Small and Medium-Sized Enterprises and Sustainable Development: The Case of Vietnam

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

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DECLARATION

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis/project is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

Thi Thanh Huong Nguyen

10 August 2016
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<tr>
<td>BRC</td>
<td>British Retail Consortium</td>
</tr>
<tr>
<td>BVC</td>
<td>Bureau Veritas Certification</td>
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<tr>
<td>CITES</td>
<td>Convention on International Trade in Endangered Species of Wild Fauna and Flora</td>
</tr>
<tr>
<td>DJSI</td>
<td>Dow Jones Sustainability Index</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
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<tr>
<td>GATT</td>
<td>The General Agreement on Tariffs and Trade</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>GSO</td>
<td>General Statistics Office of Vietnam</td>
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<tr>
<td>HACCP</td>
<td>Hazard Analysis and Critical Control Points</td>
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<tr>
<td>HR</td>
<td>Human Resource</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organisation for Standardisation</td>
</tr>
<tr>
<td>MOIT</td>
<td>Ministry of Industry and Trade of Vietnam</td>
</tr>
<tr>
<td>MOLISA</td>
<td>Ministry of Labour-Invalids and Social Affairs of Vietnam</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organisations</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OHSAS</td>
<td>Occupational Health and Safety Advisory Services</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
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<tr>
<td>SME</td>
<td>Small and Medium-Sized Enterprise</td>
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<tr>
<td>SOE</td>
<td>State-Owned Enterprise</td>
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<td>SPC</td>
<td>Statistical Process Control</td>
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SPS  Sanitary and Phytosanitary Measures
TBL  Triple Bottom Line
TBT  Technical Barriers to Trade
TPP  Trans-Pacific Partnership
TQCSI  Total Quality Certification Services International
TQM  Total Quality Management
TRIPS  Trade-Related Aspects of Intellectual Property Rights
UK  United Kingdom
UN  United Nations
UNDP  United Nations Development Programme
UNECE  United Nations Economic Commission for Europe
UNIDO  United Nations Industrial Development Organization
UN SDGs  United Nations Sustainable Development Goals
US  United States
USD  United States Dollar
VCCI  Vietnam Chamber of Commerce and Industry
VOV  Voice of Vietnam
VND  Vietnamese Dong
WB  World Bank
WBCSD  World Business Council for Sustainable Development
WCED  World Commission on Environment and Development
WTO  World Trade Organisation
REFEREE REVIEWED PAPERS

During the PhD candidature, the researcher has written two papers that have been referee reviewed and accepted for presentation at international conferences. These papers are as follows:


ABSTRACT

The awareness and pursuit of sustainable development occupy an important place in recent business research. Sustainable development is a concept that considers economic, social and environmental aspects while pursuing any development activity. Although relatively large enterprises have started paying attention to sustainable development processes, small and medium-sized enterprises (SMEs) appear to be lagging behind. There is also a dearth of studies about how SMEs actually perceive and implement the concept, particularly from a developing country perspective. This study helps to fill these gaps by examining the way sustainable development is perceived and practised by SMEs in Vietnam. In a developing and transition economy such as Vietnam, where government resources are limited and sustainable development is interpreted in a country and cultural context, a study of the pursuit of sustainability in the SME sector is especially important.

The study has utilised case study research design to explore the extent to which the sustainable development concept has been understood and adopted by Vietnamese SMEs. It employed in-depth interviews, document review and direct observation as data collection techniques to answer the primary research question about how and to what extent Vietnamese SMEs are pursuing a sustainable development path. In-depth interviews were conducted with 21 Vietnamese SME owner-managers, five government policy makers and three industry representatives. Entrepreneurship theory and institutional theory were mainly used as they help understand the phenomenon of sustainable entrepreneurship, especially in a country-specific research setting. Together with entrepreneurship and institutional theories, stakeholder theory helped address both economic and social aspects of SME development. With respect to environmentally sustainable development, the ‘limits to growth’ theory provided a very good explanation for sustainable SME development. The study reveals a growing tendency among Vietnamese SMEs to try to conduct their operations in a sustainable manner. Nonetheless, sustainability practices in SMEs appear to be largely informal without any systematic and strategic plans. SME sustainability practices tend to be reactive aiming to comply with government policies. There is some evidence of active sustainable practices inspired by individual SME owner-managers. However, these are not widespread across the entire SME sector. Of the three dimensions of sustainability,
economic sustainability including profits, long-term competitiveness and economic impacts, is perceived to be the most important dimension. This is because SMEs consider profits and wealth creation as their primary concerns. Social sustainability, comprising practices relevant to equality, internal social improvement and local social impact, is considered as the second most important dimension. This is because internal social practices directly affect business and economic results. The study has found environmental sustainability, including the efficient use of natural resources, reduction of waste and air emissions, and damage to the environment, as the least important one as perceived by the respondents. Within SMEs, key success factors in relation to pursuing sustainable development are identified as managerial capability, HR practices, networked partners, foreign customers and technological applications. Major challenges that tend to hinder their efforts include shortage of financial support, market competition, shortage of raw materials, bureaucratic government administrative procedures, limited knowledge and information, low levels of technological application and employee disengagement.

The study has found that despite the government’s declared determination to promote SME sustainability, SMEs in Vietnam are not responsive enough in pursuing sustainable development. Moreover, implementation processes for government policies are reported to be weak and slow. Inadequacy in government support is also apparent in overcoming low levels of technological application, lack of R&D, shortage of raw materials and the low quality of the labour force.

The results highlight the impact of institutional factors affecting sustainable entrepreneurship in the Vietnamese SME sector. The study shows that informal institutions, including networking among firms and owner-managers’ experience, play more important roles than government policies. Given the importance of supportive formal institutions in implementing sustainable business activities, the study recommends that the government continues reforming relevant institutions and further strengthens support for SMEs to facilitate sustainable SME development. Specific government emphasis on economic and tax incentives, use of technology, development of human capital and improved access to input materials and resources is proposed. The study also suggests that SMEs need to increase their awareness of the benefits of sustainable practices and develop formal plans to achieve sustainability across all three
dimensions. Given the research findings, this research makes both theoretical and practical contributions in the field of sustainable practices by SMEs. Whilst the study provides useful insights into the pursuit of sustainable development by SMEs in Vietnam, because of the limited number of companies studied and the conceptual nature of this research, any broad generalisation would be difficult to make. The use of such findings in a different contextual setting would also require considerable care and caution. However, this study has essential implications for SME owner-managers, government policy makers and future research in Vietnam and other transitional economies.
1.1 Introduction to the Research

The concept of sustainable development has been gaining momentum both in terms of significance and popularity in recent years. Sustainable development refers to ‘the development that meets the needs of the present without compromising the ability of the future generations to meet their own needs’ (WCED 1987, p.1). This concept has attracted recognition and study in many areas, including business, society, politics and culture. It is believed that sustainable development can be achieved through adoption of the triple bottom line (TBL) which highlights the need for achieving three goals simultaneously: economic, social and environmental (Barbier 1987; Dwyer 2005; Elkington 1997; Epstein 2008; Robert, Parris & Leiserowitz 2005). In the business sector, sustainable business development or corporate sustainability that integrates the use of TBL has increasingly been recognised as an important field of study (Dyllick & Hockerts 2002; Gallo & Christensen 2011). It is believed that pursuing sustainable development makes firms more competitive and resilient as it allows them to purposefully and efficiently make use of their financial resource, labour capacity and raw materials (Porter & Kramer 2006; Porter & Van der Linde 1995). Although it is argued that large firms are more responsible and capable in implementing TBL, SMEs are also exposed to the need to be sustainable (Raynard & Forstater 2002; Russo & Tencati 2009). It is highlighted that investment in sustainable business practices by small firms will increase their influence in global supply chains as they can meet growing demands by customers to possess sustainable products (Azmat & Ha 2013; Kerr 2006). Similarly, Moore and Manring (2009, p. 277) propose that ‘integrating sustainability into their competitive strategy, thereby obtaining greater profitability for SMEs through adoption of intentional sustainable strategies, can help them optimise their rate of sustainable change’.

Given the large number of SMEs in the global market, the benefits achieved from the application of sustainability practices are believed to go beyond the boundaries of a
single firm and involve wider communities (Ciliberti, Pontrandolfo & Scozzi 2008; OECD 2004). It is argued that SMEs not only contribute to economic growth, but also help employment creation and poverty reduction in transition and developing countries (Smallbone & Welter 2001). Sharing a similar view with Schumacher (1973), recent studies suggest that small and local businesses may address sustainable development issues faster and more effectively compared to larger firms with more organisational complexity and conflicts (Jenkins 2006; Nguyen & Freeman 2009; Storey et al. 2010; Wilkinson 1999).

Key success factors to achieve sustainable development, indicated in the literature, involve the supportive roles of governments (Albareda, Lozano & Ysa 2007; Midttun 2005; North, Smallbone & Vickers 2001; Zadek 2001), and other stakeholders such as owner-managers, employees, networked partners and customers (Gadenne, Kennedy & McKeiver 2009; Haque & Azmat 2015; Sharma & Sharma 2011; Tang & Tang 2012). In addition, research also indicates that SMEs face numerous challenges in pursuing a sustainable development model. The key challenges include institutional and legal change, shortage of input materials (Muller 2005; Peng & Health 1996; Vo & Nguyen 2006), product competition due to globalisation (Anderson 2011; Dowling et al. 2000), financial difficulties, human resource constraints, technological adaptation limitations, and limited information and knowledge about sustainability practices (Azmat & Ha 2013; Cunningham 2010; Hoskisson et al. 2000; Ting 2004). Arguably, SMEs in developing countries face more challenges compared to their developed counterparts in integrating sustainable development strategies (Raynard & Forstater 2002).

Since *Doi Moi* – the Reform Policy, introduced in 1986, Vietnam has accelerated changes to ensure a sustainable economy with a focus on the private sector. The private sector is considered an important means to achieve economic growth, poverty reduction and social development. The government has introduced the Enterprise Law and related policies to promote SME performance (Government of Vietnam 2009, 2014b). In addition, Vietnam’s *Agenda 21*, introduced in 2004, is a strategic program that identifies economic, environmental and social objectives to achieve sustainable development. Regulations on social welfare and environmental protection have also been introduced to ensure the sustainability of firms (Government of Vietnam 2014c, 2014d, 2014e).
Although Vietnam’s recent laws and related policies have attempted to establish a consistent and supporting legal framework to facilitate SME sustainability practices, they create difficulties for firms due to frequent changes of policies and weaknesses in the implementation process.

1.2 Research Context, Research Gap, and Justification of the Research

This research aims to identify issues relevant to the adoption of the triple bottom line in Vietnamese SMEs. It is intended to help fill a gap in the literature on SMEs in countries in transition. Although the TBL has been studied in business research, the focus on corporate sustainability in SMEs has only recently attracted interest from academics (Fassin 2008). In the literature, the main stream of studies of corporate sustainability is oriented towards large firms (Azmat & Samaratunge 2009). Such firms have the potential to impose severe consequences on the environment and society and they also have the resources to mitigate such problems (Russo & Perrini 2010; Spence, Schmidpeter & Habisch 2003). Further, recent research on SMEs in mature economies has revealed an unclear position about whether such firms possess a high level of awareness about the triple bottom line approach (Studer et al. 2008; Torugsa, O’Donohue & Hecker 2012; Williamson & Lynch-Wood 2001).

In economies in transition, existing accounts give little attention to the adoption of the triple bottom line in SMEs (Jamali, Lund-Thomsen & Jeppesen 2015). Although there are many studies on the private sector and economic growth in transitional economies (Nguyen, Alam & Prajogo 2008), little of this research has examined the triple bottom line. Previous research has focused on either the economic dimension, or the social dimension, or the environmental dimension, and has failed to provide an overall view of the pursuit of corporate sustainability in SMEs. For example, research conducted in China focusing on environmental and social sustainability of Chinese SMEs revealed that limited information results in a low level of concern and sceptical attitudes about the benefits that sustainability practices may bring (Yu & Bell 2007). However, care is needed about applying such results in Vietnam.
The economic context and institutional transition makes Vietnam a rich research setting to understand more about corporate sustainability in SMEs. First, private enterprises started flourishing in Vietnam since Doi Moi in 1986. The economy, with dominance of state-owned enterprises in the past, has transformed into a more open one in which almost all private enterprises are SMEs. By 2014, there were 368,010 SMEs, which accounted for approximately 98 per cent of the total number of enterprises, employed 46 per cent of the total number of employees and contributed 40 per cent of GDP (GSO 2014). Despite SMEs’ significant contribution, there have been no detailed reports or research on sustainability practices in Vietnamese SMEs.

In the literature on SMEs in other countries little is available on whether the introduction of official policy guidelines has adequately addressed the needs of SMEs and mitigated the challenges that they face in implementing sustainability practices (Boso, Story & Cadogan 2013; Krasniqi 2007). It seems that governments of countries in transition are still diffident about their roles in the policy-making process and about encouraging the participation of industry associations, individual business voices and relevant professional research (Gulati & Singh 1998; Silajdzic, Kurtagic & Vucijak 2015). Further, reliance on promulgating policy through many legal documents has led to delay in providing implementation guidelines, caused complexity and contributed to confusion, thus making it difficult for firms to know what to do (Peng & Health 1996).

Integrating sustainability practices in SMEs is seen as an important entrepreneurial behaviour. The growing concern about sustainability can be seen as a business opportunity rather than a threat (Revell & Blackburn 2007). Addressing it can enhance social equity by improving working conditions and creating employment (Radin & Calkins 2006) and improve environmental quality by the efficient use of natural resources and effective waste management systems (Jermier et al. 2006). In transitional economies, rapid development of entrepreneurial activities not only plays an economic role but also a socio-political one because they support the transformation from a centralised and planned economy to a market one driven by private enterprises and free market institutions (Smallbone & Welter 2012). At the same time, it is suggested that the development of entrepreneurial behaviours relies heavily on institutional conditions (Ahlstrom & Bruton 2010; North 1990; Smallbone & Welter 2012). The frequent
changes in policies and incomplete legal framework in transitional economies can critically influence SMEs’ sustainability practices. In addition, the use of personal relationships and networking in Asian countries can also have an impact on the adoption of SMEs’ sustainability practices.

Adopting relevant theories to examine the path toward sustainability of Vietnamese SMEs promises to enrich understanding of the field. This research uses literature with a focus on entrepreneurship theory (Chiles, Bluedorn & Gupta 2007; Kuckertz & Wagner 2010; Schumpeter 1964) and institutional theory (Ahlstrom & Bruton 2010; North 1990; Peng, Wang & Jiang 2008). Entrepreneurship theory is used to examine SMEs’ potential to adopt sustainability practices through entrepreneurial behaviour. Simultaneously, institutional theory is used to focus on the influence of institutions, comprising government regulations, norms, understanding and social relations, on SMEs’ entrepreneurial behaviours. It also may provide recommendations for the development of sustainable entrepreneurs (Morgan et al. 2010). Combining use of these two theories is expected to provide useful insights into sustainability practices in SMEs in transition economies. Together with entrepreneurship and institutional theories, stakeholder theory helps address both economic and social aspects of sustainable SME development (Asiedu & Freeman 2007; Haque & Azmat 2015; Perrini, Russo & Tencati 2007). With respect to environmentally sustainable development, the ‘limits to growth’ theory helps provide support for sustainable SME development. This is supported by studies reported in leading academic journals such as the Journal of Business Venturing, the Journal of Business Ethics, Entrepreneurship: Theory and Practice, the Journal of Cleaner Production and Socio-Economic Review.

1.3 Research Objectives, Questions and Propositions

1.3.1 Research Objectives

Based on the extant literature, theoretical underpinnings and the SME context in Vietnam, the research aims to study the extent to which the concept of sustainable development or triple bottom line is employed in the SME sector in Vietnam. The objectives are:
i) to investigate the extent to which the sustainable development concept is employed in developing the SME sector in Vietnam;

ii) to assess the role of various factors, including the Vietnamese government and other stakeholders in enabling sustainable SME development in Vietnam; and

iii) to identify and examine the challenges faced by the SME sector in pursuing business sustainability.

1.3.2 Research Questions

Reflecting on the study objectives, the primary research question is framed as:

**How and to what extent are Vietnamese SMEs pursuing a sustainable development path?**

The following subsidiary research questions are also developed to examine the constructs of the three dimensions of economic, social and environmental aspects for SMEs’ sustainability and factors influencing their path towards sustainable development.

1) How and to what extent do economic issues influence sustainable SME development in Vietnam?

2) How and to what extent do social issues influence sustainable SME development in Vietnam?

3) How and to what extent do environmental issues influence sustainable SME development in Vietnam?

4) What are the key success factors, including the role of the government and other stakeholders, in promoting sustainable SME development in Vietnam?

5) What are the key challenges hindering sustainable SME development in Vietnam?
6) What are the mechanisms used by both the government and SMEs to overcome these challenges?

1.3.3 Research Propositions

Research propositions are developed to assist examination of how the phenomenon is happening. These are based on literature, theories and experience of the things under study (Maxwell 2012). On the basis of the literature review on corporate sustainability and SMEs in transition economies, the following set of propositions is framed to identify the relevant data and emerging themes from the studied cases. The global research proposition for the study is:

**P: Vietnamese SMEs are pursuing a sustainable development path.**

In addition to the global research proposition, sub-propositions P1, P2, P3, P4, P5, P6 are framed to determine the influences constructing SMEs’ sustainable development path.

**Research sub-propositions:**

P1. Economic issues are likely to influence sustainable SME development in Vietnam.

P2. Social issues are likely to influence sustainable SME development in Vietnam.

P3. Environmental issues are likely to influence sustainable SME development in Vietnam.

P4. Key success factors, including the government and other stakeholders, play a role in promoting sustainable SME development in Vietnam.

P5. There are challenges that have been hindering sustainable SME development in Vietnam.

P6. The mechanisms used by both the government and SMEs need adjustments to mitigate the challenges.
Chapter 1: Introduction

1.4 Approaches of Inquiry

The research utilises qualitative research design. The study employs an ‘embedded single-case design’ as it helps to deepen the understanding of how the Vietnamese SME sector pursues a sustainable development path (Yin 2003, p. 40). Multiple sources of data collection, including in-depth interviews, document review and observation, are used simultaneously. SMEs involved in this study were chosen purposively in order to gain an insight into the phenomenon (Patton 2002). In total, this study examined 21 SMEs selected from several industries and with varied sizes to supply a well-rounded picture of the sector. An additional eight interviews were conducted with five government policy-makers whose work related to SME development and developing the framework of sustainable development in Vietnam and three SME industry representatives. A set of interview questionnaires, combining both closed and opened questions, was utilised to gather primary data. Direct observations, site visits and the use of secondary materials, such as government policies and company reports, were also employed to enhance research validity. Research ethics approval was granted prior to the collection of data by the RMIT Human Research Ethics Committee in December 2013 (No. 15836) (Appendix 5).

