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Gaining competitive advantage from corporate social responsibility policy change

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Abstract
This article offers two interrelated strategies to be used facing of social responsibility challenge. As integrated strategies, they both recognize non-market, social forces while dealing with traditional business issues and taking into account reality of the market. Avant-garde advocating for progressive social responsibility policy enables firms, the game-changers, to actively shape their own strategy by raising barriers to competitors striving to develop identical status. Systematically conforming to current and changing standards of social responsibility set forth by policy and supported by its activists allows firms, game-followers to adapt to the situation at their own pace. This article presents four case studies that highlight how some firms have successfully implemented these strategies while some others have not.

Keywords: Competitive strategy, policy, business, government, society, responsibility, market

Introduction

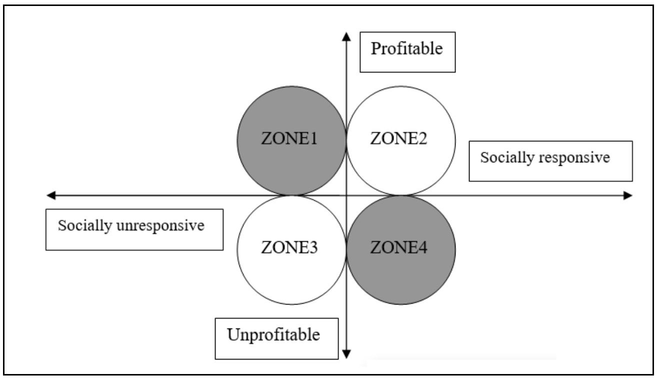
Corporate social responsibility is, more or less, an integrated element in Western firms' structure and policy. On the contrary, it is a new, fast growing in importance, issue for developing countries, such as Vietnam, and firms therein. In the context of globalization processes, policy in this area is a subject of constant change and adaptation, spreading from previous financial model to today societal model of corporate social responsibility [1, 2, 7]. Due to that, many firms may profit from that building their own prior sustainable competitive advantage, while others are not so successful in this area. Both of cases are hereafter carefully analyzed to draw out interesting and informative conclusions.

Whether managers are opted to operate in a responsive or unresponsive manner toward social responsibility issues, they are exposed to uncertainty caused by policy change. The enactment of new policy creates winners and losers in the marketplace. To be winners, managers should know how to improve the odds, treating pending policy change as an opportunity rather than challenge. Policy change is a function of the bargaining that takes place among stakeholders which includes not only activist organizations and policy makers, but also the firms themselves. Given the nature of policymaking, each stakeholder is likely to get some elements of their preferred outcome, but not all of them. The two strategies proposed recognize that social forces alter the competitive map among firms. One strategy, advocate for progressive policy, suitable for game-changers, allows managers to shape future policy around their firms' existing social responsibility strengths. The other strategy, conforming to current and changing standards of social responsibility, enables firms, game-followers, to satisfy activists who tend to place pressure on policymakers to implement higher social responsibility standards [8, 9].

Literature Review

How managers perceive their position in relation to policy change in the field of corporate social responsibility. Hereafter in the illustration, a four-step cognitive sequence is presented to deal with this challenge in order to improve management skills facing the rise in significance of this red-hot issue. To fully understand the social responsibility issue and its impact on firms' business activity and vulnerability managers should [9, 3, 4, 7].

a. Assess their current position – Firms' business activities, relating to public and private interest, may fall into one of four zones proposed in the following illustration. The vertical axis represents the profitability of a particular business activity, the higher an activity is placed the more profitable it is. The horizontal axis represents the social responsiveness of a given business activity, the further to the right, the more a firm is ready to engage their resources to comply and follow social responsibility standards.



Source: Own development

Fig 1: Possible zones of social responsibility related actions

b. Diagnose corporate social responsibility policy change – uncertainty of policy change should include expected time left until it happens (now, in a short time, in a long time), direction of change (progressive, status quo, regressive), scale of change (small, medium, large). Depending on the level of uncertainty, managers should decide when to respond, how to respond, and which resources to engage in to respond. Some firms are ready and welcome instant policy change and large scale of change, while others rather prefer it to be postponed and/or to be done incrementally. Some firms wish policy change, once taken place, to be fostered, while other hopefully expects policy toward this issue to be slackened.

c. Understand the affect of corporate social responsibility policy change on firms – on one hand, some activities are socially unresponsive but profitable in zone 1, while unprofitable in zone 3, on the other hand, some activities are socially responsive and profitable in zone 2, while unprofitable in zone 4. Naturally, firms should strive to carry out their activities in zone 2 and avoid activities in zone 3. The dilemmas arise in zone 1 and zone 4. Zone 1 provides an attractive but socially risky position, as activities that are currently profitable but socially unresponsive are target for policy change. Social activists will closely work to burden firms with costs to cut down their profit. The challenge for firms in this zone is to improve their social responsiveness without changing in profit. In zone 4, activities do not face social pressures, but their long-run viability is questioned due to the lack of profitability. Managers are facing pressures from shareholders with profit priority. The primary challenge in this zone is to seek profit upon current level of social responsiveness.

d. Select an appropriate strategy in front of corporate social responsibility policy change. Adopted strategy should make use of firms' existing strong points to leverage market positions while countering activist forces promoting policy change in the social responsibility issue.

