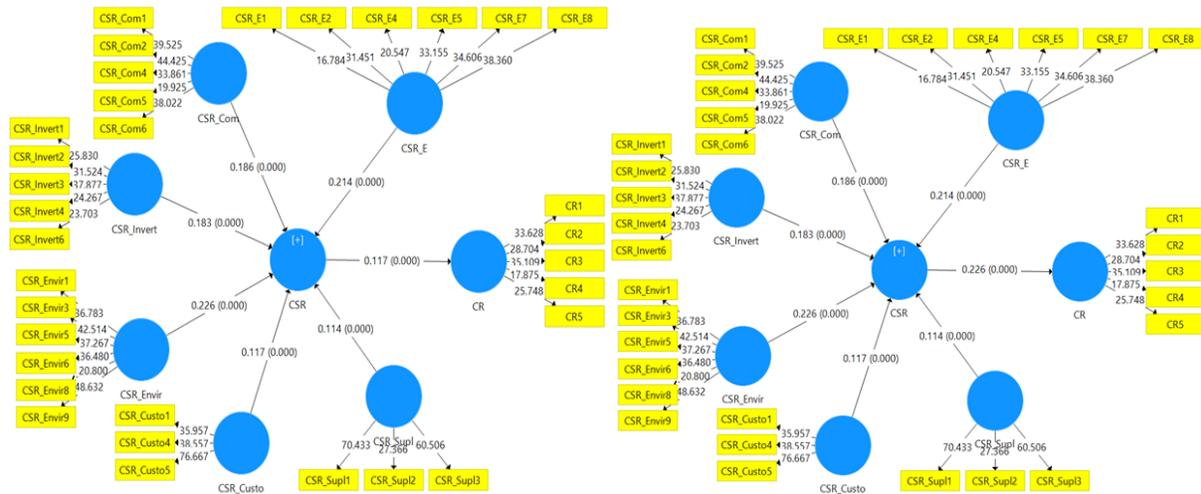
The test hypothesis results are as follows:



**Figure 2: Hypothesis test results**

From the above results, CSR activities positively impact on the reputation of enterprises at an average impact of 0.173 at 1% significance level. This result agrees with previous studies such as Galbreath (2010) and supports the theory of stakeholders as well as resource-based theory. CSR is a special resource of the business and thanks to this difference has created a competitive advantage for businesses thereby enhancing the reputation of the business.

Next, we conducted a multi-group analysis of the two groups of large enterprises, the large and medium-sized enterprises.



(a) Small and medium enterprises

(b) Large enterprises

Figure 3: Results of the multi-group analysis

From the above results, for large enterprises, CSR activities have a strong impact on the reputation of enterprises at the impact level of 0.226 at the significance level of 1%. Demonstrate strong CSR activities for large businesses. For small and medium enterprises, CSR activities have a positive impact on the reputation of the business but at a very small impact level of only 0.117 at 1% significance level. For large enterprises mainly exported products; therefore, CSR activities will positively impact on the reputation of enterprises because CSR activities are "laissez-passers" for garment enterprises to join. Join the global supply chain. However, for small and medium-sized textile enterprises operating mainly in the domestic market, CSR activities impact on business reputation is still low.

### 5. Conclusion

The green transformation in the textile sector with the participation of hundreds of apparel brands in the world has placed Vietnam's textile and apparel industry on new challenges. Accordingly, in order to maintain export growth momentum, enterprises must meet the requirements of origin and production materials must be domestic and prove their social responsibility to the community

In cases where enterprises cause environmental pollution in the production process, do not apply solutions to reduce waste, save energy and natural resources. There is a risk of stopping receiving orders or being rejected, refusing orders, especially with orders from major garment brands in the world.

In fact, the majority of Vietnamese textile and garment enterprises do outsource, so they depend heavily on orders of countries around the world. On the other hand, production technology lines are quite backward. Therefore, along with soft technical barriers to social responsibility to the environment, public health will certainly have negative impacts on the industry's growth momentum. Textile enterprises must be "green."

There are 3 main reasons for Vietnamese enterprises to convert. One is an order-placing partner who is a major apparel brand in the world which is turning to prioritize placing orders for green businesses. Secondly, consumer products around the globe have begun to consider the social responsibility factor of the manufacturing business and ultimately the brand of apparel products that have acted ready to join the reduction target greenhouse gas emissions.

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