1.5 Contribution and Significance of the Research

The research contributes to the literature and practices of corporate sustainability. First, in particular, it provides a better understanding of the status and nature of economic, social and environmental protection performance in the Vietnamese SME sector. Most studies about the triple bottom line have been implemented in developed countries. Developing countries also urgently need knowledge about business sustainability management because of their ineffective usage of natural resources and social capital. Also, it is of benefit for these economies to prepare for their extensive participation in global supply chains.

Second, it will provide a better understanding of the factors that influence the adoption of sustainable practices proposed in the literature, with a specific focus on Vietnam. These factors could be different from those commonly observed in developed countries.
and other developing countries. Better understanding of these factors will contribute to more accurate and appropriate strategic planning by both SME owner-managers and governments.

Third, through the lens of entrepreneurship and institutional theories, the research will provide suggestions about the importance of an entrepreneurial orientation among SMEs in order to obtain corporate sustainability in developing countries. Based on the findings revealed, it describes the manner in which SMEs can foster their entrepreneurial behaviours to achieve sustainability. Fourth, the research outcomes may benefit the Vietnamese government and its future policy directions with respect to sustainable SME development. The findings will be useful for policy makers when setting directions for future policies.

1.6 Thesis Structure

The thesis is organised as presented below:

Chapter 1 – Introduction: This chapter provides the context and scope of the study; sustainable development is raised as an important contemporary issue, especially in relation to the SME sector. It also presents the aims and objectives of the research, together with research questions and contribution to knowledge from the research.

Chapter 2 – The Research Context of Vietnam: This chapter provides important context about the economic development of Vietnam through its historical development. It also emphasises the evolution of the SME sector. Government policies on sustainable development and SME development are also presented, along with their justifications and limitations.

Chapter 3 – Literature Review: This chapter critically reviews existing literature about sustainable development, corporate sustainability and the rationale of adopting the triple bottom line in SMEs. It deals with literature relevant to the contribution of sustainable SME development to the overall sustainable development of Vietnam. The chapter also presents challenges that SMEs face in order to develop sustainably. Relevant theories in
the field of sustainable business management, including entrepreneurship theory and institutional theory used as lenses, are also discussed. On the basis of the literature and theories discussed, the conceptual framework, research questions and propositions are developed.

Chapter 4 – Research Methodology: This chapter outlines the research methodology of this study. The research employs case study research design. It utilises in-depth interviews, document review and observations for data collection. The chapter justifies the selection of the SMEs investigated. It also illustrates how data are analysed and triangulated. The importance of ethical considerations is also highlighted.

Chapter 5 – Findings and Analysis on Economic Sustainability: The chapter presents data from in-depth interviews, document review and observations regarding participants’ perceptions of economic performance of SMEs, key success factors, challenges in pursuing economic sustainability and current mechanisms used by SMEs and the government to address such challenges. The discussion parts are organised as follows. Findings addressing the research propositions are presented. Then the findings are discussed in the context of relevant literature and theories of entrepreneurship and institutions. The findings reveal that SMEs consider economic wealth creation as their primary concern. They focus on profits, machinery investments and tax-related responsibilities. The government has attempted to provide supporting policies to encourage economic activities in the sector. Owner-managers play important roles in achieving firms’ economic goals. Market competition, financial constraints, shortage of raw materials and disengagement of employees are key challenges. SMEs find assistance to tackle these challenges from network partners and other owner-managers’ personal experience.

Chapter 6 – Findings and Analysis on Social Sustainability: The chapter presents data from in-depth interviews, document review and observations regarding participants’ perceptions of social practices in SMEs, key success factors, challenges in pursuing economic sustainability and current mechanisms used by SMEs and the government to address such challenges. The discussion parts are organised as follows. Findings addressing the research propositions are presented. Then the findings are discussed in
the contest of relevant literature and theories of stakeholders, entrepreneurship and institutions. The findings reveal that SMEs consider social practices as the second most important dimension of sustainability. These comprise equal opportunities for employees, social security and benefits for employees and fundraising and charity in local areas. The government needs to reduce administrative procedures and increase social security and benefits to encourage participation by employees and firms. Owner-managers and employees play an important role in implementing these social practices. Other current forms of assistance given to employees and local areas are voluntarily conducted without formal strategies due to financial constraints, limited knowledge and information and government administrative practices.

Chapter 7 – Findings and Analysis on Environmental Sustainability: The chapter presents data from in-depth interviews, document review and observations regarding participants’ perceptions of environmental practices in SMEs, key success factors, challenges in pursuing economic sustainability and current mechanisms used by SMEs and the government to address such challenges. The discussion parts are organised as follows. Findings addressing the research propositions are presented. Then the findings are discussed in the context of relevant literature and theories of entrepreneurship and institutions. The findings reveal that SMEs consider natural and environmental protection as the third most important dimension, with a focus on responsible use of resources, reducing waste and emissions and reducing potential environmental damage in local areas. Most environmental practices are implemented to reduce operational costs and comply with government policies but with a hint of voluntary practices to provide a healthy working place. Current government policies on environmental practices are argued to lack encouragement in terms of economic incentives and to be more relevant to larger firms. Networked partners, owner-managers, foreign clients and employees play a role in promoting environmental sustainability. Financial constraints, employee disengagement, limited knowledge and information and shortage of raw materials are key challenges for SME environmental sustainability.

Chapter 8 – Conclusion: This chapter underlines the core findings, support for the global research proposition and response to the primary research question, relevance to the conceptual framework, comparative perspectives, key contributions to the literature
and theory, policy implications and recommendations, limitations, future research and concluding remarks.

1.7 Chapter Summary

This chapter has presented an overview of the entire research project and the structure of the thesis. It provides justification for the research focusing on the pursuit of corporate sustainability of the Vietnamese SMEs. It also highlights the need to fill a gap in the literature about SME sustainability practices in transition economies, which is discussed in more detail in Chapter 3. Research objectives, questions and propositions are also presented. The research aims to provide a clearer picture of a field which has not been much studied before. The chapter has also introduced the research method.

As this research is country-specific, it is important to understand the country context. The next chapter will provide background for the research by setting it in the context of the economy in Vietnam and current government policies promoting sustainability in the business sector.
2.1 Introduction

This study investigates the pursuit of corporate sustainability through the adoption of the triple bottom line in the SME sector in Vietnam. This chapter summarises the economic context in which SMEs operate and current government policies on business sustainability. Section 2.2 presents a historical overview of the Vietnamese economy and the role of institutions during the gradual process of changing from a closed economy to a relatively open one. Section 2.3 presents the role of Vietnamese SMEs in relation to the sustainable development goals of the country. Section 2.4 discusses global and internal pressures on the aim of integrating social benefits and environmental protection with economic growth in Vietnam. Section 2.5 outlines government initiatives to encourage SME business activities to engage with the triple bottom line approach. It shows that the government has attempted to improve the legal framework since Doi Moi to encourage the development of SMEs. Nonetheless, these supports seem insufficient for this sector.

2.2 An Overview of Vietnamese Economy

Vietnam, officially titled the Socialist Republic of Vietnam, is a country in South East Asia with a population of 90 million with a rich history and tradition (GSO 2013). The country’s modern economic history can be divided into two main periods, before and after Doi Moi – the Reform Policy introduced in 1986.

2.2.1 Pre Doi Moi

After victory in the French colonial war in 1954, Vietnam was divided into North and South with two different economic systems. Between 1954 and 1975, the North was under the management of the Democratic Republic of Vietnam and followed a Soviet model in which the economy was ordered by the government from top to bottom. The South was under the management of the Republic of Vietnam with a more open and
market-oriented economic system. The country was reunited in 1975 following the end of the United States of America’s support for the Republic of Vietnam.

**Central Planning Period.** From the reunification in 1975 until 1986, Vietnam was a single Party state in which the Communist Party of Vietnam played the sole and leading role. The government, under the leadership of the Party, managed the economy through administrative orders from top to bottom. The economy lacked business diversity and market mechanisms. The government determined production targets, materials, capital and product prices, organisational structures, personnel and wages. In the industrial sector, heavy industry was prioritised (Harvie & Tran 1997). In the agricultural sector, cooperatives were in charge of producing agricultural and food products. These cooperatives operated with product targets assigned by the government (Fforde 2007). Most of these production units were similar in size to SMEs in the current economy. In the central planning period, economic units had little awareness of and motivation for self-development, such as producing products for profit, investing in skills and taking into account environmental roles. Studies have revealed an absence of entrepreneurial orientation and behaviours among these organisations (Hakkala & Kokko 2007).

However, in 1981 the government began to realise that the model of cooperatives was insufficient for the needs of society. The government decided to give limited autonomy to state enterprises through the Decision 25-CP (Government of Vietnam 1981a). In particular, the government introduced the Directive 100 CT-TQ introducing a contract system in agriculture – the main production sector at that time (Government of Vietnam 1981b). This Directive decentralised government management of agricultural cooperatives. It encouraged households to grow crops and sell the products in the market. The household economic type was classified as ‘infant private enterprise’ (Tran, Le & Nguyen 2008, p. 342), a category already in existence before Doi Moi (Fforde & Le 2002). Even though these were micro reforms, they showed trends towards liberalisation and creation of markets.

The model of centralised and planned economy resulted in production stagnation. The GDP grew by only 0.4 per cent per year during the five years from 1981 (the target was 13-14 per cent), while the annual population growth rate was 2.3 per cent. Food
shortages also surged, resulting in the importation of 1,576 million tons of food. There was a large budget and trade deficit with an annual price increase of 20 per cent. There was a deficiency of state investment in the economy, many projects had failed and there was a severe shortage of essential consumer goods (Tran, Le & Nguyen 2008).

The government continued to believe that a strong centralised and planned model could develop the economy. It introduced several policy measures to ensure centralisation. The last recentralising of state-owned enterprises (SOEs) was the Decree 156-HDBT in 1984, which attempted to reinforce the government role in the economy (Government of Vietnam 1984). But, combined with ‘price-wages-money’ measures, these measures pushed inflation to a hyperinflationary level (Fforde 2007, p. 22). This policy failed to solve the problems because it did not address the root of the issue, which was misallocation of resources, trade restrictions and imbalance in the macro economy. During this crisis, the inflation rate reached a staggering three-digit level: 776 per cent per year (Tran, Le & Nguyen 2008). The central economic model had failed. Food production, labour productivity and industrial output had dramatically declined. Comprehensive economic reform was needed.

2.2.2  Doi Moi

A new start was made with a set of micro economic reforms to move away from the inefficiency of the central planning economic model. They came to be seen as ‘building blocks’ for a massive reform of the country in 1986 (Le 2010, p. 24). In December 1986, the 6th Congress of the Communist Party of Vietnam decided to undertake a comprehensive economic reform, Doi Moi or Reform Policy. Since then, the economy has been in transition from a centrally planned to a market economy.

Doi Moi provided substantial structural reforms that focused on decentralisation and diversification of economic ownership types (Fforde & Le 2002; Webster & Taussig 1999). All prices of goods and materials were released from centralised control of fixed prices. Entrepreneurs and SMEs started to be free to set prices for their products following market mechanisms. There was a gradual removal of bureaucratic red tape and subsidies. The state underlined the urgent need to privatise state-owned enterprises.
and promoted the expansion of private enterprises. Private entrepreneurship and private sector began to be considered as most important forces for the country’s economic growth and development (Maritz et al. 2013). A more open and transparent business legal system contributed to strong growth in the number of private enterprises, the vast majority of which were and are SMEs. A variety of appropriate business forms, considering the importance of interests of individuals, groups and society, was highlighted. Reforms were a strategic decision of the Party to help the country recover from economic crisis, create socio-economic stability, and gradually raise the living standards of the population. It was innovative, especially in economic thinking and in changing economic management mechanisms to overcome obstacles to development and foster driving forces for development (Government of Vietnam 1988).

The collapse of the Soviet bloc in the late 1980s also put pressure on Vietnam to continue with economic reforms. Under the central and planned economy, Vietnam relied on resources supplied by this bloc for industrial production. The collapse of the Soviet bloc in from 1989 and through the 1990s resulted in cuts to aid and severe shortage of input materials for SOEs. The state’s need for financial resources and efficient use of limited input materials accelerated continuous reform, with a focus on privatisation of SOEs and encouraging the private sector (Fforde 2007).

The Constitution in 1992 recognised the right of private ownership and its protection against nationalisation, encouraged foreign investment and trade, and made state-owned enterprises responsible for their own performance (Government of Vietnam 1992). Later, property rights and private ownership were specified in more detail, including provisions on the establishment of property rights and transactions and transfer of these rights. Reforms with emphasis on promoting private sector growth continued with promulgation of the Company Law and the Law on Private Enterprises in 1990, and the Law on Domestic Investment Promotion in 1994. Later, in 1999, the Company Law and Law on Private Enterprises were combined to become the Enterprise Law. This Law officially recognised the right of citizens in undertaking all types of business and revealed the shift of government’s role towards cooperation and facilitation, instead of inspection and monitoring as envisaged in the previous economic model. Since the introduction of the Enterprise Law in 1999, business activities have blossomed, with
investment increasing. Subsequently, the Enterprise Law of 1999 was further developed and supplemented through amendments in 2005 and 2014. The Law now clarifies three types of ownership, including state-owned enterprises, non-state enterprises and foreign direct investment (FDI) enterprises. The forms of non-state enterprises include private companies, collective name companies, limited companies, and joint stock companies, including capital from the state and joint stock companies without capital from the state. Among these types of enterprises, the majority are in the form of private companies, limited companies and joint stock companies without capital from the state. These changes have managed to reduce the government’s control and highlighted its role in facilitating the activities of the private economic sector.

There has been a remarkable improvement in the economy. GDP annual growth rate averaged 8 per cent during 1991-1999 and 6.49 per cent during 2000-2015, reaching an all-time high of 8.48 per cent in the fourth quarter of 2007 (WB 2015). By 2011, there remained 3,230 state-owned companies, which accounted for 1 per cent of the total number of enterprises (GSO 2011). In addition, by 2009, the industry-construction sector and services sector were the two main sectors with the largest contribution to GDP (40.2 per cent and 39.1 per cent, respectively). In the industry-construction sector, manufacturing activities, as the largest group, contributed 20.9 per cent to GDP in 2009 (GSO 2010). (Appendix 1 provides details of the contribution to GDP by economic sectors between 1991 and 2009)

The officially recognised legal status of private enterprises has encouraged a huge contribution to the country’s development through capital investment drawn from society. Enterprises contribute to the state budget by paying taxes and fees. In addition, they address employees’ interests by paying social insurance, medical insurance and trade union membership.

*Doi Moi* has made the business sector more competitive, because it is forced to operate efficiently in order to survive under the market mechanism. It encourages economic units to have better performance and enjoy their wealth. The country became the world’s third-largest rice exporter by 1990s, from a position as an importer of food in the centralised period (Glewwe 2004). It has rapidly become an attractive nation for FDI
Chapter 2: Research Context of Vietnam

inflow, which increased from nil in the late 1980s to an FDI of USD100.2 billion by 2012 (GSO 2013; Le 2015).

However, the country remains in transition to a market economy and the legal system has not been well-established. The frequent changes in government policies and incomplete financial sector are seen as decelerating the private sector’s development and greater performance, especially in the case of small and newly established companies.

2.2.3 Institutional Context

2.2.3.1 Formal Institutions

Formal institutions, such as the Law of Enterprises and other government policies, regulate enterprise activities in the economy. Notwithstanding these government supportive policies, non-state enterprises still experience difficulties in accessing resources, including land, capital and technology. Access to public resources remains easier for state-owned enterprises (Painter 2003). Although many state-owned enterprises have recently been privatised, many types of goods and services are still under control of the government, such as electricity, coal, gas, water and telecommunications (Government of Vietnam 2014a). Together with the launch of the stock market in 2000, several key legal documents, such as the revamp of the Investment Law, the Enterprise Law, the Labour Law and the Environment Protection Law, have been introduced to provide a legal framework for entrepreneurial activities in the economy. The Enterprise Law, first passed in 1999, and revised and renewed in 2014, has changed the licensing system, reduced the cost of obtaining business licenses, and thus increased transparency. Research on the role of the legal framework introduced after Doi Moi shows an improvement in the business environment for SMEs. However, many constraints still apply, such as overlaps in jurisdiction between central ministries and gaps in the capacity of local government authorities (Carlier & Tran 2004). The purpose of recent policies changes has been to facilitate business sectors, yet the effectiveness of enforcement remains to be improved.
2.2.3.2 Informal Institutions

Vietnam is very influenced by Chinese culture, especially Confucianism. In addition, in following the socialist-market economy model, the economy is much influenced by Marxist Leninist ideology. Although the leadership of the Communist Party and government formal institutions have dramatically changed, informal institutions rooted in social values have not been targeted and do not change quickly (Helmke & Levitsky 2004; North 1990). Specifically, the characteristics of Confucianism in preferring collectivism promote a culture of networking and social relations. Personal relations, including friendships, and ties with family and relatives, are widely valued in the Vietnamese business environment. In transitional economies, personal connections help firms overcome problems by mobilising social resources to cope with institutional uncertainty (Ahlstrom & Bruton 2010; Aidis & Adachi 2007; Peng & Health 1996). Research has indicated that in the past private firms in Vietnam used their connections with government officials to gain access to bank loans (Le, Venkatesh & Nguyen 2006). Recent research has found that personal and social networks remain important, even though formal institutions have become more effective (Steer & Sen 2010).

2.3 Roles of Vietnamese SMEs

2.3.1 Definition of SMEs

Since Doi Moi, with official recognition, SMEs were for the first time clearly defined as

\[
\text{a business establishment with registered capital of no more than Vietnamese Dong (VND) 10 billion (equivalent to USD630,000) or with a workforce of no more than 300 regular employees.} \quad \text{(Government of Vietnam 2001, p. 2)}
\]

Although it took more than a decade to introduce an official definition of SMEs, the Decree expressed the determination of the government to highlight the role of SMEs in the economy. In 2009, the Government Decree 56/2009/ND-CP on support to SME development was issued to replace the Government Decree 90/2001/ND-CP. It provides a revised definition and groups SMEs according to scale (total capital and number of employees) under these three main economic areas (see Table 2.1). SMEs are defined as possessing less than VND100 billion of total capital and fewer than 300 employees.
in total in each SME in the agriculture, forestry and fishery sector and in the manufacturing and construction sector, and less than VND50 billion in total capital and fewer than 100 employees in an SME in the trade and services sector. According to this definition, nearly 98 per cent of the enterprises in Vietnam are reported to be SMEs (GSO 2011).

### Table 2.1 Vietnamese SME Definition

<table>
<thead>
<tr>
<th>Sector</th>
<th>Size</th>
<th>Micro enterprises</th>
<th>Small-sized enterprises</th>
<th>Medium-sized enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of employees</td>
<td>Total capital</td>
<td>Number of employees</td>
<td>Total capital</td>
</tr>
<tr>
<td>1. Agriculture, forestry and fishery</td>
<td>10 persons or fewer</td>
<td>VND20 billion or less</td>
<td>Between 10 persons and 200 persons</td>
<td>Between VND20 billion and VND100 billion</td>
</tr>
<tr>
<td>2. Manufacturing and Construction</td>
<td>10 persons or fewer</td>
<td>VND20 billion or less</td>
<td>Between 10 persons and 200 persons</td>
<td>Between VND20 billion and VND100 billion</td>
</tr>
<tr>
<td>3. Trade and Services</td>
<td>10 persons or fewer</td>
<td>VND10 billion or less</td>
<td>Between 10 persons and 50 persons</td>
<td>Between VND10 billion and VND50 billion</td>
</tr>
</tbody>
</table>

Source: Government of Vietnam 2009, p. 2

In Vietnam, there are two forms of entrepreneurship: formal (legally registered) and informal (non-registered) businesses. This research only focuses on formal (legally registered) entrepreneurs. Specifically, the research focuses on registered, non-state enterprises with total assets less than VND20 billion and/or fewer than 300 employees.