Advocating for change, strategy of game-changers – in zone 4 (socially responsive and unprofitable), direction of policy change and time left to moment of policy change are critical elements of uncertainty to manage and justify socially responsive actions' costs. The strategy of advocating for change, that is for more progressive policy, may be effective at improving the likelihood to make it happen sooner, rather than maintain status quo. Progressive policy may serve firms' private interests if it is used to raise competitors' costs or to push them into second tier in the area related with social responsibility issue. This strategy allows managers to maintain more stringent social responsiveness, while becoming more profitable. Despite the potential advantage of this strategy, contingencies, both internal and external to the firm, may limit its effectiveness. Developing expertise in lobbying for higher pressure on policy in this area is both costly and risky. First, it may raise overall cost for firm and competitors. Secondly, there is a hard chance for the given issue to be on top of the political agenda of legislators.

- Conforming to change, strategy of game-followers – in zone 1 (socially unresponsive and profitable), time left until policy enactment and the magnitude of its change are critical elements of uncertainty that need to be managed. The profitability of these firms may be threatened with the enactment of new policy. The systematically embracing and conforming to change may help to postpone the enactment of progressive policy and mitigate their scope of change. This strategy helps managers to maintain profitability while become more socially responsive. This is a play for time for managers to become more socially responsive in a costly efficient way before stringent social responsibility policy takes place. Despite the potential benefits of this strategy, both internal and external contingencies may limit its effectiveness. First, it engages the costs to prove firm's social credibility. Second, in time of a likely economic slowdown, stringent policy might be delayed as far as needed, despite firm's preemptive social and credibility measures.

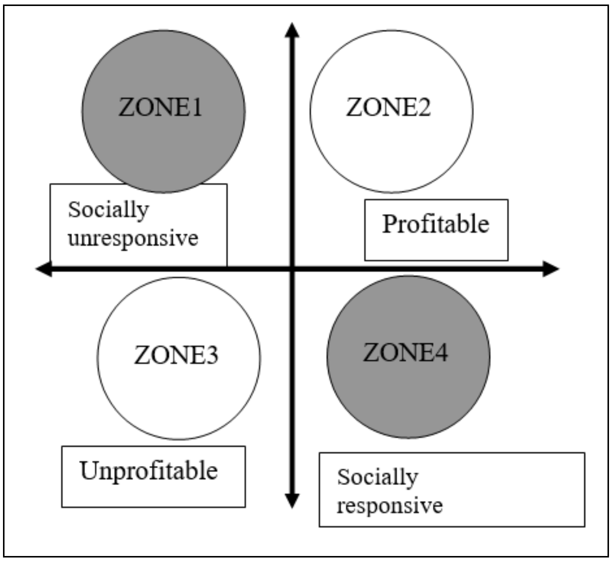


Fig 2

Research Analysis and Results - Illustrative cases of Vietnam

Corporate social responsibility becomes increasingly environmental, social and ethical issues in Vietnam business panorama. Hitherto, 3 main laws relative to CSR have been issued: Labor Law (code of conduct) (1994; 2002); Law on Environmental Protection (1996; 2005); Anti-corruption Law (2005) and 3 main public bodies are involved in CSR: Vietnam Chamber of Commerce and Industry (VCCI); Ministry of Labor, Invalids and Social Affairs (MOLISA); Vietnam General Confederation of Labor (VGCL). The Vietnamese government has created a strategy called Vietnam Agenda 21, which deals with aspects of CSR including, in particular, sustainable development. Main CSR commitment is developed by Western companies while low commitment is among Vietnamese companies. The main barrier of CSR success in Vietnam is there is now feasible, Vietnamese CSR model that is adequate to internal norms and standards, lack of resources, awareness and full support from the government.