### 2.3.2 Economic Contribution

In Vietnam, the number of SMEs has significantly increased between 2004 and 2013. According to the Statistical Year-book of Vietnam 2014, as at December 2013, 368,010 SMEs were operating in the economy. They accounted for approximately 98 per cent of the total number of enterprises, 46 per cent of the total number of employees and contributed 40 per cent of GDP (GSO 2014).
Figure 2.1 SMEs and Large Enterprises in Vietnam between 2004 and 2013

Figure 2.1 shows the preponderance of the SME population in comparison with the number of large enterprises. The large numbers in the SME sector are making substantial contributions to creating wealth for the economy. They create employment, provide income for workers and contribute to the implementation of social welfare policies in the country.

The most recent report on the operation of Vietnamese SMEs covering the period between 2006 and 2011 was published by the General Statistics Office (GSO) in 2012 (GSO 2012). Figure 2.2 illustrates a massive transformation away from the agricultural economic sector towards the industrial and services sectors since Doi Moi (GSO 2012). In 2011, SMEs employed 46 per cent of the total employed labour in the country. The industry and construction sector employed the largest number of people, 3,364,076, of which the manufacturing sector accounted for 1,997,499 people. The second largest sector is the services sector with 2,218,929 people. The agriculture, forestry and fishing sector ranked third in terms of the number of those working in it with 97,809 people.
In addition, SMEs also contribute to increasing incomes of members of the society. As reported by GSO 2012, the average income of workers in the SME sector more than doubled between 2006 and 2011, from VND1,996,000 to VND4,829,000. In terms of ownership, in comparison to state-owned and FDI SMEs, average income of workers in non-state SMEs was still very low. In terms of economic activity, average income in the industry-construction and service sectors was higher than in the agricultural sector. Table 2.2 presents details of the average income of workers in SMEs by type of ownership and economic activity.

### Table 2.2 Average Income of Workers in SMEs in 2006 and 2012

<table>
<thead>
<tr>
<th>Average Income of Workers in SMEs (VND1000/month)</th>
<th>2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Average income of the enterprise sector</td>
<td>1,996</td>
<td>4,829</td>
</tr>
<tr>
<td>2. Average income of SMEs</td>
<td>1,556</td>
<td>3,942</td>
</tr>
<tr>
<td>SMEs by ownership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- State-owned SMEs</td>
<td>2,001</td>
<td>5,389</td>
</tr>
<tr>
<td>- Non-state SMEs</td>
<td>1,386</td>
<td>3,598</td>
</tr>
<tr>
<td>- FDI SMEs</td>
<td>2,635</td>
<td>7,055</td>
</tr>
<tr>
<td>SMEs by kinds of economic activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Agriculture, Forestry and Fishing</td>
<td>1,220</td>
<td>3,425</td>
</tr>
<tr>
<td>- Industry and Construction</td>
<td>1,472</td>
<td>3,800</td>
</tr>
<tr>
<td>- Services</td>
<td>1,748</td>
<td>4,176</td>
</tr>
</tbody>
</table>

Source: GSO 2012
2.4 Pressures for Sustainability Practices

There has been an increasing concern that economic growth is often associated with environmental and social problems. Thus calls for incorporating sustainability practices into economic activities have been made. Stricter sustainability requirements in business performance and product quality are therefore creating pressure on governments and businesses to substantially adopt measures identified by the World Trade Organisation (WTO) and regional free trade agreements. Having been a member of the WTO since 2007 and having signed a number of bilateral and regional trade agreements, the Vietnamese Government and business sector have to comply with these international rules. Increasing awareness about the need to protect the environment and promote sustainable development has fostered the development of environmental policy measures (MOIT 2014). The government often enforces these measures through legal and economic instruments. Mandatory legal instruments that are used as control measures include regulatory standards of product characteristics, provisions on the method of production and processing and pollution standards, prohibition of import and export of hazardous goods or those hazardous to health, import and export restrictions to protect natural resources, and requirements for packaging, wrapping and labelling. Economic instruments include taxes levied on harmful products or those hazardous to health, fees for waste products, and control measures based on price and environmental benefits.

On the one hand, these international conventions on trade and the environment have contributed to positive environmental restrictions between countries and encouraged the production and exchange of products that are environmentally friendly. On the other, in many cases, the standards and regulations on ethics and environment become a ‘green barrier’ in international trade. In such conditions, the satisfaction of these provisions and international standards on the environment in international trade is now a great challenge for the least developed countries where many provisions are insubstantially implemented. Table 2.3 presents selected international requirements for sustainability practices in enterprises.
Table 2.3 International Requirements for Sustainability Practices of Enterprises

<table>
<thead>
<tr>
<th>Organisations</th>
<th>Environmental and Sustainable Development Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTO Trade Agreements</td>
<td>▪ The General Agreement on Tariffs and Trade (GATT) 1994, Provision XX</td>
</tr>
<tr>
<td></td>
<td>▪ The Agreement on Technical Barriers to Trade (TBT)</td>
</tr>
<tr>
<td></td>
<td>▪ The Agreement on Sanitary and Phytosanitary Measures (SPS)</td>
</tr>
<tr>
<td></td>
<td>▪ The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)</td>
</tr>
<tr>
<td>Trade Related Rules in International Conventions on Environment</td>
<td>▪ The Vienna Convention for the Protection of the Ozone Layer</td>
</tr>
<tr>
<td></td>
<td>▪ The Montreal Protocol</td>
</tr>
<tr>
<td></td>
<td>▪ The Agreement on Climate Change</td>
</tr>
<tr>
<td></td>
<td>▪ The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)</td>
</tr>
<tr>
<td></td>
<td>▪ The Basel Convention on the Trans-Boundary Movement of Hazardous Wastes and Their Disposal</td>
</tr>
<tr>
<td></td>
<td>▪ The Convention on Biological Diversity</td>
</tr>
<tr>
<td>International Standards Related to Trade</td>
<td>▪ The International Organization for Standardization (ISO) 14000 on a Series of Environmental Management Standards</td>
</tr>
<tr>
<td></td>
<td>▪ The International Organization for Standardization (ISO) 9000 on Product Quality Management</td>
</tr>
<tr>
<td></td>
<td>▪ Hazard Analysis and Critical Control Points (HACCP) on Food Safety and Physical Hazards</td>
</tr>
</tbody>
</table>

Source: Researcher’s compilation

Vietnam in recent years has been recovering strongly from the global economic crisis, with economic growth in the region opening up new opportunities for market access. Most SMEs exist in the form of small and micro sized units with low-skilled labour, out-of-date technology, capital deficiencies, limited market access, and low-quality products that lead to low levels of competitiveness and productivity in the market (GSO 2013). However, performing in a sustainable manner can help enhance the value that firms create. For example, products which are built and produced in a recognised sustainability system will gain customer trust, branding, market access, etc., from which profits are generated. Therefore, manufacturing in a sustainable manner is a strategic choice for SMEs in order to emerge more strongly in the market. By considering sustainability practices, SMEs can further contribute to the nation’s sustainable development goals through wealth and employment creation, poverty reduction in regional areas and efficient usage of natural resources.
2.5 Government Policies in Promoting Sustainability Practices

In Vietnam, sustainable development has been strongly endorsed at the nation’s top levels. The resolution of the 9th National Congress of the Communist Party of Vietnam in 2001 asserted that fast economic growth is consistent with the realisation of social progress, equality and environmental protection. Accordingly, this impetus towards sustainable development has been illustrated in Vietnam’s Agenda 21 in 2004. This has been developed for relevance with specific characteristics of Vietnam under the general guidelines given by the United Nations (UN 1992). The document contains 19 priority areas under the three bottom lines of economic, social and environmental aspects. In its Social and Economic Development Strategy between 2011 and 2020 of 16 February 2011, the Communist Party of Vietnam re-emphasised the need to connect economic development with social goals. (See Appendix 2 for the matrix of Doi Moi, Agenda 21 and SME government-supportive policies with relevance to the triple bottom line).

Table 2.4 presents key legal documents and standard requirements with which enterprises in Vietnam are expected to comply. A key document concerning SME assistance is Government Decree 56/2009/ND-CP of 30 June 2009, revised from Government Decree 90/2001/ND-CP of 23 November 2001. This noted that the establishment of institutional support entities across national, regional and local levels to assist SMEs with financial support, innovation, market expansion, information and advice and human resource development has been a remarkable progress in facilitating sustainable development in the business sector.

Key government policies shown in Table 2.4 reveal an improvement in the legal framework that concerns the integration of sustainability practices in the business sector. In reality, the SME sector is believed to still face many issues in spite of the array of supportive policies presented. The first important issue is speed in providing support policies and guidelines. For example, a very important document on supporting the development of SMEs was Government Decree 56/2009/ND-CP, presented on 30 June 2009. Yet it took four years to approve the SME Development Fund establishment, on 17 April 2013, and six years to approve Decision 265/QD-TTg, on 2 March 2015, about strengthening government agencies responsible for implementing measures to support
SMEs. It is an example illustrating the government’s weak capability in realising its initiatives. This contributes to slow and ineffective sustainability practices in SMEs.

Table 2.4 Legal Documents on Vietnamese Business Sustainability Practices

<table>
<thead>
<tr>
<th>Document Types</th>
<th>Content</th>
<th>Issuing Body</th>
</tr>
</thead>
</table>
| Law            | • Law on Environmental Protection, approved on 23/06/2014, with effect from 01/01/2015, revised from the Law on Environmental Protection 52/2005/QH11.  
• Labour Law, approved on 18/6/2012, with effect from 01/05/2013, revised from Labour Law 35/2002/QH10, 74/2006/QH11 and 84/2007/QH11.  
• Law on Standards and Technical Regulations, approved on 29/06/2006, into effect from 01/01/2007, replaced Ordinance on Product Quality, dated 24/12/1999.  
• Metrology Law, approved on 1/11/2011, with effect from 01/07/2012, replaced Ordinance on Metrology dated 06/10/1999.  
• Circular 26/2011/BTNMT Ministry of Natural Resources and Environment (NRE) providing details of some articles of Decree 29/2011/ND-CP.  
• Government Resolution 22/NQ-CP dated 05/05/2010 on implementation of the Government Decree 56/2009/ND-CP  
• Circular 13/2015/TT-BKH on support priority areas and selection criteria for SME assistance fund access.  
• Government Decision 432/QD-TTg dated 27/03/2013 on sustainable development strategy for Vietnam between 2011 and 2020.  
• Government Decision 265/QD-TTg dated 02/02/2015 on the approval of project on strengthening the implementing government agencies in supporting SMEs.  
• Government Decision 601/QD-TTg dated 17/04/2013 on establishing SME development fund. | Central Government |
| Technical Standards | • Quality Management System ISO 9000, TQM, 5S, Kaizen, 7 Tools, SPC.  
• Food Safety and Hygiene Management System ISO 22000, HACCP, BRC.  
• Environmental Management System ISO 14000.  
• Social Responsibility Systems SA 8000.  
• Occupational Health and Safety Management System OHSAS 18000.  
• Products certification to Vietnam standards. | QUACERT (Vietnam), BVC (United Kingdom), TQCSI (Australia) |

Source: Researcher’s compilation

Second, overlapping responsibility among policy-making departments results in unconsolidated interpretations and guidelines. For example, the sustainable operation of
SMEs is supervised and adjusted by different ministries and legislation. The Ministry of Investment and Planning is in charge of general coordination among Ministries. Environmental issues are addressed by the Ministry of Natural Resources and Environment. Social issues are addressed by the Ministry of Labour-Invalids and Social Affairs. Sustainability requirements in production to comply with international standards and agreements are the responsibility of the Ministry of Industry and Trade and the Ministry of Science and Technology. Each of these agencies is in charge of a different area and weakness in collaboration results in unconsolidated policies.

The business community is relatively young and inexperienced in comparison that of developed economies. In addition to the constraints resulting from an incomplete legal framework, private enterprises are deficient in their marketing strategy, managerial experience and financial resources, all of which make them less competitive. Furthermore, business operation and entrepreneurship have long been taught in Western universities, while it has only been introduced in Vietnamese universities comparatively recently but with a shortage of real experience and case studies. Therefore, the pace at which SMEs implement sustainability practices can be slower than that of their counterparts in developed countries.

2.6 Chapter Summary

This chapter has presented the historical and economic context of Vietnam. Doi Moi – the Reform Policy aims to transform the country from a centralised and planned economy towards a market one. Together with the emphasis on privatisation of SOEs, a private sector in which the majority of enterprises are in the form of non-state SMEs is considered a means of fostering economic development. Immensely increased in the number, SMEs have made remarkable contributions to the economy. The chapter has also presented the global and internal country context where Vietnam is under pressure to commit to sustainable development goals. Private enterprises play critical roles in achieving such goals for their wealth creation, poverty reduction, equity and efficient use of natural resources. The government has attempted to improve the legal framework and related policies to enhance sustainability practices in the private sector. Despite the
very substantial changes in policies, implementation procedure is in need of improvement. In addition to formal influences, informal constructs, including personal and networked relations, also have noticeable effects on firms’ entrepreneurial development. Thus, sustainable SME development in Vietnam is determined by the country’s commitment through international organisations, government policies, cultural characteristics and the level of maturity of the business community itself.

In order to establish a theoretical foundation for the research, it is important to review relevant literature. The next chapter discusses key academic literature in the area of corporate sustainability, key success factors, and challenges faced by SMEs in pursuing sustainable development paths. Relevant theories in the field of corporate sustainability management are evaluated, with a focus on entrepreneurship and institutional theories. This discussion frames the conceptual framework, research questions and propositions of the study.
CHAPTER 3
LITERATURE REVIEW

3.1 Introduction

This chapter discusses the extant literature and theories relevant to sustainable development in the business sector with a focus on SMEs.

Firstly, it discusses the evolution of the sustainability concept. Next, it reviews the available definitions of sustainable development and framework of sustainable entrepreneurs. The following section provides discussion of the consideration of sustainability practices, so-called TBL in SMEs. In the pursuit of sustainable development, there are success factors facilitating such practices, including the important role of government and other stakeholders. Their roles are also discussed and highlighted. In addition to success factors, SMEs also encounter typical challenges of an economy in transition that hinder the implementation of their TBL practices.

The chapter reviews literature and several key theories in studying sustainable development in the business sector. It especially focuses on utilisation entrepreneurship and institutional theory. Entrepreneurship theory can inform firms’ sustainable practices with beneficial explanation and identify their potential to achieve sustainable development goals. At the same time, in studying entrepreneurship in a country context, institutional theory helps to understand the forces comprising success factors and challenges that characterise the path towards corporate sustainability of SMEs in Vietnam. Based on these elements, this chapter frames the research questions, research propositions and conceptual framework showing the path of SMEs towards sustainable development or corporate sustainability in Vietnam.
3.2 Sustainable Development and the Evolution of the Concept

Sustainable development is a widely known concept with deep historical roots. It started with the idea of progress and growth. The growing concern that economic creation must be in line with social and environmental performance has initiated the concept of sustainable development.

3.2.1 Progress and Growth

The concept of progress started emerging slowly as early as pre-modern times. In the classical Greco-Roman period (500 BCE to 395 CE), the idea of human progress was referred to as the way humans advanced their way of thinking (Von Wright 1997). During Renaissance period (14th to 17th centuries), the links between progress and civilisation were dominant with the belief of science would make humankind grow stronger (Du Pisani 2006). In the 18th and 19th centuries, the Industrial Revolution transformed society and human progress through economic growth and material advancement. However, less optimistic parties blamed this development for widening the existing gap between the wealthy and the poor and between developed and developing countries, because benefits and rewards primarily flowed to industrialised countries (Rosenberg & Birdzell 1986; Von Wright 1997). In addition, another issue linked to industrial development is the problem of environmental degradation caused by the exploitation of raw materials (Dubos et al. 1970). As a result, these ideas triggered growing concern about sustainability and development.

3.2.2 Sustainable Development

In the middle of the 20th century, the terms ‘sustainability’ and ‘sustainable’ appeared in the Oxford English Dictionary with the meaning of lastingness. One of the best-known starting points for sustainability concern is the Club of Rome’s report, The Limits to Growth, proposed by a group of economists and scientist in 1970s. The report warns that, due to rapid population increase and limited natural resources, the world might eventually face a major crisis. The publication of The Limits to Growth is regarded as ‘the key moment in the transformation of disparate anxiety about environmental
problems into a more focused discussion of an alternative to present-day society’ (Kenny 1994, p. 229). Later, the Brundtland Report in 1987 highlighted the need for harmonising current needs and consumption with the needs of future generations; specifically, an official and broadly recognised definition of sustainable development by the Brundtland Commission is:

*Sustainable Development is the development that meets the needs of the present without compromising the ability of the future generations to meet their own needs.* (WCED 1987, p.1)

According to this definition, sustainable development can be seen from two different perspectives. First, it sets the priority of raising global development by promoting economic growth, poverty elimination, and enhancement of quality of life. Second, it must ensure that economic development does not negatively affect the natural environment and future needs for and availability of natural resources. Therefore, it is important to balance the use of natural resources in order to maintain healthy and useable reserves of resources in the future (UNECE 2004). Academic authors also discuss the concept of sustainable development. According to Markandya and Pearce (1988), sustainable development is the requirement that the use of resources today should not reduce real incomes in the future. In addition, current decisions in economic systems should be managed so that they do not reduce the prospects of future living standards (Repetto 1985).

Although Brundtland’s definition of sustainable development has been widely popularised, there is criticism that it is an ambiguous concept which does not precisely explain how organisations can achieve such a target (Lele 1991). It is argued that it is difficult for governments to determine specific solutions that address simultaneously desires for economic prosperity, social equity and environmental protection (Carter 2007; Jordan & Lenschow 2008). Businesses also find it burdensome to pursue sustainability because of lack of clarity in the definition (Springett 2003). For developing countries, it is even more challenging for both governments and businesses because of incomplete legal systems and lack of capability to deal with such vague concept (Meadowcroft 2000). Further, it is argued that governments need to push businesses to implement sustainability practices (Hopwood, Mellor & O’Brien 2005). For these
reasons it is argued that it may be difficult for governments to make sustainability policies and for businesses to reach sustainability goals.

In order to make it more feasible to realise Brundtland’s idea of sustainable development, scholars have attempted to generalise the concept into three main dimensions: (i) economic growth, (ii) environmental protection and (iii) social equity. These three pillars, or the TBL, which places an equal level of importance on each dimension, have become widely accepted as the model of sustainable development (Elkington 1997; Epstein 2008; Wirtenberg, Russell & Lipsky 2009). Organisations need to take into account the three components simultaneously when developing a sustainable development plan.

In the literature, previous research reveals different approaches to the sustainable development concept. From the viewpoint of environmental protectionists, sustainable development is concerned with the use of renewable natural resources in a way that does not eliminate or degrade them, thereby protecting usage for future generations (Goodland & Ledec 1987). Rist (2007) considers development based on the mutual relationship between humans and the environment. From a more human perspective, Sen (1999) emphasises development as the reduction of poverty, income inequality and unemployment. The South Commission, an intergovernmental organisation of developing countries, defines development as the process of enabling human beings to evolve together with the value of culture and society but without concerning political, economic and social issues (South Commission 1990). From the context of developing countries, the concept refers to improvement of economic and social conditions through modernising infrastructure, reducing dependence on agricultural production, moving towards more industrial production and high economic and employment growth (Szirmai 2005).

In short, all of the definitions attempt to harmonise the relationship between economic goals, human life and environmental protection. At the business level, this concept has also received much attention from earlier researchers. In achieving sustainable business or corporate sustainability, special attention is paid to small enterprises, highlighted in Schumacher’s *Small is Beautiful* (1973) as a proposal for small firms’ contribution to
sustainable development. It is clearly stated that ‘in small-scale enterprise, private ownership is natural, fruitful, and just’ and ‘such an act of generosity may be unlikely when there is a large number of anonymous shareholders’ in large enterprises (Schumacher 1973, p. 225).

3.3 Corporate Sustainability – Sustainable Development in the Business Sector

3.3.1 What is Corporate Sustainability?

The literature highlights that enterprises’ sustainable development or corporate sustainability, inspired by the content of sustainable development definition introduced by the WCED in 1987, refers to the integration of the three dimensions or TBL, including economic, environment and social aspects in business (Dwyer 2005; Elkington 1997; Gallo & Christensen 2011; Wade 2005). In other words, companies should ensure that their operations lead to secure long-term economic performance without damaging the environment and society (Porter & Kramer 2006). It is also suggested that success in managing the triple bottom line can give firms competitive advantage as they can effectively manage their resources (Andriate et al. 2008; Porter & Kramer 2006).

Initially, a firm’s sustainability was identified as the ability to maintain its economic values, growth and long-term profitability (Peteraf 1993; Porter 1985). Ecologically and socially desirable investments that do not directly benefit the firm’s shareholders should not be undertaken (Friedman 2007; Levitt 1958). The major assumption in this understanding of sustainability is that the firm operates in the interests of its owners and shareholders by maximising their wealth (Fowler & Hope 2007). Thus it becomes imperative for management to expand consumption of the firm’s products and services in order to increase profits.

Next to the concern for economic sustainability is ecological sustainability. This concept is developed with the argument that organisations are not separate from the natural environment but are located and operate within it (Sharma & Ruud 2003). It is argued that business activities create a negative impact on the environment through the exploitation of natural resources and waste and air emissions, which can have adverse
impacts on business activities through consequences such as climate change (Winn et al. 2011). In earlier times, literature on corporate sustainability often studied exclusively environmental-oriented enterprises (Schaper 2002). These entrepreneurs, so-called envirocapitalists, use business tools to preserve space, develop wildlife habitat, save endangered species and generally improve environmental quality.

The concept of social sustainability has developed more recently, calling for wider responsibilities towards various stakeholder groups and those communities in which businesses operate (Carroll 1979; Dunphy, Griffiths & Benn 2007; Freeman 1999). Social sustainability is concerned with business-related social issues, including occupational health and safety, discrimination, business ethics, community welfare and stakeholder demands (Laudal 2011; Young & Tilley 2006). Under this approach, contributions are focused on social aspects that turned attention to providing more friendly and harmonized workplaces for employees, especially in emerging markets and developing economies where issues such as child labour, women workers, working hours and low wages persist (Desa & Kotha 2006; Zahra et al. 2009).

To reach the ultimate goal of corporate sustainability, both governments and academics have attempted to propose sustainability principles and practices. These include Corporate Social Responsibility (CSR), Social Responsibility, UN Global Compact Standard, Sustainability Reporting Framework, Corporate Responsibility, Sustainable Entrepreneurship, Corporate Governance, Business Ethics, and so on (EC 2002). Among these approaches, CSR is the most widely used as an ‘intermediate stage’, where enterprises try to balance the triple bottom line (Thomsen 2013, p. 2361). Under this approach, three aspects of sustainability (economic, environmental and social) are considered as an approach that enterprises need to consider. In many situations, the terms Corporate Sustainability and CSR are synonyms and used interchangeable (Dawkins & Lewis 2003; Thomsen 2013; Van Marrewijk 2003; Wood & Jones 1995). In the business management sphere, CSR is considered a voluntary ‘business contribution to sustainable development’, and therefore this term can be used as a corporate sustainability concept in many cases (EC 2001, p. 29).
3.3.2 Current Approaches to Corporate Sustainability Management

Many scholars have proposed approaches to corporate sustainability. Identified well-known strategies are the sustainability triangle (Schaltegger 2013), the framework of sustainable development at corporate level (Steurer et al. 2005), the operational sustainability framework (Labuschagne, Brent & Van Erck 2005), and the sustainability phase model (Dunphy, Griffiths & Benn 2007).

3.3.2.1 Sustainability Triangle

In order to apply the concept of sustainability in businesses, there have been attempts to provide applicable sustainability models in firms. One of the most well-known models is the ‘sustainability triangle’ (Figure 3.1), designed to visualise the management of the concept of corporate sustainability (Dyllick & Hockerts 2002; Schaltegger 2013).

![Figure 3.1 Sustainability Management](image)

Source: Schaltegger 2013, p. 2387

In the Figure, each aspect of sustainability is presented in each of the three corners, and this also represents the company’s effectiveness in achieving each component. Effectiveness is the goal of each dimension (economic, ecological and social) and shows how successful companies manage the other two dimensions to achieve a single goal. Efficiency describes how companies can maximise the goals with minimised resource
usage. In between two components is their relationship, e.g. eco-efficiency for the relationship between economic and ecological and environmental dimensions (e.g., reduction of energy use reduces operational costs).

Although Figure 3.1 shows an ideal approach of corporate sustainability management, it is a challenge to integrate all these aspects. Integration is such a challenge because it needs to consider the links between them. Companies have to maximise their profits with the equivalent maximisation of environmental protection and social equity. Therefore, corporate sustainability management is regarded as ‘the art of overcoming trade-offs between social, environmental and economic perspectives and the search for ways to integrate improvements in all dimensions’ (Schaltegger 2013, p. 2387). Overcoming these challenges can create multi-win solutions, but this seems difficult to achieve due to the complexity of the interrelationships and availability of firms’ resources. In particular, in the case of the economic dimension, which is the primary aim of business, a business case for sustainability is suggested as an approach to achieve economic effectiveness (Ireland et al. 2001; Vandermerwe & Rada 1989). The term refers to the consideration of eco-efficiency and socio-efficiency to achieve economic effectiveness. Specifically, the business case for sustainability concerns firms’ efficient use of natural resources, emission reduction, employment creation, human rights enforcement and social donations, which are taken into account simultaneously with increasing economic sustainability (Dyllick & Hockerts 2002).

3.3.2.2 Frameworks of Sustainable Development at Corporate Level

Another approach is the framework of sustainable development in the corporate context (Steurer et al. 2005). This outlines issues on the basis of the triple bottom line from a variety of sources such as Agenda 21, the Brundtland Report, DJSI, GRI, and WBCSD. This framework is developed consistently with the definition of corporate sustainability that emphasises the role of business in creating wealth for current stakeholders with a long-term development vision. The framework is applicable at firm level with the focus on firms’ economic sustainability, social sustainability and environmental sustainability.
The dimension of economic sustainability addresses (i) financial performance of a firm, (ii) its long-term competitiveness, and (iii) a company’s economic and financial impact on stakeholder groups. The issue of financial performance refers to company cash-flow, shareholder value, profits, profitability, debt-equity, and so on. At the same time, a company needs to address long-term competitiveness through its strategic planning and investment in order to maintain firm’s stable performance. In taking into account a company’s economic and financial impact on public groups through paying taxes, adequate prices, and wages to its employees, and so on, firms can show their engagement in economic sustainability.

The social sustainability dimension addresses the issue of equity across generations between the present and the future (WCED 1987). In this framework, social sustainability is spread between (iv) the distribution of income and wealth between employees and shareholders, (v) internal social improvement (training, education and human right compliance), and (vi) external social improvement (social benefits for other stakeholder groups, such as communities and neighbourhoods, customers and suppliers).

The environmental dimension in the framework deals with managing environmental issues in firms’ operation. It addresses (vii) resource exploitation. It is about the responsible use of non-renewable and renewable natural resources throughout the production cycle, such as procurement, product design, production, distribution and consumption. In this regard, renewable resources must be gradually replaced by non-renewable natural resources. But it is very challenging to measure what and to what extent can be substituted. Therefore, the literature interpreted this idea as the ‘responsible use’ of nature resources. The issue of emissions (viii) refers to avoiding all kinds of emissions to some degree throughout the product cycle. Lastly, the problem of environmental damage and risk (ix) is about the avoidance of any kind of pollution, including noise, water and air, released into the environment such that they affect neighbourhoods.

Having a similar view that corporate sustainability needs integration of the three dimensions, Labuschagne, Brent and Van Erck (2005) propose an operational
sustainability framework guiding firms towards corporate sustainability. Specifically, economic sustainability must take into account financial health, economic performance, potential financial benefits and trading opportunities. Environmental sustainability must include air resources, water resources, land resources, and mineral and energy resources. Social sustainability must include internal human resources (employment stability, employment practices, health and safety) and external population (human capital, productive capital, and community capital).

3.3.2.3 Sustainability Phase Model

In order to evaluate a firm’s commitment in sustainability path, Dunphy, Griffiths and Benn (2007) suggest a model with six developmental phases illustrating firms’ characteristics at each step (Figure 3.2).

![Figure 3.2 Sustainability Phase Model](image)

Source: Dunphy, Griffiths & Benn 2007, p. 17
The sustainability phase model introduced by Dunphy, Griffiths and Benn (2007) illustrates six phases for an organisation moving towards sustainability. This model can be used as a tool to investigate what path an organisation is pursuing and what can be done to advance from that point. As can be seen in Figure 3.2, the sustainability phase model has three waves with six phases (Dunphy, Griffiths & Benn 2007, p. 17).

The first wave includes rejection and non-responsiveness phases. This wave indicates a very limited awareness of organisations regarding sustainability practices. In these phases, corporations see employees and the natural environment as sources to be exploited to maximise profits, ignoring compliance with the government and community. In general, these firms can have very limited value creation.

The second wave includes compliance, efficiency and strategic productivity phases, showing signs of the movement of firms towards sustainability. Companies start to adapt to laws and regulations to ensure employee welfare and environmental protection in the compliance phase. In the efficiency phase, companies start to be willing to improve their social and environmental responsibility, together with an increase in economic values. Moving forward to the strategic proactivity phase, firms incorporate sustainability into their core business strategy. This movement creates firms’ competitive advantages by advanced human resource strategies, and environmentally safe and innovative products. These competitive advantages are demonstrated in firms’ attractiveness to employees and in communities, generating profitability in the long term.

The third wave, including the sustaining corporation phase, indicates the impressive transformation of firms into sustainable firms. In this phase, firms are strongly competitive and advanced compared to their counterparts in their particular industry. In addition, firms’ operations go beyond normal business practices, becoming active and leading organisations that promote ecological and social values through business activities.
3.3.2.4 Evaluation of Reviewed Frameworks on Corporate Sustainability

All the frameworks and models discussed above share the same view, that sustainable development at the corporate level should integrate the three dimensions of the triple bottom line. They also suggest that ‘a single-minded focus on economic sustainability can succeed in the short run; however, in the long run sustainability requires all three dimensions to be satisfied simultaneously’ (Dyllick & Hockerts 2002, p. 132).

In addition to proposing criteria and models for corporate sustainability, Dunphy, Griffiths and Benn’s model (2007) identifies the transformation process toward corporate sustainability. The model shows the steps through which a corporation gains competitive advantage by implementing sustainability practices. The sustainability phase model further indicates that incorporating sustainability into firms’ business strategy can also benefit overall sustainable society and ecology.

All these models can be fully appropriate to larger enterprises, due to abundant resource capacity, in dealing with the complexity of the multidimensional sustainability concept (Perrini, Russo & Tencati 2007; Spence & Rutherfoord 2003). These complex models may not be suitable for application to SMEs, due to a firm’s size characteristics. Therefore, studies need to take into consideration size characteristics and contexts within which SMEs operate, because these can affect their understanding of sustainability, motivation and challenges (Santos 2011; Sloan, Klingenberg & Rider 2013). Focusing on SME size characteristics in studying corporate sustainability can provide more details and criteria for these frameworks so as to make them more applicable to different sorts of business sectors.

3.3.3 Corporate Sustainability in SMEs

3.3.3.1 Why SMEs?

The literature on corporate sustainability is deficient in studies on SMEs. In the past, it was argued that sustainability assessment was only suitable for large-sized companies, due to their significant impact and abundant resources (Ayuso et al. 2011; Azmat &
Samaratunge 2009; Holton, Glass & Price 2010; Sloan, Klingenberg & Rider 2013). Currently, approximately 80 per cent of enterprises globally are SMEs. In addition, SMEs constitute a high percentage of the world’s production. Therefore, it is argued that the trend toward sustainable development cannot be maintained without the inclusion of SMEs (Jenkins 2006; Murphy 2013). The role of SMEs in promoting sustainable development is stated in Agenda 21:

*SMEs, in particular, play a very important role in the social and economic development of a country. Often, they are the major means for rural development, increasing off-farm employment and providing the transitional means for improving livelihoods of women. Responsible entrepreneurship can play a significant role in improving the efficiency of resource use, reducing risks and hazards, minimising wastes and safeguarding environmental qualities.*  (UN 1992, chapter 30.17)

There are reasons indicating that SMEs need to pursue triple bottom line practices. First, in the world economy, large-sized enterprises have already adopted sustainability practices and have met specific requests for these practices from their suppliers (Burke & Gaughran 2007). Through the supply chain, SMEs, who are primary suppliers for large companies, will be influenced by these practices. Thus, being well-equipped with knowledge and tools to manage sustainability leads SMEs to actively respond to the issue. Furthermore, triple bottom line practices help SMEs to overcome resource constraints by efficient use of natural resources and labour (Jenkins 2006). Thus it helps reduce operational costs for SMEs (Hammann, Habisch & Pechlaner 2009; Porter & Van der Linde 1995).

Due to the differences in size, the approach to achieving firms’ sustainability can differ between SMEs and large enterprises. Some research considers the organisation of SMEs as less complex, harmonious and flexible, with an easier communication interface and lower level of conflict compared to larger firms (Wilkinson 1999). Thus, CSR practices can be implemented more easily (Jenkins 2006). Despite such advantages, SMEs also face limited managerial vision and expertise in promoting and integrating these activities into their daily business. In order to take advantage of their size characteristics, it is critical that SMEs obtain knowledge of their size characteristics, advantages and
disadvantages in comparison to their large counterparts in order to establish the most effective sustainable strategies and practices.

More specifically, a study by Preuss and Perschke (2010) indicates that there are differences between small-sized and medium-sized companies that may lead to different approaches to sustainability practices. For example, in terms of managerial expertise, in medium-sized firms, managerial knowledge is concentrated among leading persons, whereas, in small firms, the sole owner-manager is the key person for expertise. In addition, in terms of market type, medium-sized companies seek internationalisation, while small companies stay in their niche markets and depend on a few major customers. Another difference is business objectives, which can be increasingly formalised, even though they remain inadequately defined. Another study by Hart and Sharma (2004) indicates that larger firms are more visible organisations and thus attract more attention from more stakeholders. Therefore, sustainability practices in larger firms tend to be more formalised and address more dimensions of the triple bottom line than in the case of smaller ones. In larger companies, there is more availability of human and financial capital that enables them to implement more environmental and social activities (Ramus & Steger 2000; Seifert, Morris & Bartkus 2004).

Table 3.1 shows the most common differences in firms’ characteristics between SMEs and large enterprises. These include ownership, stakeholders, managerial expertise, organisational structure, market type, advantage and disadvantage in taking sustainability practices adopted in triple bottom line studies.
Table 3.1 Difference between SMEs and Large Firms in Addressing Sustainability Practices

<table>
<thead>
<tr>
<th>Factors</th>
<th>Large firms</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>– External pressure: business case rhetoric (risk reduction, brand enhancement, anticipation of regulation, socially responsible investment)</td>
<td>– Internal drive: Role of owner values in setting priorities</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>– Extensive web of stakeholder relations leading to wide range of CSR foci for the firm – Interaction with civil society organisations</td>
<td>– Varying degree of embeddedness in community</td>
</tr>
<tr>
<td>Managerial expertise</td>
<td>– Strategic planning of CSR – Range of approaches from defensive to proactive – Standardised reporting</td>
<td>– Know-how and preferences of owner-manager – Owner-manager as sole or dominant decision-maker on CSR</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>– Formalised approach through dedicated function – Sometimes Board level representation</td>
<td>– Informal approach to CSR – Initiatives often ad-hoc and often not recognised as social responsibility</td>
</tr>
<tr>
<td>Market type</td>
<td>– Opportunities for brand enhancement, especially in consumer goods sectors</td>
<td>– CSR demands of dominant business partner – Otherwise usually not susceptible to market pressure</td>
</tr>
<tr>
<td>Advantages of the approach</td>
<td>– Considerable impact – Can reach beyond own organisation (e.g. along supply chains)</td>
<td>– Concern for local basis – Can override (short-term) profitability to undertake principle-based initiatives – Flexibility</td>
</tr>
<tr>
<td>Disadvantages of the approach</td>
<td>– Economic considerations often override CSR – Instrumental approach</td>
<td>– Resource constraints – Benefit to firm difficult to measure – Overriding influence of owner-manager</td>
</tr>
</tbody>
</table>

Source: Preuss & Perschke 2010, p. 537

Economic sectors and industry structure also affect the sustainability of firm performance (Porter 1980). For example, in terms of economic sectors, the manufacturing and service sectors, considered the two main value-creating sectors, have been discussed for their distinction in achieving sustainability.

There is a view that manufacturing companies should be more responsible for sustainability practices because they are resource-intensive industries (Baldwin et al. 2005). In many countries, this sector discards a huge amount of un-reusable waste, leading to problems of hazardous waste management and raw materials depletion. An approach to reduce environmental damage by these companies is through promoting recycling, environment-friendly equipment, material selection and thoughtful disposal of hazardous waste (Madu, Kuei & Madu 2002). In order to ensure that this process is well-implemented, there are sets of monitoring tools available, including benchmarking.
eco-portfolio analysis, cleaner production indicators and process audit, and so on (Baldwin et al. 2005).