Success of strategy of game-changers – UNILEVER VN

During 15 years of operation in Vietnam, Unilever has created more than 7,500 jobs, contributing significantly to the country's economic development. Unilever Vietnam's philosophy of social responsibility is to deploy core competencies to address key concerns of community. It is about long-term positive impacts and sustainable development of society. Hitherto in Vietnam, Unilever has been pursuing three approaches towards social responsibility. First, in strategic partnership with government, Unilever has engaged in many programs to boost health and hygiene standards in community, to care about children education and development, and women empowerment. Secondly, Unilever Vietnam Foundation (UVF) has been established to retain annual grants for health and hygiene projects initiated and executed by local communities to improve general living conditions and spread education among children and women in far-off provinces, especially in mountainous and rural areas. During 6-year period (2004-2009) grants totalled 10 million USD and benefited nearly half a million people living in Vietnam. Finally, many of Unilever's staff are encouraged to participate in diverse charitable activities across the country. In terms of social and communal activities, through UVF, together with market brands, Unilever Vietnam has been striving to realize the goals of growth and sustainable development with 3 main highlights: improvement of living conditions and healthcare standards of Vietnamese people, elimination of negative impacts on environment, using 100% input production materials originated from sustainable sources. Those contents have been deployed through long-term cooperative programs carried out together with ministries and lower-level organs of Vietnamese authority (ministry of health, ministry of education and training, association of Vietnamese women), with business partners engaged in other charitable programs and activities for community. It can be seen that Unilever Vietnam, as a branch of Unilever global, should have to conform to global ethical and social responsibility standards. In Vietnam, from a very first moment, Unilever had been developing widely many social responsibility activities engaging all affordable resources. Unilever Vietnam often did and still does more for the benefits of society and community than government authorities required to do thanks to long-year experiences of Unilever in dealing with social responsibility issues present in more developed countries and more demanding market [10-12]. All that means that Unilever Vietnam started its activities from zone 4 (socially responsive and unprofitable), being socially responsive while its business is unprofitable and trying to move successfully to zone 2 *(*socially responsive and profitable*)*. Unilever Vietnam has treated social responsibility activities as long-term investments, and, for sure, it intends to stay longer in Vietnam's market.

Limitations of strategy of game-changers – **KFC VN**

The famous fast food chain KFC had opened its first restaurant in Vietnam in 1997. Since that time, KFC Vietnam has been coping with many difficulties, including the economic crisis in 1997, the SARS epidemic in 2003, the bird flu in 2004, and current financial crisis. However, it still holds on and maintains its determination on the market together with social responsibility commitment. As of now, KFC Vietnam has set up foothold in 18 provinces nationwide with over 3,000 staff members. Being currently the leading of fast food branch in the local market, KFC Vietnam restaurants serve some 20 million customers each year. The company is still expanding its business, aiming to reach 200 restaurants in 2015. On the ceremony marking 100 restaurants in Vietnam, KFC Vietnam donated $100,000 to the Saigon Times Foundation under the Saigon Times Group to award scholarships to poor students nationwide. This is the most remarkable charitable activity of KFC in Vietnam, which, in this occasion also expressed commitment to social responsibility and pledged for a long-term attachment and development in Vietnam. Social responsibility of KFC Vietnam also has been expressed by implementation of all hygienic and safety standards both required and not yet required by authorities for food industry in Vietnam. KFC Vietnam has its advantages in this area as it is a member of a global fast food chain where all standards of hygiene; food safety and service competence are obligatorily imposed [13].

Normally, as a global corporation, KFC Vietnam started its operation in zone 4 (socially responsive and unprofitable), but unsuccessfully moved to zone 2 (socially responsive and profitable). It rather remained in zone 4 due to several objective reasons. Asian cuisine and foodstuffs are quite sophisticated, not excluding Vietnam. Many Vietnamese, especially the older ones, are quite conservative and still prefer traditional, healthier foods and are reluctant in trying new Western fast-food styles. Moreover, fast foods, including those offered by KFC, are slightly pricy, despite they are serviced in a convenient place with air conditioned. Fast food business in Vietnam, including KFC, still remains unprofitable. KFC Vietnam and all fast food industry in general, facing such market condition, should be more patient as changing culture and customs require a lengthy time. First, it still has to keep up and go further with social responsibility standards which are rising in demand as country develops. Secondly, all the industry should target the young customers, as those are the group who are relatively easy to change life style as well as eating habit switching to Western style of consumption.

Success of strategy of game-followers – VINAMILK in Vietnam

Vinamilk, established in 1976, is a leading dairy company and also one of the most well-known brands in Vietnam. Having the most diversified list of high quality milk products offered in the market and, together with a largest distribution system Vinamilk is now striving to reach out to the world market, i.e. Australia, Cambodia, Irak, Phillipines and USA. Vinamilk is always aware that, besides right business strategies and plans, respecting business ethics and spreading activities that bring about sustainable value for society and community play important part in contribution to the popularity of Vinamilk brands and products. Social responsibility, for Vinamilk, is not an external pressure; it is embedded in business rules, in mission and all business activities towards a balance of interests of stakeholders and the whole society. Vinamilk relates its development with development, stability and prosperity of Vietnam's society. Vinamilk committed to keep continuing as much as possible social and charitable programs and activities deployed so far concerning poverty reduction, especially people from mountainous and rural areas or impacted by natural disasters, boosting children's education, and other charitable, environmental and humanitarian actions. Examples among of them are "6 million glasses of milk for the poor children" and "growing together 1 million trees for the sake of environment". Vinamilk first introduced complex quality management and control systems, such as HACCP, BRC, ISO 14001 and ISO 17025 throughout the production process, especially input materials, and products life cycle. As seen above, all social responsibility activities of Vinamilk are within framework of law imposed for the food industry, especially the dairy sector. As a leading company in the sector, Vinamilk is ready to do more than competitors in this field. But it is not enough, partly due to lack of resource or willingness, to call social activities of Vinamilk responsive compared to foreign dairy company in the sector, such as Dutch Lady which has smaller market share. Vinamilk is a profitable dairy company as it has been present in the Vietnam market for nearly 40 years [14].