Recent research reveals that sustainability practices have been adopted in both manufacturing and service companies in order to gain competitive advantage. Hopkins et al. (2011) reveal that services and manufacturing companies in Australia considered sustainability practices as an opportunity for competitive advantage. For example, in service industries such as tourism, which creates significant economic, environmental and social impact on the community where tours operate, establishing a strategy for better management of effects on local environmental and social improvement can present business opportunities for these companies (Becken, Frampton & Simmons 2001; Brown 1996). Therefore, corporate sustainability can be achieved through developing a business case for sustainability (Erdogan & Baris 2007; Hopkins et al. 2011).

In addition, industry structure, where there exists market competition and available substitution, can drive sustainability behaviours of firms. Given that SMEs are becoming main suppliers and following rules established by large companies, their sustainability behaviours can be driven by their large partners as well as by competitors.

These differences are indicated in the literature in order to compare firms’ size and type differences and their sustainability approach. This present research mainly focuses on companies classified as SMEs in order to understand the concept of corporate sustainability adopted in this sector. This is generally missing in the literature. Thus, it does not focus on comparing differences between firm sizes and type. Rather, it is important to highlight significant differences in ensuring an adequate and comprehensive understanding of the pursuit of sustainability in the sector.

### 3.3.3.2 Previous Research on Sustainable SMEs across Countries

Studying SME sustainability should be implemented in a country context, because SMEs are firmly rooted in their community (Jamali, Lund-Thomsen & Jeppensen 2015; Jenkins 2006; Schneiberg & Clemens 2006). The importance of context is
‘incontestable’ for understanding how actors construct problems (Schneiberg & Clemen 2006, p. 217). In addition, recent pioneering sustainability research suggests that a specific economic, political and social context may constrain firms’ sustainability engagement (Campbell 2007; Jamali, Lund-Thomsen & Jeppesen 2015; Matten & Moon 2008).

To date, there is not only a shortage of studies on SMEs’ triple bottom line practices but a considerable dearth of studies that focus on developing economies. Most studies involve developed economies. In addition, most of these either address social or environmental dimensions of the triple bottom line, but are deficient in showing an overall picture of SMEs’ sustainability of the triple bottom line (Cassells & Lewis 2011; Pastrana & Sriramesh 2014; Shi et al. 2008; Studer et al. 2008). For example, Cassell and Lewis (2011) conducted a survey on environmental responsibility practices in New Zealand SMEs which indicated that the majority of investigated SMEs do consider the importance of environmental activities. Similarly, Salimzadeh, Courvisanos and Nayak (2015) studied environmental and social practices in Australian SMEs and also indicated that Australian SMEs are actively engaged in employee and community support but are unaware of formal sustainable policy and practice in protecting the ecology and environment.

There is very little research on the integration of the three dimensions of the triple bottom line in SMEs. More problematically, the few extant research findings are contradictory in examining the tendency of SMEs towards sustainable development (Santos 2011; Torugsa, O’Donohue & Hecker 2013). For example, in studying the triple bottom line issue in Australia, Torugsa, O’Donohue and Hecker (2013) indicate that firms are aware of the financial benefits and competitive advantage obtained by the integration of economic, social and environmental dimensions. Santos (2011), however, indicates that Portuguese SMEs are not aware of these potential and implicit benefits and that their practices remain informal and non-structured in daily management.

Table 3.2 shows recent studies on sustainability practices. Most of the studies focused on either one or two dimensions of the triple bottom line and were implemented in
developed economies. The results are very different, providing abundant potential research opportunities.

Table 3.2 Studies on SMEs’ Sustainability Practices by Countries

<table>
<thead>
<tr>
<th>Dimensions Studied</th>
<th>Country/Author</th>
<th>Methods</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic, social &amp; environmental (TBL) practices</td>
<td>Australia (Torugsa, O’Donohue &amp; Hecker 2013)</td>
<td>Surveys</td>
<td>CSR practice is seen more than a business threat and cost burden. It can enhance financial performance. This suggests competitive advantage of a firm is probable if its economic, social and environmental dimensions are adopted in an integrated and synergistic manner.</td>
</tr>
<tr>
<td>Portugal (Santos 2011)</td>
<td>Surveys</td>
<td>The practices are informal, non-structured incorporated in daily management of businesses. CSR is fundamentally internally focused and from attention to business benefits in eco-efficiency, a better social climate or a higher profile in the local community. Adoption is simple, easily applicable and cheap measures with specific results.</td>
<td></td>
</tr>
<tr>
<td>Australia (Salimzadeh, Courvisanos &amp; Nayak 2015)</td>
<td>Surveys</td>
<td>SMEs are actively engaged in employee support and close to local community. They are unaware of the importance of formal sustainable policy and practice in protecting ecology and environment.</td>
<td></td>
</tr>
<tr>
<td>Colombia (Pastrana &amp; Sriramesh 2014)</td>
<td>Survey &amp; interviews</td>
<td>The practices are informal and influenced by cultural and contextual aspects of the country’s society. Customers, employees and shareholders are the most important stakeholders. The practices improve organisational culture, attracting and maintaining best employees, improving image, reputation and customer loyalty.</td>
<td></td>
</tr>
<tr>
<td>Italy (Coppa &amp; Sriramesh 2013)</td>
<td>Surveys &amp; interviews</td>
<td>The practices remain informal, internally oriented with very little strategic approach. Employees are the most important stakeholders. The media, government, NGOs and unions are to the bottom of the list.</td>
<td></td>
</tr>
<tr>
<td>New Zealand (Lawrence et al. 2006)</td>
<td>Surveys</td>
<td>Many firms are actively engaged in employee and community support. The motivating factor appears to be personal values of the managers other than external pressures. There needs to be a role of government to encourage local democratic initiatives in which communities are able to express their shared values as organising ends.</td>
<td></td>
</tr>
</tbody>
</table>
Table 3.2 summarises several recent studies on the adoption of sustainability practices in SMEs conducted with consideration of the country context. In addition to the focus on one or two dimensions of the triple bottom line, it reveals a gap in the understanding of sustainability practices in SMEs between countries, especially among those in transition.
3.3.3.3 The Sustainability Role of SMEs in Transitional Economies

SMEs in transition economies experience a different economic context in comparison to their counterparts in developed ones. Therefore, the sustainability role of SMEs in transition economies will also differ to an extent.

**Economic Sustainability:** Research shows that the growth of SMEs and their economic contributions are considered as important for their own long-term survival and the economy (Audretsch & Thurik 2001). At the firm level, SMEs’ business activities maintain their value and create wealth for its shareholders. In the broader economy, this can have direct impact on tax payments and national competitiveness (Cramer 2006). In addition, SMEs help restructure the economy by complementing economic institutions with entrepreneurial activities (Harvie 2004; Vo & Nguyen 2006), increasing production capacity, and restoring, preserving and developing traditional and indigenous business activities (Nguyen & Freeman 2009).

Firstly, SMEs are considered to help the restructuring of the economy and in complementing the economic institutions of the market economy. It is the characteristics of flexibility and innovative practices, which are less visible in larger enterprises that SMEs can quickly adapt to marketing rules (Nguyen & Freeman 2009). Their entrepreneurial activities and competition gradually help the transformation from a planned and centralised towards a market economy (Aidis 2005). In addition, SMEs are more willing to accept competition and more rarely rely on the help of the state than do large-sized and stated-owned companies (Bartlett & Bukvic 2001; Bateman 2000; Beeson & Pham 2012; Muent, Pissarides & Sanfey 2001). Furthermore, SMEs help break the monopoly of large and state-owned enterprises, thus bringing the market back to equilibrium trends through participation extensively in both ‘supply’ and ‘demand’ forces of the market (Nguyen & Freeman 2009).

Secondly, SMEs contribute to the production capacity of a country. In large-sized enterprises, due to large-scale production, there is dependence on imported sources of production materials. SMEs have an advantage in recruiting local labour, resource utilisation and production materials available in the region (Mambula 2002). At the same
time, SMEs’ products can best help with import substitution in a country’s process of industrialisation and modernisation (Tran, Grafton & Kompas 2009). As reported by the Vietnam Association of SMEs, by the end of 2010 SMEs accounted for over 30 per cent of total capital investment, generating over 40 per cent of consumer goods and exports, nearly 45 per cent of the total GDP and contributed nearly 40 per cent of the state budget.

In recent years, SMEs have access to and participate gradually in the global value chain, building relationships associated with large enterprises in the supply of raw materials, sub-contractor performance, forming networks and supporting industries that develop an exclusive satellite distribution network. This can be seen as a two-way relationship and mutual binding. Large-sized enterprises are firmly tied to the SME market in financial, technology, technical standards and management experience. In contrast, SMEs provide a guarantee for large-sized enterprises in supporting industries and product sales network throughout the country. A typical example is the Unilever Group in the investment process in Vietnam; it has established a network of about 500 SMEs operating as satellites revolving around the main Unilever factory. This relationship has a vital bearing on both sides (UNIDO 2004).

In addition, SMEs help restore, preserve and develop traditional and indigenous business activities of traditional craft villages (Dijk & Sverrisson 2003; Enright & Robert 2001). In recent years, small producers in the traditional craft villages have focused on producing high-quality products with a diverse appearance that make the products more attractive and competitive in the region and the world. Moreover, the growth of SMEs in general, and in Vietnam in particular, has contributed to higher income in non-farm employment, more sustainable economic development and efficient usage of resources, creating more equal opportunities for work across regions (Harvie 2004).

**Social Sustainability:** Social sustainability of SMEs is also critical in a transition economy. At the firm level, this contributes to individual worker’s health, skills and education that foster society’s health (Elkington 1997; Schaefer 2008). Consideration of social issues increases the level of trust and social capital between firms and society (Elkington 1997). For example, absorbing human rights into company policies will help firms reduce the risk of legal prosecution and increase companies’ images. In a time of
globalisation, these issues are emphasised seriously as regulations in companies’ operations, especially in export activities.

In regard to their social contributions on a larger scale, in a developing country, SMEs help reduce poverty and create more employment (OECD 2004). The establishment of SMEs across a country, including both large cities and rural and remote areas, reduces the constraints of unemployment and poverty (Bartlett 2001; Smallbone & Welter 2001). In large cities, where the number of immigrants increases unemployment, SMEs create more jobs and welfare. In rural and remote areas, where there is a difference in levels of development, SMEs help poverty alleviation and unemployment reduction. Thus, the operation of SMEs will address social issues and contribute to the national goal of sustainable development.

In Vietnam, more than 1.5 million people participate in the labour market every year. In addition, due to the pace of industrialisation, elements of the agricultural labour force are transferring to non-agricultural sectors. This creates significant pressure on the economy to create millions of jobs every year. SME recruitment can to some extent solve this issue. According to Vietnam national survey data conducted by the GSO in 2007, between 2005 and 2007 non-state enterprises, through the vast majority of SMEs, created employment for over 50 per cent of workers employed in the business sector. The establishment of SMEs in all parts of the country, including rural, mountainous and sparsely populated areas where the economic structure has not yet developed, introduces development opportunities for local regions, thereby contributing to the sustainability of the country (Benzing, Chu & Callanan 2005). In this way, SMEs help relieve the stress caused by income disparities between population groups in the economy.

**Natural and Environmental Sustainability:** SME environmental sustainability is also crucial, and, as there is a large number of SMEs in the economy, their collective contributions will be significant for efforts towards environmental protection. Environmental sustainability practices appear through the efficient use of natural materials and energy and waste reduction. These practices help protect the environment and also reduce firms’ operational costs which can then be used for other business
development activities such as product research and development (R&D) (Bianchi & Noci 1998).

In Vietnam, manufacturing and processing SMEs are important industrial sectors for gaining economic value from exports. Nonetheless, these sectors are reported to create more pollution and use more energy and natural resources than other economic sectors (Nhat 2006; Wolff 1999). Reports indicate severe impacts from SME operations on local residents and the environment due to pollution from improperly treated solid, liquid and gaseous emissions (Frijns 2003; Nhat 2006). The reasons for these serious impacts are based in cheap technology operation, poor environmental performance, improper attention from environmental management bodies (Nhat 2006), and limited information and educational support (Daddi, Testa & Iraldo 2010). In transition economies, there is a shortage of capacity and manpower for implementing environmental protection policies, as the state’s effort is concentrated on economic activities (Anh et al. 2011; Frijns, Phuong & Mol 2000). This, in turn, affects firms’ competitiveness due to failure in environmental assessment, and lowering opportunities for entry into the global market.

3.4 Success Factors Influencing a Firm’s Sustainable Development

Identifying factors that influence the success of SMEs in pursing sustainability is important. The primary factor is the active role of government (Albareda, Lozano & Ysa 2007; Midttun 2005; Zadek 2001). Other stakeholders, such as customers, suppliers, networked partners, the local community and the media (Gadenne, Kennedy & McKeiver 2009; Tang & Tang 2012), shareholders, owner-managers and employees (Mitchell et al. 2011; Sharma & Sharma 2011; Uhlner, Van Goor-Balk & Masurel 2004) also have a role. Furthermore, market factors with an influence are labour quality, technological development and supply chain relations (Enright & Robert 2001; Nguyen, Alam & Prajogo 2008; Porter & Kramer 2002).
3.4.1 The Role of Governments in Promoting Sustainability Practices

The role of governments in promoting corporate sustainability can be present in many aspects in the globalised economy, where new economic relationships go beyond national boundaries. In the policy-making process, a government must assure the quality of growth in meeting essential needs, integrating environment, social and economics in decision-making (WCED 1987). For example, governments could impose environmental taxes, provide a subsidy for environmental business and encourage firms to change production technology (Hawken, Lovins & Lovins 1999; North, Smallbone & Vickers 2001). Another action that governments can do is to promote decentralisation and liberalisation. By doing so, organisations will share responsibility with states and enhance efficiencies (Loorbach & Rotmans 2006). In addition, governments should be committed to technological application to reduce natural resources constraints, such as the use of renewable resources rather than non-renewable sources such as fossil fuels (Luiten, Van Lente & Blok 2006). It is argued that government policies on technological application will create market opportunities, and therefore wider business, create more employment for society and protect the environment (Hawken, Lovins & Lovins 1999).

In order to do so, governments need to go beyond their traditional role of legislating. In the literature, Aaronson and Reeves (2002), Fox, Ward and Howard (2002), Lepoutre, Dentchev and Heene (2004) identify key roles of government in promoting corporate sustainability. The most well-known classification of government roles is developed by Fox, Ward and Howard (2002) refers to mandating (legislative), facilitating (guidelines on content, fiscal and funding mechanisms, creating framework conditions), partnering (engagement with multi-stakeholder process, stimulating dialogue) and endorsing (tools and publicity).

Nonetheless, the role of governments is also controversial in assuring corporate sustainability. There is a view that governments should regulate and enact laws to make these practices compulsory or in the form of voluntary involvement (EC 2001). This proposes that government can develop public policies to promote the formalisation, transparency and scrutiny of sustainability practices. Another view argues that these sustainability practices should be only in the form of soft intervention by collaboration with the private sectors and international organisations in order to promote voluntary
involvement (Albareda et al. 2008; Midttun 2005; Zadek 2001). Given the issue of sustainability is not just a matter for a country internally, it is argued that governments have to find new ways to collaborate with enterprises and civil society, creating innovative mechanisms for governance, rather than seeing their role as being one of sole authority and autonomy.

Regardless of autonomy or collaboration, the government’s institutional support is vital for economic growth in a transitional economy in the commencement stages (Murrel 2005). Private sector development in general, and SME development, in particular, needs help from institutional support due to the low level of industrialisation in these transforming countries (Swierczek & Ha 2003). Previous research indicates growing attention on the collaborative role of governments. Their role is considered important in supporting and moderating to assure that reform occurs in a sustainable development manner (Murray, Haynes & Hudson 2010). North (1990) argues that institutions in the transformation from a planned economy to a market economy must be able to convert resources into goods and services in predictable ways.

Nonetheless, a deficient legal system can multiply the challenges in realising government commitments and initiatives and restrict policy effectiveness. Such issues as implementation gaps, inadequacy in provision of suitably qualified judges, poorly specified regulations, poor management skills, limited transparency and bureaucratic administrative systems can contribute to a high level of uncertainty. Rapidly changing external conditions, combined with major institutional deficiencies, can result in significant additional operating costs for businesses without contributing any additional value (Smallbone & Welter 2001). It is also the case that the way that government deals with entrepreneurs and private businesses influences the attitudes of the population at large towards entrepreneurship. There is a difference between permitting entrepreneurship to exist and its active promotion as a potential engine of the economy. Most governments in transition countries have tended to adopt the first rather than the second position.

The Chinese government is an example of a government in a transition economy in promoting SME sustainability. In that country, the market mechanism (where resources
are allocated mainly by market forces) and redistribution mechanism (where allocation is made mainly by the government) both exist (Li & Zhang 2007). Therefore, the Chinese government, in addition to formulating laws and regulations, possesses the authority to control key resources, such as licenses, land and tax. In addition, due to these exclusive privileges, firms and other stakeholders find it difficult to be involved in the governance process. As a result, the government has the ultimate power to apply a variety of environmental policies and regulations, altering supply-demand relationships, in addition to existing powers over SME management and operations (Baron 1995; Kassinis & Vafeas 2006; Luo 2006). Despite its power advantage over SMEs, the Chinese government realises the critical role of SMEs in achieving national goals of maintaining a growth rate of between 8 and 10 per cent and in creating jobs in rural areas. Therefore government practices with SMEs are exercised with caution. In the case of SMEs, as they realise their role in the economy, they can negotiate lesser environmental enforcement with the government in comparison to their larger counterparts (Studer et al. 2008). In this situation, under win-win solutions, both government and SMEs consider seriously their power over each other, while still satisfying the goal of economic and environmental protection. This relationship also gradually reduces the autonomy of government and promotes the participation of the private sector in governance for sustainability.

In emerging economies, the government uses mainly economic criteria to design policies (Zhu, Hitt & Tihanyi 2006). Social and environmental issues are important issues in these countries. Thus, during transition periods, the cycle of a policy made by the government needs to be designed, experimented with, and revised, based on comments and feedback of other economic and social organisations.

3.4.2 The Role of Other Stakeholders

Stakeholders other than government also contribute to the successful application of sustainability practices in SMEs. Stakeholders are defined as individuals, groups or relations that have an interest in a firm, regardless of whether the firm addresses the interests of these groups (Donaldson & Preston 1995; Freeman 2010; Haque & Azmat 2015; Mitchell, Agle & Wood 1997).
According to this definition, major external stakeholders of a firm are governments, customers, networked suppliers, social networks, competitors, the local community and the media (Gadenne, Kennedy & McKeiver 2009; Haque & Azmat 2015; Tang & Tang 2012). Also, major internal stakeholders of a firm are owner-managers, shareholders and employees, all creating pressure on the firm achieving sustainability (Mitchell et al. 2011; Sharma & Sharma 2011; Uhlaner et al. 2012). It is argued that it depends on the current institutional conditions of countries that different stakeholders have a different level of power over SMEs (Tang & Tang 2012).

3.4.2.1 External Stakeholders

**Customers in Globalised Market:** Customers are also considered a factor influencing a firm’s sustainability (Haque & Azmat 2015). Customers have a direct impact on business due to their direct economic interest arising from their expenditure. Previous research indicates that the pressures from customers are very effective for a firm’s environmental and social performance because they are the victims of a contaminated environment (Christmann & Taylor 2001; Fryxell & Lo 2003). Nonetheless, the power of customers can be weak if a firm provides multiple types of services and products (Vyakarnam et al. 1997). Therefore, the power of customers can fluctuate, depending on circumstances.

In obtaining and retaining foreign customers under global market forces, firms are forced to enhance their capability for foreign market access, which helps increase their entrepreneurial skills (Acs et al. 2009; West et al. 2008). The fact that Vietnam has become a member of international trade organisations has pushed its business community to be active in engaging with global market needs. An initial achievement has been the increase in export-oriented manufacturing SMEs in the industries of food, textiles and garments, wood and furniture, rubber and plastics products, from a nil base before *Doi Moi* (GSO 2014; Tran et al. 2008). These exporting activities, which call on a large demand for labour (Kien & Heo 2009), contribute to the economy and society by increasing wages, job creation and employment quality (Were 2011). Despite these potential benefits, the literature indicates that Vietnamese non-state SMEs have not much benefited from these activities in the way that FDI companies that enjoy more
favourable government policies have and that and accounted for 60 per cent of total Vietnam exports in 2013 (GSO 2014).

**Industrial Clusters and Networking:** Industrial clustering is defined as ‘a geographic concentration of interconnected companies’ (Porter 2003, p. 254). It helps promote values, such as reputation of an industrial group, labour force concentration and reduction of environmental issues (Porter & Kramer 2002). Industrial clusters address firms’ needs for infrastructure, land and resource access, which is convenient for their activities. This is especially helpful to SMEs in regard to their easily interacting with experienced partners in the same cluster to increase their skills. Given their limited resources, SMEs in the cluster can learn by initiating or imitating innovative techniques to reduce investment costs (Lund-Thomsen & Pillay 2012). Therefore, clusters can also be considered a tool to improve productivity (Oliveira 2008; Tambunan 2005). In addition, SME clusters can promote the economic development of a small town and region through their infrastructure investment, job creation, entrepreneurial culture fostering and maintaining traditional craft villages (Navickas & Malakauskaite 2009).

Also, networking is considered an intangible resource through which SMEs can share and learn from each other. Social networking can be defined as ‘a set of actors and some set of relationships that link them’ (Hoang & Antoncic 2003, p. 167). Networks can positively influence a firm’s access to support from key stakeholders and public. In transition economies, where there is an absence of effective market institutions, networks can play a role in spreading information, knowledge sharing and market access (Hoang & Antoncic 2003; Peng 2001; Boisot, Child & Redding 2011). Two common kinds of social network are ties with friends and relatives (Coleman 1988; Granovetter 1985) and connections with managers of other enterprises (Larson 1992). In transition economies, where governments still retain much involvement in economic activities, ties with government officials are argued to be an important connection and a common type of managerial resource (Boisot, Child & Redding 2011; Li & Zhang 2007; Peng & Luo 2000).

In terms of social networks that include friends and family, these are important in providing resources such as access to capital, information, advice and emotional support
(Coleman 1988; Granovetter 1985; Hoang & Antoncic 2003). Also, it has been recognized that owner-managers’ personal decisions have a critical influence on SME’s operation. In Vietnamese culture, which emphasises collectivism rather than individualism, the impacts of friends and family on a manager’s decisions can be significant to firm’s operation in such sustainable behaviours (Ralston, Nguyen & Napier 1999).

In the case of connection with managers of other enterprises, it is known that, in emerging economies, firms often rely on informal information channels from their key stakeholders, such as a reference from managers of supplier or buyer firms (Nguyen, Weinstein & Meyer 2005; Peng & Luo 2000). This type of network helps the owner-managers learn appropriate business behaviours from other managers in dealing with the firm’s difficulties. More importantly, this type of network creates firm alliances (Barnir & Smith 2002) and access to trade credit (McMillan & Woodruff 1999), which is especially popular in emerging economies such as Vietnam’s. Study of informal credit in Vietnam found that trade credit appeared quite commonly among SMEs, with 57 per cent of on-going customer relations and 53 per cent of on-going supplier relations, whereas only a quarter looked for assistance from bank loans (McMillan & Woodruff 1999).

Regarding the connection with government officials or official networks, in Vietnam, despite economic liberalisation reform over more than two decades, government officials at all levels retain considerable power over the business activities of SMEs, such as in resource allocation and opportunities for entry to the industry (Meyer & Nguyen 2005). Therefore, networking with government officials can benefit firms in regard to better information and consultation for market access.

**Competitors for Green Products:** The effect of competition for providing greener products is seen as an advantageous factor that engages firms with sustainable products. Competition in environmentally friendly products will create a trend towards an environmentally friendly process. Firms that can proactively involve themselves in this process with innovative products can gain a competitive advantage compared to others (Lamming & Hampson 1996; New, Green & Morton 2000; Zhu & Sarkis 2006) and
improve firm performance (Campbell 2007; Carter, Kale & Grimm 2000; Porter & Vander Linde 1995; Rao & Holt 2005). Nonetheless, previous studies indicate that competitors are not necessarily the only key factor in establishing a market trend towards environmentally friendly products (Tang & Tang 2012). This market trend can also be ordered by regulators, industry associations and customers.

**Local Community and the Media:** The local community, together with the media, increases concern about a firm’s sustainability. This concern is expressed in any action about of marketing or embarrassing a firm’s products or operation, which puts pressure on firms to pursue sustainability practices (Gabriel, Fineman & Sims 2000). This group can also help monitor firms’ practices in engaging with their social and environmental responsibility. Local non-governmental organisations can also provide instructions and information on sustainability practices for firms at the most efficient levels, as they possess a good understanding of the local policies (Hall 2001).

**3.4.2.2 Internal Stakeholders**

**Owner-managers:** The role of the SME owner-manager is highlighted in the literature as one of the advantages of SMEs over large companies. Most importantly, SME managers are identified as ‘the architect and central engine’ of the company (Velegrakis et al. 2010, p. 43). SMEs’ organisational skills and capabilities to address sustainability issues very much depend on a variety of elements such as managerial skills and beliefs, human resource management styles to increase employee skills, and organisational culture (Higgins & Mirza 2011). Therefore, their dynamic, entrepreneurial-oriented leadership style can favour their innovative actions in managing firms’ sustainability. SMEs that possess capable and proactive managers have more chance to be successful in business development (Chandler 1990). Condon (2004) has argued that a strategic mindset in SMEs is very important because it can help forecast and forge changes that enhance firm competitiveness. In this way, SMEs can take advantage of their size in comparison with larger enterprises in terms of reacting to and adapting quickly to change. This is especially true in the situation of transitional economies if SME managers acquire these skills and utilise them effectively. In addition, excellent
managerial and strategic skills help SME managers become actively involved in global business trends, where sustainable development is widely discussed and valued.

In SMEs, owner-manager capacity is directly linked to human resource management (HRM) skills due to their sole decision-making role over firms. In small firms, HRM roles are to encourage employees and to increase working skills, thus enhancing labour productivity as a whole. In this way, it may indirectly contribute to the success of firm’s economic activities (King-Kauanui, Ngoc & Ashley-Cotelur 2006; Nguyen & Bryant 2004; O’Regan, Stainer & Sims 2010; Patel & Cardon 2010), social activities (Saridakis, Munoz-Torres & Johnstone 2013; Sen & Cowley 2013) and environmental protection (Jenkins 2009; Sarkis, Gonzalez-Torre & Adenso-Diaz 2010). In Vietnam, according to the GSO (2012), 50 per cent of the labour force is employed by SMEs. Therefore, if HRM can play its role well in enhancing working skills, this will partly help firms to achieve sustainability.

In addition, in the labour market, a good reputation in a firm’s engagement with employee welfare can have an advantage in the recruitment of new staff. Companies with a good reputation for employee welfare are more attractive to job seekers (Fitjar 2011). Hence, these companies can attract better employees at lower salaries (Albinger & Freeman 2000). Employees who are willing to work at lower salaries are observed to behave cooperatively in the workplace (Brekke & Nyborg 2004). Hence, they help increase productivity for companies.

**Employees:** The role of employees in contributing to SMEs’ sustainability is controversial. There is a view that employees are the most important group to achieve firms’ objectives. It is also argued that the implementation of CSR in SMEs can only be realised with employees’ commitment, without which CSR exists only on paper (Ellerup & Thomsen 2009). Another view is that employees have little power to improve their company’s environmental performance. Their influence is limited by the top-down management style in many SMEs, their low number, a limited degree of organisation and frequently low educational levels (Studer et al. 2009).
Given the arguments that suggest that the size of firms appears to influence job satisfaction, workers are generally most satisfied in small organisations than in large firms and SMEs (Storey et al. 2010; Tsai, Sengupta & Edwards 2007). Therefore, it is important that SMEs realise their advantages in size to raise the role of their employees in order to gain a competitive advantage to overcome other constraints on firms.

3.4.3 Other Market Factors

Other market factors influencing on SMEs may include labour quality and technological application (Enright & Robert 2001; Nguyen, Alam & Prajogo 2008; Porter & Kramer 2002).

Labour Quality: Labour availability and quality has an impact on SMEs’ performance. Due to a large number of young in the population, SMEs in developing countries enjoy abundant and cheap workforces (Marchi, Maria & Micelli 2013). The low labour cost in these countries is an advantage of domestic firms compared to counterparts in developed countries (Anyanwu 2012; Dunning 2014). Regardless of a vast number of available workers, this supply is one of relatively unskilled workers, resulting in low productivity and value (Smith et al. 2008). Therefore, this factor can be an advantage for firms in developing countries in the short term. In a long-term plan, firms must be able to access qualified and high skilled labour to enhance their productivity and competitiveness.

Technological Application: Technological application is considered a very important factor in implementing firms’ sustainability practices. Firms can include up-to-date production technologies and equipment in their operations for more efficient use of natural resources such as natural inputs materials and less energy consumption. Also, it is believed that the application of technology and innovation can help SMEs overcome their size disadvantages (Oviatt, McDougall & Loper 1995). For example, the use of e-commerce could help SMEs reduce costs such as showroom rental, sales employees’ salaries and other selling costs. Using e-infrastructure is also a useful tool for global market access and for reducing any bad impact on the environment because of reduction of waste and air emissions. In this way, technological application helps production and
organisational innovation and also positively contributes to sustainability management (Hansen, Sondergard & Meredith 2002; Schaltegger & Wagner 2011).

3.5 Challenges Hindering Corporate Sustainability

In order to achieve sustainability goals, there are challenges hindering SMEs’ practices. Commonly known difficulties of all SMEs are market competition, limited financial resources and limited managerial capabilities. In countries in transition, due to the inadequacy of institutional support from the government and shortage of experience in management of the business community, these challenges can be more severe. They face further challenges, too, such as shortage of raw materials, government administrative bureaucracy and limited knowledge and information. The following section groups these challenges into external and internal barriers to firms.

3.5.1 Product-Market Competition

SMEs often have difficulties in competing with large enterprises that are stronger at accessing resources and experience in the international market (Chen 2006). Research on SMEs in the UK and Nigeria reveals that about 50 per cent of the respondents perceived competition as one of the crucial factors causing SME failure (Ihua 2009). SMEs are faced with competitive threats due to their small size that limits their resources and capabilities. Both these contribute to a deficiency of legitimacy in the marketplace. Asiedu and Freeman (2007), however, found that greater product-market competition enhances SME productivity due to the pressure to survive: limited ability to increase efficiency may require SMEs to be even more efficient.

In the global market, SMEs tend to be even less competitive compared to large firms that receive preferential treatment from the government and greater access to resources (Peng 1994). In addition, SMEs are disadvantaged through limited brand recognition of products in comparison with larger firms. A study on Chinese SMEs indicates that they are less likely to invest in R&D or in building up a strong brand name in order to be competitive (Tang & Hull 2012).
3.5.2 Shortage of Raw Materials

In transition economies, because the market economy mechanism is incomplete, the supply of materials for production is limited due to the shortage of diversification of input suppliers and the misallocation of raw inputs materials between SOEs and private enterprises (Aulakh & Kotabe 2008; Fforde 2007; Mittal, Gandhi & Tripathi 2010). In the context that input materials suffer from shortages, the impact of suppliers on firms’ productivity can be critical in realising firms’ goals (Carter & Dresner 2001). In the private sector, smaller companies that buy small amounts of raw materials are not in direct contact with raw material suppliers because they have access to materials through intermediate dealers. This indirect supply may also constitute potential barrier, such as any delay in material receipt and information. Another barrier is that larger suppliers are scarce and tend to serve large SOE companies. Given that raw materials are essential for firms’ production, limited access to raw materials constrains the quality of products and creates a deficiency of the finished product that is supplied by SMEs (Fagiolo & Luzzi 2006; Roza, Van den Bosch & Volberda 2011). Furthermore, in transition economies, the economy relies mostly on manufactured products. The shortage of raw materials can result in low productivity and can slow economic growth.

3.5.3 Limited Access to Financial Support

Limited access to finance capital has been identified as one of the most significant obstacles to the survival and growth of SMEs in many countries (Acs, Carlsson & Karlsson 1999; OECD 2008; Zhu, Wittmann & Peng 2012). In comparison to large firms, due to their relatively high-risk profile SMEs have more difficulty in accessing financial support from commercial banks and investors. The high-risk profile of SMEs mainly presents at the level of information ambiguity, uncertainty of loan guarantee arrangements and collateral, and deficiency in mechanisms for dispute resolution of property ownership in the event of bankruptcy (Arora 2009). Study of Chinese SMEs indicates that, despite their contribution of more than 60 per cent of China’s GDP, SMEs obtain less than 25 per cent of bank credit (Zhu & Sanderson 2009). Another cross-country study on financial constraints on SME growth indicates that firms at a higher level of institutional development enjoy a lower level of financial constraints (Beck et
al. 2006) Therefore, instead of seeking financial assistance from formal sources such as banks, SMEs tend to borrow money from family and friends.

3.5.4 Government Administrative Procedure

Bureaucratic government administrative procedure hinders firm development (Webster & Taussig 1999). It is argued that firms’ opportunities to grow are strongly influenced by regulatory burdens. Previous research in transition economies indicates that complicated taxation and financial policies render SMEs unable to understand the tax system and they fail to cope with the demand of corrupt tax officials (Ahlstrom & Bruton 2010). In addition, land use seems to be difficult to access by SMEs due to the inadequacy and lack of clarity of guidelines and the bureaucratic procedures applied in processing lease or rental applications (Nguyen, Alam & Prajogo 2008). In addition, changes in business regulations are mostly unpredictable and create confusion and increase transaction costs and time (Aidis & Adachi 2007; Radaev 2004). Such inadequacy in transparency and red tape creates obstacles for private sector growth (Boisot & Child 1988; Puffer 1994).

3.5.5 Low Level of Employees’ Awareness

Having qualified and capable employees is an issue in SMEs. Previous studies reveal that disengagement of employees with companies is a very common issue (Benzing, Chu & Callanan 2005). In transition economies, the shortage of skilled workers is a shortcoming for firms’ stable operation. In terms of achieving firms’ social and environmental objectives, a low level of employee awareness can reduce the possibility of successful implementation (Babakri 2004; Curkovic, Sroufe & Melnyk 2005). Employee disengagement leading to low levels of worker productivity will limit organisations’ overall performance (Zhao et al. 2013). Other studies indicate that employee awareness in larger firms, particularly those that emerge to integrate into global supply chains, involves a higher level of awareness of human rights problems, child labour, work safety, and so on (Zorpas 2010). Given existing resource constraints of SMEs, employee disengagement in firms can multiply the difficulties that SME have faced.
The lack of formal HRM practices in SMEs can make it difficult in dealing with the disengagement of employees. HRM in China and Vietnam is defined as personnel management where roles mostly focus on monitoring, controlling and punishing, rather than supporting and inspiring, as is the practice in Western countries (Ding, Goodall & Warner 2002). In fact, the role of the human resource (HR)/personnel department in Vietnam SMEs is simply administrative and primarily follows a top-down hierarchical approach. It is likely to negatively affect the sustainable development process within the organisation and social and environmental issues could easily be ignored.

Previous research identifies the relationship between human resources and environmental management practices. It shows that employee abilities, commitment and motivation to support environmental practices can be a tool for a proactive adoption of environmental practices (Paille et al. 2014; Renwick, Redman, & Maguire 2013; Wagner 2013). This relationship is not only confirmed in large firm context (Jackson & Seo 2010; Millard 2011) but has also been shown in a small firm context (Torugsa, O’Donohue & Hecker 2012).

**3.5.6 Limited Knowledge and Information**

Limited information and knowledge of the targeted markets on product requirement and operation standards are common in SMEs in developing economies. This issue critically hinders SMEs’ actions, particularly in regard to their social and environmental practices (Azmat & Ha 2013; Fassin 2008; Spence, Schmidpeter & Habisch 2003). Previous studies indicate that, although owner-managers are aware of environmental concern, they have little knowledge about the expertise for formal practices in ensuring social and environmental sustainability (Merritt 1998; Perez-Sanchez, Barton & Bower 2003). Moreover, belief that environmental legislation burdens business and increases costs is also an obstacle in achieving sustainability. Limited knowledge and information can result in poor understanding, and thus reduce market access potential (Dowling et al. 2000).
3.5.7 Low level of Technology and Innovation Application

Despite benefits from technology, a low level of technological adoption is a disadvantage in the SME sector. Meadows et al. (1974) proposed applying technology in manufacturing operations as a solution to the environmental damage arising from economic activities. In fact, in transition economies, inadequacy in technological cooperation and research institutions is a barrier to adopting technology in SMEs (Zeng, Xie & Tam 2010). In addition, firms in transition economies have little access to new and high technology, resulting in lower productivity and competitiveness (Gashi, Hashi & Pugh 2014; Tan & Tan 2005). Due to strict property and invention rights from developed countries, it is difficult for SMEs in developing countries to acquire full access to the most up-to-date technology (Abor & Quartey 2010). Therefore, in developing countries, most of the applicable technology in SMEs is simple, inexpensive and adaptable. In Vietnam, there is a challenge to the country’s high level of commitment to property rights, patents and trademarks and technological transfer through free trade agreements, while SME capacity is limited. Therefore, increasing the level of technological application in SMEs can become even more difficult.