Vinamilk is an example of firms which successfully move from zone 1 (socially unresponsive and profitable) to zone 2 (socially responsive and profitable). Being socially responsive, Vinamilk desires to increase market share in home market, compete with foreign company, such as Dutch Lady mentioned. Vietnam dairy market is growing very fast, with the pace of 7-8% year-on-year. Many Vietnamese now rarely drink fresh milk due to the price is still a little bit high. But as country' GDP grows, average income per capita rises, fierce market competition brings down the price, consumption certainly will spike up.

Limitations of strategy of game-followers – VEDAN in Vietnam

With the business concept of Vedan Vietnam "Taking roots in Vietnam, developing long-term business", since its establishment, the company has constantly increased total investment capital for production, enlarged material areas all over the country, created employment and improved income for ten thousands of farmers, and promoted the development of agricultural industry in provinces. Besides, since its establishment, annually, the company has been implemented CSR, awards scholarships, sponsors charity and supports people in flood-hit and disaster areas with the amount of ten million USD. As responding to calls from individuals, organizations to support the Fund "for the poor", Vedan company has implemented and built houses for people facing the difficulties about accommodation in their life.

As operating in the fast expanding manufacturing sector, a key driver for Vietnam's economic growth, Vedan, as well as other companies in the sector, has missed to care about the state of the environment which is rapidly deteriorating. Vedan's emissions of untreated wastewater into the Thi Vai river in Ba Ria-Vung Tau province, about 100 km southeast of HCMC, have remained unsettled due to all sorts of reasons. The livelihoods of affected farmers in the thousands are still up in the air as a result. Immediate consequences are undeniable; the polluted water is making its way to the Saigon River, a main source of tap water for HCMC. In this case, Vedan has shown a short-lived vision and a lost sense of social responsibility, in contrary to its declaration, for sustainable and responsible economic development, one should think of giving back to the environment what one gets from it [15].

Vedan, as many its social activities show, has been a responsible company. Due to operating in manufacturing sector which, in more or less extent, will cause damages to the natural environment. Vedan is not the only company to pollute the environment both in the air and the water. Operations of all companies in this sector are burdened with high risk. One unfortunate event may certainly cause damages to Vedan's reputation and even force it to close down. Vedan's activities are in zone 1 (socially unresponsive and profitable) and in case of special mischance, that is when government intervenes and society boycotts its products, it might have to move to zone 3 (socially unresponsive and unprofitable) which means a bankruptcy and close-down.

Conclusion

The limitation of this research is not to conduct empirical study on a wide scale, referring to different industries and countries of origin of corporations operating in Vietnamese market and other criteria segmenting the enterprises due to the fact that the vast preference for qualitative research methods, especially the case study, in developing countries may indicate the difficulty of gathering precise and detailed input data for quantitative researches and limited fund for researches. Further researches should combine both in-depth case studies with statistical analysis of a larger sample of enterprises. The research result of this article may serve as preliminary and precondition for such further researches.

The result of our study points out to the fact, that managers in developing countries, in contrary to the developed markets, are most effective when they leverage their extant competencies and capabilities, rather than stretching to build new ones, i.e. social capabilities. Certainly, integrated approach in responding to policy change and regulatory uncertainty leads to more viable long-run positions. The limitation consists in that if managers start implementing strategic move when they are too far from the ideal or do not have enough resource or power to do so or the business context is not favorable then it may not work. Normally, in developing countries, managers' natural instinct is to fight against regulations, not to follow or precede them in contrary to managers in developed market. Truthfully, they don't have or don't necessarily have to have long time horizon and far reaching vision but myopically focus on both profitability and sustainability on a daily basis as the business context they face is dramatically and unpredictably changing.

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Dr Nguyen Hoang Tien is a graduate of master study at the Helena Chodkowska University in Warsaw (2002) and a graduate of PhD study at the Warsaw School of Economics in Poland (2006). He specializes in change management and competitiveness of enterprises, international relations and security issues, strategic and human resource management, marketing management, higher education management, leadership and entrepreneurship, international business. He is an author of over 300 scientific publications published worldwide.

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