3.6 Theoretical Underpinnings of Corporate Sustainability of Firms

There are myriad theories relevant to corporate sustainability focusing on TBL. Table 3.3 summarises commonly used theories that appear relevant this research context.
Table 3.3 Common Theories on Sustainability Practices at Firm Level

<table>
<thead>
<tr>
<th>Name of theory</th>
<th>Short description</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurship theory</td>
<td>Firm’s responsibilities to create value for stakeholders and wealth for future generations. Firm’s engagement in SD can be considered as innovation that overcomes weak institutional and market pressures</td>
<td>Biondi, Iraldo &amp; Meredith (2002); Schumpeter (1964)</td>
</tr>
<tr>
<td>Institutional theory</td>
<td>‘The rules of the game’. The framework consists of formal (rules, regulations) and informal (norms, behaviours, culture, ideology) constraints. Evolved from both social and economic literatures. Examines organisational system from micro as well as macro perspectives; complex view of organisations. In a transitional economy, institutions are conditional foundations for development.</td>
<td>North (1990); Scott (1995, 2005); Aidis (2005); Brammer, Jackson &amp; Matten (2012); Peng &amp; Heath (1996); Tran, Grafton &amp; Kompas (2009); Vo &amp; Nguyen (2006).</td>
</tr>
<tr>
<td>Limit to growth theory</td>
<td>Concerns with growth of industrialisation with natural resource degradation. Increasing population and industrial activities put enormous pressure on the planet with respect to food production and industrial outputs. Given limited and declining resources, the world will not be able to cope with future demand.</td>
<td>Meadows et al. (1972).</td>
</tr>
</tbody>
</table>

Source: Researcher’s compilation

3.6.1 Entrepreneurship Theory

The concept of entrepreneurship is utilised as an analytical tool to enrich the understanding of the extent to which Vietnamese SMEs perceive the issue of the triple bottom line in their business. In entrepreneurship research, studies indicate that entrepreneurship theory can inform firms’ sustainable behaviours with ‘fruitful’ results (Kuckertz & Wagner 2010, p. 526). The reasons identified in research for this implication is that innovation in entrepreneurial ventures that aim to create outstanding products are beneficial for environmental protection and social welfare. Thus, recent
business and organisational management literature has adopted entrepreneurship theory as a lens to understand the possibility of firms achieving sustainability.

The primary approach to entrepreneurship theory is the definition by Schumpeter (1964) who defines entrepreneurship as ‘creative destruction’ (cited in Hall, Daneke, & Lenox 2010, p. 441). It is noted that there is a distinction between entrepreneurship and business. A business may run for the purpose of making profits, while entrepreneurship tends to generate values that can be social, organisational or emotional. Also, while businessmen focus on improving an existing firm’s situation, entrepreneurs tend to have revolutionary ideas and are able to bring them to the market. Another attempt to define entrepreneurship is ‘the discovery, creation, evaluation and exploitation of opportunities to create future goods and services’ (Chiles, Bluedorn & Gupta 2007, p. 473). In short, an entrepreneurial firm is a firm that is managed by innovation and strategic management (Carland et al. 1984; Schumpeter 1973; Spence, Gherib & Biwole 2008). Thus, SME entrepreneurial characteristics are present in innovativeness and creativity and result in seizing opportunities to create profitable outcomes (Thompson 1999).

A sustainable entrepreneurship concept has been developed based on Chiles, Bluedorn and Gupta’s (2007) proposed definition of entrepreneurship, with an emphasis on the ability to create goods and services consistent with sustainable development goals (Pacheco, Dean & Payne 2010). According to this view, sustainable entrepreneurs are those who reach beyond traditional concepts of entrepreneurship. They are expected to bring potential additional value for society and the environment (Kuckertz & Wagner 2010). Sharing a similar view, Schaltegger (2013, p. 2458) argues that sustainable entrepreneurs are the twenty-first-century innovators ‘who are opportunity oriented and aim to generate new products, services, production processes, techniques and organisational models which substantially reduce social and environment impacts while simultaneously improving drastically man’s quality of life’. In supporting Schumpeter (1964), he notes that sustainable businesses ‘destroy existing conventional, unsustainable production methods, products, market structures and consumption patterns through their convincing, superior and more sustainable offers’ (Schaltegger 2013, p. 2458).
This concept helps identify how and to what extent Vietnamese SMEs are on the path of sustainable development (Koe, Omar & Majid 2014) and their potential to achieve the triple bottom line target (Baumol, Litan & Schramm 2009; Carree & Thurik 2010). In addition, in a transition economy where there is a deficiency in strong institutional support, the engagement of firms in sustainable development shows their determination to overcome the situation in order to create more value for stakeholders and future generations (Biondi, Iraldo & Meredith 2002; Longo, Mura & Bonoli 2005).

### 3.6.2 Institutional Theory

The research also employs institutional theory, because it plays a major role in helping to understand the forces that shape entrepreneurial success apart from organisational resources (Ahlstrom & Bruton 2002; Peng 2001). Specifically, it explains how institutions characterise the development of social entrepreneurship in terms of key actors, discourses and emerging narrative logics. Scott emphasised that ‘institutional forces shape organisational systems’ (Scott 2005, p. 462). Similarly, North (1990, p. 3) argued that institutions safeguard ‘the rules of the game’ in the way that economic activities are regulated by institutional constraints. He proposed that the institutional framework consists of formal (rules, regulations) and informal (norms, behaviours, culture, ideology) constraints. Formal constraints refer to political environment, economic rules and the evolution of legal framework. If formal elements are strong and firm, they drive and influence informal elements. However, informal rules are important in themselves. As they originate from the society, the outcomes of imposed formal rules may vary across different socio-economic environments (North 1990). It is believed that when formal rules fail to perform, informal rules come into the play (North 1990). Institutional theory considers that formal institutions, including legal frameworks and government support, are foundations for entrepreneurship, and these are inadequate or weak in transition economies (Golenkova & Igitkhanian 2008; Puffer, McCarthy & Boisot 2010). Thus, this also helps characterise the development of sustainable entrepreneurship in regard to its key influencing factors and possible sequential logics.

In studying sustainable development, institutional theory is seen as ‘a promising avenue to explore how the boundaries between business and society are constructed in different
ways’ (Brammer, Jackson & Matten 2012, p. 3). The pursuit of sustainability is not simply a voluntary action because firm performance is characterised by different factors, including government regulations and market forces. Thus, institutional theory helps explain the causal relationship between both external and internal factors with firms’ sustainable performance. Specifically, it will provide better understanding of the diversity and dynamics of the adoption of the sustainability of SMEs studied. As institutional conditions are different across countries, the theory can provide different forms of adoption in different countries with a variety of adaptive approaches. In this study, it provides a formidable lens to understand how the triple bottom line is adopted in Vietnam and explores possible diversity and dynamics.

Taken together, the components of institutional theory, through the justifications of formal and informal rules, the key factors and key challenges that influence sustainable SME development in Vietnam are assessed. The conceptual framework thus describes different sources of impact on sustainable SME development including, the role of government and other related stakeholders.

### 3.6.3 Stakeholder Theory

In discussing social responsibility, stakeholder theory, originally developed by Freeman (1999), raises the importance of consideration of stakeholder benefits in conjunction with a company’s performance. The theory strongly emphasises the responsibilities of firms towards their stakeholders’ benefits that can affect or be affected by firm’s long-term sustainability (Haque & Azmat 2015). In addition, the theory seeks to describe cause-effect relationships between firms and stakeholders in order to provide recommendations about attitudes, structures and practices. Because the performance of a firm is strictly related to its existence, and also affects and is affected by its internal stakeholders, including shareholders, employees and external stakeholders, such as customers, the environment and authorities, the ability of a firm to be entrepreneurial-oriented is relatively dependent on its stakeholders.
3.6.4 The Limits to Growth – The Club of Rome

While discussing the global development issues, it is important to look at the concerns shared by the Club of Rome in their seminal publication, *The Limits to Growth* (Meadows et al. 1972). This book highlighted the nature of global development and growing problems arising from irresponsible and unregulated use of the limited stock of natural resources. The book argued that an increasing population and industrial activities would put enormous pressure on the planet with respect to food production and industrial outputs. However, given limited and declining resources, the world would not be able to cope with the future demands. The Club developed the concept of a ‘World Model Standard Run’, which portrayed a dismal picture of the future availability and use of limited resources, and challenged the impact of incessant growth that does not consider its side-effects. The theory suggests that, although there would be an initial rise in production, it would not be possible to continue such growth, because resources would deplete and rising pollution would make human lives vulnerable to diseases and natural calamities (Meadows et al. 1972).

3.6.5 Resource-Based View

Considered as a business strategic management strategy (Barney 1991), the resource-based view is also used to examine the relation between SMEs’ internal limited resources and their performance to achieve corporate sustainability. This theory focuses on the discussion of how individual firms employ their unique resources and capability, rather than focusing on an industry or a particular group (Penrose 1995). In studying corporate sustainability, the approach evaluates firms’ ability of allocating their resources and capabilities to produce innovative and green products and management to create long-term competitive advantage.

Despite its distinctive characteristics in understanding firms’ actions and behaviours in resource and capability allocation for sustainability practices, previous researchers indicate that, in small firms, entrepreneurial orientation are important characteristics in seeking opportunities to identify niche strategies, rather than the sole ability of allocating firms’ available resources (Aragon-Correa et al. 2008; Hitt et al. 2001). Therefore, this
theory can be beneficial for understanding the importance of resource allocation in small firms, but it would be more beneficial and useful to understand this concept in large firms due to their substantial resources, such as their brand names, knowledge of technology, skilled employees and retailers (Wernerfelt 1984).

3.6.6 Relevance of Theories to this Research

In this study, entrepreneurship theory and institutional theory are mainly used for their distinctive relevance to the research. It has recently been highlighted in a review work by Bruton, Ahlstrom and Li (2010) that these theories are useful to help understand the phenomenon of sustainable entrepreneurship, especially in a country-specific research setting. For example, compared to resource-based theory, which solely considers access to individual firms’ resources as central to the success of a business, entrepreneurship theory and institutional theory are more helpful in studying large firms which have abundant resources (Wernerfelt 1984). Being overly dependent on the resource-based view can lead to neglect of the interaction of other institutional factors, including culture, the legal system, history and tradition, which can all influence the success of newly established firms in transitional economies (Meek, Pacheco & York 2010). The use of stakeholder theory is argued to be helpful in understanding, and focusing on, business ethics and addressing morals and values in managing an organisation (Freeman 2010). This study attempts to understand the process of Vietnamese SMEs towards corporate sustainability in a transitional period. Therefore, it is of interest to utilise theories that can provide explanation throughout the transformation process and consider the contextual constructs. Studies on entrepreneurship consider this phenomenon as ‘a context-dependent social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities’ (Ireland et al. 2001, p. 51). Therefore, in order to gain an in-depth understanding of sustainable entrepreneurship, the study also employs institutional theory to explore entrepreneurial orientation of SMEs in Vietnam. Together with entrepreneurship and institutional theories, stakeholder theory helps address both economic and social aspects of SME development. With respect to environmentally sustainable development, the ‘limits to growth’ theory provides a very good explanation for sustainable SME development.
In particular, entrepreneurship and institutional theories are used in discussing the findings in the three analysis Chapters, 5, 6 and 7. Stakeholder theory is used to explain SMEs’ engagement with social practices in Chapter 6. The limit-to-growth theory is partially utilised in Chapter 7 to discuss the findings relating to SMEs’ natural and environmental sustainability practices.

3.7 Conceptual Framework, Research Questions and Research Propositions

3.7.1 The Conceptual Framework

Based on the extant literature and contextual background, a conceptual framework has been framed to guide the research (Figure 3.3). This illustrates the actual thrust of the research and shows the way that Vietnamese SMEs are likely to progress, using a sustainable development pathway since *Doi Moi*.

In transforming from a planned and centralised economy to a market economy, the emergence and formalisation of entrepreneurial behaviours which characterise free markets can be investigated by entrepreneurship and institutional theories. In small companies, relevant literature indicates that entrepreneurial vision is important. Firms also may achieve corporate sustainability through good financial management and making improved social and environmental practices into business opportunities. Formal institutions and policies together with informal institutions including norms, cultural factors and beliefs can also affect the entrepreneurial practices of firms relevant to their adoption of sustainable practices.

SMEs may encounter a variety of opportunities and challenges on the path to business sustainability. Business opportunities come with the change to market economy mechanisms. Government policy is also important. Success factors include: government supporting policies (Albareda, Lozano & Ysa 2007; Midttun 2005; North, Smallbone & Vickers 2001; Zadek 2001), labour capacity (Ellerup & Thomsen 2009; Marchi, Maria & Micelli 2013; Studer et al. 2009), economic integration (Acs et al. 2009; Haque & Azmat 2015; West et al. 2008), industrial clustering and networking (Porter 2003; Lund-Thomsen & Pillay 2012), managerial capability (Barretto & da Rocha 2001; Condon
Chapter 3: Literature Review

2004; Higgins & Mirza 2011; Velegrakis et al. 2010), HR practices (King-Kauanui, Ngoc & Ashley-Cotleur 2006; Nguyen & Bryant 2004; O’Regan, Stainer & Sims 2010; Patel & Cardon 2010) and technological application (Hansen, Sonderged & Meredith 2002; Schaltegger & Wagner 2011). The availability of labour as a result of a young population can also be an advantage (Marchi, Maria & Micelli 2013). In order to succeed and to achieve sustainable development objectives, SMEs also require to overcome multiple challenges, which may include government administrative procedure (bureaucracy) (Ahlstrom & Bruton 2010; Nguyen, Alam & Prajogo 2008; Webster & Taussig 1999), limited access to finance (Acs, Carlsson & Karlsson 1999; OECD 2008; Zhu, Wittmann & Peng 2012), shortage of raw inputs (Aulakh & Kotabe 2008; Fforde 2007; Mittal, Gandhi & Tripathi 2010), market competition (Asiedu & Freeman 2007; Chen 2006; Ihua 2009), limited knowledge and information (Azmat & Ha 2013; Fassin 2008; Spence, Schmidpeter & Habisch 2003), employee disengagement (Babakri 2004; Benzing, Chu & Callanan 2005; Curkovic, Sroufe & Melnyk 2005; Zorpas 2010) and costs of technological application (Abor & Quartey 2010; Gashi, Hashi & Pugh 2014; Tan & Tan 2005).
Figure 3.3 Proposed Conceptual Framework for the Research

Key Challenges
- Government administrative practices
- Limited access to financial support
- Shortage of raw inputs
- Market competition
- Limited knowledge and information
- Employee disengagement
- Cost of technological application

Centralised & planned economy without a formal SME structure

Emergence & growth of SMEs following the introduction of Doi Moi

Key Success Factors
- Government supporting policies
- Labour capacity
- Economic integration
- Clustering & networking
- Managerial capability
- HR practices
- Technology & innovation

Environment
SUSTAINABLE SME DEVELOPMENT
Social
Economic
3.7.2 Research Questions

A well-structured research question is required to explain specifically what the researcher seeks to know and explore through the research (Miles & Huberman 1994). The research question attempts to address the inquiry as to how non-state SMEs are transforming into sustainable entrepreneurs in the context of Vietnam. Thus, it aims to explore current SMEs’ sustainability practices. In addition to this, it also aims to explore key success factors, as well as challenges affecting such practices. The primary research question and its related sub-questions are thus closely associated with the main research objectives. On the basis of the extant literature, theoretical constructs discussed in this chapter and the proposed conceptual framework, the following primary research question has been framed:

**How and to what extent are Vietnamese SMEs pursuing a sustainable development path?**

In order to answer the primary research question, the following subsidiary questions are developed as an aid to the primary research question.

1) How and to what extent do economic issues influence sustainable SME development in Vietnam?

2) How and to what extent do social issues influence sustainable SME development in Vietnam?

3) How and to what extent do environmental issues influence sustainable SME development in Vietnam?

4) What are the key success factors, including the role of the government and other stakeholders, in promoting sustainable SME development in Vietnam?

5) What are the key challenges hindering sustainable SME development in Vietnam?

6) What are the mechanisms used by both the government and SMEs to overcome these challenges?
3.7.3 Research Propositions

Research propositions are also developed to assist examination of what is going on, based on literature, theories and experience of the issues under study (Maxwell 2012). On the basis of the literature review on corporate sustainability and influencing factors in transition economies towards SMEs’ sustainable development path, the following set of propositions is framed:

**Global research proposition:** Vietnamese SMEs are pursuing a sustainable development path.

In addition to the global research proposition, sub-propositions P1, P2, P3, P4, P5, P6 are framed to determine the influences constructing SMEs’ sustainable development path:

P1. Economic issues are likely to influence sustainable SME development in Vietnam.

P2. Social issues are likely to influence sustainable SME development in Vietnam.

P3. Environmental issues are likely to influence sustainable SME development in Vietnam.

P4. Key success factors, including the government and other stakeholders, play a role in promoting sustainable SME development in Vietnam.

P5. There are challenges that have been hindering sustainable SME development in Vietnam.

P6. The mechanisms used by both the government and SMEs need adjustments to mitigate the challenges.
3.8 Chapter Summary

This chapter has provided an insight into extant literature on the concept of sustainable development and corporate sustainability, with an emphasis on SME sector. It also discussed recent literature and models of corporate sustainability management. It has identified the deficiency in research on the triple bottom line at SME level, despite its increasing level of importance. Key success factors, including the government and other stakeholders, play important roles in facilitating sustainability practices at SMEs. As the economy is still in a transitional period, Vietnamese SMEs face a number of challenges, including limited access to finance, market competition, limited knowledge and information, low levels of technological application and government administrative procedure in implementing their sustainability practices.

The chapter also evaluated relevant theories that are helpful lens to understand sustainable business management, including entrepreneurship theory, institutional theory, stakeholder theory, limits to growth and the resource-based view. The incorporating use of entrepreneurship theory and institutional theory are important to provide comprehensive understanding of the research phenomenon under a specific country research setting. They help examine entrepreneurial behaviours and potential of SMEs’ emergence towards corporate sustainability under the impact of institutional factors of a country in transition. In addition, stakeholder theory helps address both economic and social aspects of sustainable SME development. With respect to environmentally sustainable development, the ‘limits to growth’ theory helps provide explanation for sustainable SME development. On the basis of the extant literature and theories, the conceptual framework is developed to present current factors influencing the pursuit of SME sustainability. It also enables the researcher to focus on the process of SMEs’ transformation into sustainable firms that frames appropriate research questions and research propositions.

In order to validate the research propositions and answer the research questions, the next chapter discusses the utilisation of case study research design to gain an in-depth understanding of the phenomenon. It also presents the data collection techniques, data analysis, the importance of validity and trustworthiness, and ethical considerations of the research.
CHAPTER 4
RESEARCH STRATEGY AND METHODOLOGY

4.1 Introduction

This chapter discusses the research paradigm, research strategy and methodology adopted in the study in order to answer the research question: How and to what extent are Vietnamese SMEs pursuing a sustainable development path? It presents the rationale for choosing the qualitative research. A case study research design was adopted utilising various data collection techniques, including in-depth interviews, document review and observations, in order to provide a triangulation of data sources and in-depth understanding of the cases. The unit of analysis of the study was explained and the choice of the sample was carefully considered. Next, it presents the process of data analysis. It also highlights the importance of reliability and validity. The description of organisations involved in this study is presented. The final section summarises the main points of this chapter. The overall design for this study is illustrated in Figure 4.1, showing major steps of this research.
Research Purpose: To study how the Vietnamese SME sector is pursuing a sustainable development path

Research Background of Vietnamese SMEs

Literature Review: Sustainable Development & Corporate Sustainability

Conceptual Framework

Main Research Question:
How and to what extent are Vietnamese SMEs pursuing a sustainable development path?

Research Propositions

Research Method
Embedded single-case research design

In-depth interviews with structured questionnaires
Review of documents and reports
Direct observation at site-visits to SMEs

Triangulation

Findings, discussions & theoretical reflection

Conclusion & Implications
4.2 Research Paradigm

A research paradigm consists of a set of assumptions regarding ontology, epistemology and methodology (Guba & Lincoln 1994). Interpretivism looks at the human and social interactions that help generate the real experience of phenomena (Chen & Hirschheim 2004). In this regard, human experience is important to create the interpretations of actions and reality (Bernard 2013). Interpretive studies can lead to greater understanding about the phenomena in a specific context in order to explore and explain the relationships between variables (Myers & Avison 2002).

This study is an exploratory investigation of the current situation of Vietnamese SMEs in regard to corporate sustainability, its key success factors and its key challenges. It is considered that interpretivism is the most appropriate approach for this study, which aims to explore how legal and social interactions affect the path towards corporate sustainability by Vietnamese SMEs. The study seeks an in-depth understanding from the real experience of SME owner-managers of the various ways in which SMEs are implementing sustainability practices. It also seeks to understand what success factors are facilitating SMEs’ sustainability practices and what challenges are hindering this process.

4.3 Qualitative Research Approach

Qualitative methodology is considered the most appropriate for this research, because it enables in-depth understanding of corporate sustainability in SMEs. According to Birkinshaw, Brannen and Tung (2011) and Yin (2009), exploratory qualitative research deals with a new phenomenon that is little or poorly understood and is useful in a situation where there is little research on the topic. When using a small number of selected participants, qualitative research is a more feasible method to approach a reasonable number of participants to explore a relatively new area of knowledge. Using a qualitative method, the researcher is directly involved in the work of collecting data and the researcher can personally observe the real-life conditions and situations that contain implicit information such as attitudes, feelings and emotions of the sample. Miles and Huberman (1994, p. 1) argue that a qualitative approach is ‘a good source of
well-grounded, rich descriptions and explanations of processes which is likely to help researcher to get beyond initial conceptions and to generate or revise conceptual framework’. Moreover, qualitative data are presented in words in the form of incidents or stories that are vivid, meaningful, have a powerful influence and are convincing to readers such as policy makers (Smith 1978). As the purpose of this research is to gain understanding of ‘lived experience’ within a social context, qualitative methods help explore ‘perceptions, assumptions, prejudgments, presuppositions’ of the people involved (Van Manen 1977, p. 214).

### 4.4 Case Study Research Design

A case study has been chosen because it ‘investigates a contemporary phenomenon in-depth and within its real-life context’ (Yin 2009, p. 18). Sustainable SME development is an emergent issue in the literature of business management, as discussed in Chapter 3. Using case study design thus helps to provide an in-depth understanding of how the Vietnamese SME sector pursues a sustainable development path.

According to Dumez (2015, p. 46), a case is defined as ‘a singularity, defined by a boundary’. The SME sector, bounded by the socio-economic context of Vietnam in which there has been a dramatic increase in the number and contribution to the economy and the continuous legal change has been happening to enhance their sustainable performance, is such a case. However, a holistic single case is not always possible to pursue because of limited depth and content. In most instances, therefore, every case comprises more than one embedded case (Dumez 2015; Yin 2003). In the current research context, all SMEs under consideration represent the SME sector of Vietnam as a whole from a sustainable development viewpoint. This study examined 21 SMEs selected from several industries and with varied sizes.

Yin (2003) classifies four types of case studies, including the single case with single unit of analysis, the single case with multiple units of analysis, multiple cases with a single unit of analysis and multiple cases with multiple units of analysis (Figure 4.2). This research proposed in the SME sector was thus classified as an ‘embedded’, ‘single-case design’ (Yin 2003, p. 40).
4.5 Unit of Analysis

The unit of analysis denotes ‘a great variety of objects of study’ (Graneheim & Lundman 2004, p. 106), which can be a person, group of people or object under study. According to Miles and Huberman (1994), the case itself could also be considered the unit of analysis and could comprise individuals, groups, organisations or communities. Individuals as the case can be a person in his or her job, such as a bookkeeper or a talented mechanic, a school principal, and so on. A group as the case can be a group of architects, clients and builders involved in a construction project (Kidder, cited in Miles & Huberman 1994, p. 26). An organisation as the case can be a Silicon Valley electronics firm competing in a turbulent market (Eisenhardt 1989). A community or a nation can also be a case. In addition, the unit of analysis, or cases, can be selected from a specified primary research question (Yin 2003). SMEs, in the form of organisations adopting sustainability practices, and based on the nature of the primary research question in this study, were the units of analysis. Each of the SMEs is, therefore, considered a unit of
analysis for this case study. According to Yin (2003, p. 40), it can be termed 'multiple units of analysis’.

### 4.6 Selection of Participants

The choice of participants is very important, as this can influence the results of the research (Saunders 2012). According to Robson (2011), a sample should be strongly linked to the characteristics of the population and research resources, such as time, money and mobility.

SMEs involved in this study were chosen purposively to fulfill particular conditions in the research (Robson 2011). Purposive sampling helps gain an insight into the phenomenon (Patton 2002; Tongco 2007). In addition, the researcher attempted to select the samples sequentially to ensure all possible interpretations were captured until a ‘saturation point’ was reached (Bowen 2008, p. 137). This study is a country-based research setting, and thus highlighted the importance of location for sampling. The sample choice must be informative participants who are likely to generate insightful information necessary for the research (Saunders 2012). Sustainable development and corporate sustainability is a newly emerging issue for both government policies and companies’ strategy. It is better to conduct the study in large cities where there is a high density of enterprises complying with current laws and assumed to be among the first to absorb the call towards sustainability. Setting the boundaries to define cases is important for achieving the research objectives, given the limits of time and means (Miles & Huberman 1994). Previous study indicates that Hanoi, the capital of Vietnam, was always ‘among the first localities’ to apply new models for development regulated by the government (Fforde 2007, p. 144). In addition, Hanoi presents the characteristics of large urban cities in the country, with the second largest number of SMEs and active socio-economic activities. Given the time and resource limits in PhD research, all cases investigated were located in Hanoi.

SMEs targeted were chosen based on firm ownership and size criteria. Given their large contribution to the economy and government’s determination to promote private sector, only non-state SMEs were chosen. SMEs were also identified by their number of
employees as officially defined in Vietnam Government Decree 56/2009/ND-CP on SME development, presented in Chapter 2. Manufacturing firms and service firms were targeted for the study for their significant contribution to the Vietnamese economy. Accordingly, in the manufacturing sector, a small manufacturing enterprise is defined as any organisation with between 10 and 200 employees; those with between 200 and 300 employees are medium manufacturing companies. In the services sector, small enterprises are those with between 10 and 50 employees, and those having 50 to 100 employees are medium service companies. Companies involved came from different types of economic activities, such as manufacture of arts and handicrafts, furniture, wearing apparel, operating tours and travel, wholesaling and retailing of food, and information technology products and other services.

The SMEs’ contact details were accessed from companies’ websites and the 2013 yearbook of the Hanoi SME Association. Twenty-one SMEs in manufacturing and service sectors were interviewed before achieving ‘theoretical saturation’ (Bowen 2008, p. 140). Interview invitations were also sent to eight policy makers in the field of promoting SME development and sustainable development and five of these were available for interview. Three industry representatives from SME-related associations were also available for in-depth interviews.

Common categories for choosing suitable participants are status and role in an organisation. SME owner-managers were chosen for interview for their role in firm, since they have the ability to provide informative responses and to gain human perspectives on the issues in behaviours, beliefs and emotions through face-to-face interviews (Van Manen 1977). Previous studies suggest a more relevant target for participants in studying SMEs is owner-managers, who play an important role in forming firms’ strategies and firm adoption of sustainability (Dawson, Breen & Satyen 2002; Moore & Spence 2006). In addition to SMEs, government policy makers and SME industry representatives were also approached for interview to obtain diverse sources of information.
4.7 Data Collection Methods

Creswell (2013) suggests that a good case study needs to incorporate multiple sources of information. This study employed a number of techniques to collect data and evidence to address the research questions stated in Chapter 3 (section 3.7.2), including in-depth interviews, document review and observation.

4.7.1 In-Depth Interviews

Interviews are the primary mode of data collection for this specific research topic. With interviews, the researcher can gain different viewpoints of individuals directly involved and can extract the most meaning from the data (Creswell 2013). In addition, using interviews for data collection is appropriate where the phenomenon under study is still not well understood (Easterby, Thorpe & Jackson 2012; Saunders, Lewis & Thornhill 2009). In a case study research design, interviews focus on the research topic and provide ‘perceived causal inferences and explanations’ (Yin 2009, p. 102). Therefore, the interview method helps reveal the real situation through the view of directly related participants regarding the issue of sustainable SME development.

This research employed in-depth interviews, as these helped in collection of rich data and deep understanding of the phenomenon (Collis & Hussey 2013). It also has the advantage of flexibility because it gives interviewees an opportunity to provide their thoughts while also concentrating on the prepared and specific topic (Berg 2004; Bryman & Bell 2007). Hence, structured questionnaires with both closed and open-ended questions, considered as ‘subtechniques’, were used during the interviews (Ellram 1996, p.101) (see Appendix 3 for the questionnaires). The use of structured questionnaires with open-ended questions helps obtain relevant information and maximises reliability and validity (As-Saber 1999; Chetty 1996). Thus, using data from questionnaires in parallel with further information given in the discussion with the interviewees made it more effective to manage data and identify important themes (Adamson et al. 2004).
Rating scales were employed to measure the importance of the issue investigated. As this is qualitative research, the rating scales were developed to approximately identify attitudes rather than measuring and comparing participants’ perceptions (Luk 1996). A simple rating format was developed with four options for ease of choice by participants. The rating scales included having significant impact, having some impact, having no impact and not being aware of the issue. Most of the questions were developed deductively from the literature. In this regard, questions were developed on the basis of the frameworks of sustainable development on microeconomic levels from various authors (Labuschagne, Brent & Van Erck 2005; Steurer et al. 200) concerning economic, social and environmental sustainability of firms. These elements of the frameworks were adapted from the Agenda 21, the Brundtland report and the WBCSD with a focus on firm perspectives. In addition, influencing factors affecting the development of firms emerged deductively from the literature (Enright & Robert 2001; Maranto-Vargas & Rangel 2007; Nguyen & Freeman 2009; Porter & Kramer 2002). The questions were categorised in five parts: i) participant-specific general/demographic information; ii) the organisation’s specific information; iii) economic-related issues and influencing factors towards firms’ economic sustainability; iv) social-related issues and influencing factors towards firms’ social sustainability; and v) environmental-related issues and influencing factors towards firms’ environmental sustainability. This included 25 questions in total. The questions were reviewed by the two academics/supervisors at RMIT University in order to obtain valid data and were translated into Vietnamese for ease and convenience of collecting data from Vietnamese-speaking interviewees. Data collected were transcribed and translated into English and coded manually according to the research questions.

Potential interviewees were sent an invitation letter, including the Participant Information and Consent Form (PICF) designed by the researcher and two academics at RMIT and translated into Vietnamese (Appendix 4). After sending the invitation letter, telephone calls were made to explain again the purpose of the interview and make an appointment at an appropriate time. Due to busy working schedules of interviewees, the interviews were conducted when participants were available. The interviews were conducted between February and June 2014. Each interview took approximately 40 to
60 minutes. During each interview, the researcher took note of the information given by the interviewee along with an audio record. The formal interview started with a short personal introduction of the interviewer and the purpose of the study. Then the interviewer started asking general information about the participant and the organisation where he/she was working. This stage was to ‘warm up’ the interview atmosphere and to help the interviewee feel free to talk. A set of main detailed questions regarding three areas of the firm’s sustainable development, including economic, social and environmental dimensions, were raised. The questions being asked were accompanied by further explanations or contextual information. In any particular topic where information was lacking, follow-up conversations were held by telephone. After the interview, based on notes taken and the audio record, the investigator transcribed and translated the material into English for analysis. The transcribed data were sorted according to research questions and group of participants.

Even though interviews are useful in collecting data, several issues need to be kept in mind. The investigator found that plenty of time and good interpersonal skills in contacting potential interviewees before the interview were needed. At least two telephone calls were necessary for each interview to familiarise potential interviewees with the research topic. Moreover, it was necessary to have good interpersonal skills in dealing with face-to-face interviews. Especially in the research context of Vietnam, where hierarchy is much emphasised, these skills were more important to persuade potential informants to participate in the research. This issue is less challenging when doing surveys. However, benefits from doing interview are much greater than the challenges posed. For instance, further questions can be asked in order to clarify information provided, which is not possible in a survey questionnaire. Also, in this instance the investigator was proactive in focusing on particular issues which required deeper understanding. In addition, interviews enabled the researcher to appreciate the respondent’s concerns through facial and verbal expression, which facilitated the process of understanding and gaining knowledge.
4.7.2 Document Review

Document review was also employed to strengthen data collection. Document review is considered a helpful technique that helps provide more validation of the data (Patton 2002). This research utilised secondary data from the company’s business reports, published reports of the General Statistics Office (GSO) of Vietnam, annual reports of other Vietnamese industry associations, newspaper articles, publications of the World Bank (WB), the United Nations Development Programme (UNDP) and the Organisation for Economic Co-operation and Development (OECD). The use of multiple sources of evidence created triangulation for better understanding of the adoption of the triple bottom line practice in the Vietnamese SME sector.

4.7.3 Direct Observations

Along with conducting in-depth interviews and studying relating documents in SMEs and policy documents, this study also emphasised direct observation as an important data collection technique. This is considered a useful method in social and cultural research (Angrosino 2005). As Yin (2009) argues, observations have advantages in the way that the technique can contextualise, cover reality and provide insight into interpersonal behaviours and motives. In addition, direct observations ‘can confront the researcher with discrepancies between what people have said in interview and casual conversations and what they actually do’ (Pettigrew 1990, p. 277).

Direct observation is a good technique for data collection; however, it also has some drawbacks. For example, the observer can only cover selective places. Data collected from this technique may be affected by interpersonal factors derived from welcoming arrangements or inappropriate times that result in different views (Robson 2011). Therefore, by acknowledging this justification of the technique, researchers can prevent site impacts on the purity of the data collected. The researcher, when invited, visited the factories and business establishments to observe and have informal interactions with informants. Five manufacturing companies invited her to visit their operation systems and she took this opportunity to gain more information and real experience. Photographs
were captured as a means of recording site visits when appropriate. Appendix 6 presents these pictures captured by the researcher and provided by companies.

4.7.4 Ethical Considerations

It is important to take ethical issues into consideration to protect the privacy and interests of participants before collecting data. Informed consent is important for successful data collection. Participants who volunteer is a factor that leads to good-quality, rich data, because of their willingness to engage in and contribute to the research (Miles & Huberman 1994). Ethical issues, including informed consent, honesty and trust, privacy, confidentiality and anonymity had to be addressed and approved by the RMIT Human Research Ethics Committee before collecting data. Accordingly, approval was obtained from RMIT prior to data collection (Appendix 5).

Participants were informed of the study’s purpose, the nature of participation, the use of transcripts and digital recording. Some participants invited for interview were government officials whose work and responsibility were directly involved with activities relevant to this study. Thus, participants were informed of the nature of honesty and trust so that they were confident in giving information. In addition, participants were categorically advised that they were able to report concerns about privacy, confidentiality and anonymity, if they had any. Only codified names (not their real ones) of participating organisations and participants are cited in formal reporting, including the thesis and any academic publications. Identities of participants remain known only to the researcher and her supervisors.

All interviewee profiles and information were codified to ensure privacy, confidentiality and anonymity. A codified participating company was categorised by its economic activity and firm size, then was classified in numerical order. The first letter represents a firm’s size; the second represents a company’s economic activity. In particular, a medium-sized company is represented by M, a small-sized company is represented by S, and a micro company is represented by XS. A manufacturing enterprise is represented by M, while a service enterprise is represented by S. For example, SM3 indicates a small-sized manufacturing company standing at the third position in the list. Similarly,
the profile of government policy makers and SME industry representatives were also codified. PM represents an interviewed government policy maker and IR represents an SME industry representatives. This is set out in tabular form in Tables 4.1 and 4.2, section 4.9.

4.8 Data Analysis

Data analysis is guided by the research questions, research propositions and research framework (Eisenhardt 1989). In this study, thematic analysis was adopted for data analysis, as this is a method for identifying and reporting patterns emerging from coded data. Themes may be both inductively generated from the raw information or deductively generated from theory and previous research (Boyatzis 1998).

According to Guest, MacQueen and Namey (2011), thematic analysis is also related with phenomena in the society that involve human experience in the researched area. In particular, thematic analysis focuses on participants’ perceptions, feelings and experiences as the principal object of study. In addition to the deductively generated themes from the literature on corporate sustainability, this method helped the investigator remain open-minded to themes from the raw information that subsequently emerged during the coding process. This research adopted recommendations for the coding process that included five phases (Robson 2011, p. 476): i) familiarising oneself with the data; ii) generating the initial codes; iii) identifying themes; iv) constructing thematic networks; and v) integration and interpretation.

Each theme contained subthemes, codes and quoted text from transcriptions, document review and observations that together explain behaviours and attitudes that were noticeably emerging from the findings. This was a tight and closely linked process to verify the research outcome. Finally, these themes were interpreted to build the discussion of analysis in conjunction with the justification of the extant literature and entrepreneurship theory and institutional theory. The findings were then discussed based on the research propositions. A more detailed presentation of the coding process results that generated the findings from the empirical study with Vietnamese SMEs is presented in Chapters 5, 6 and 7.
4.9 Reliability and Validity

This chapter seeks to clarify research strategies for the study to strengthen its reliability and validity. Reliability and validity in research have been discussed widely among researchers (Creswell 2013; Guba & Lincoln 1994; Seale 1999). One way to enhance research reliability and validity is to avoid subjectivity that shapes the research and influences the findings (Creswell 2013). In order to do this, the researcher always aimed to use formal and systematic monitoring methods in data collection and analysis. In addition, the researcher was aware of and reviewed her subjectivity to identify any potential to influence the research. The strategy to manage this issue was reflexivity. Reflexivity in qualitative research is argued as a way to ensure rigor (Morrow 2005). Reflexivity is the sort of action that involves the researcher’s critical reflection on what types of factors influence the research planning, conducting and writing up. In this way, the researcher was aware of such factors’ role in avoiding subjectivity in her research. A research diary and research notes were used as tools for reflecting on the subjective role of the researcher.

Another strategy to enhance research reliability and validity is triangulation. Triangulation is defined as a method of using multiple data sources in an investigation to enhance the credibility and persuasiveness of the research account (Bryman 2004). Triangulation helps the researcher improve the accuracy of judgments by collecting different kinds of data bearing on the same phenomenon and reduces the impact of potential biases that can exist in a single method (Jick 1979). According to Denzin (1989), there are four forms of triangulation: data triangulation, investigator triangulation, theoretical triangulation and methodological triangulation. Having adopted qualitative methods for this exploratory study, this study has emphasised these, as follows.

i) Triangulation of sources: data sources were determined from multiple sources, including interviews, observations and document analysis. Also, interview sampling was decided based on the substantial presence and contribution of the economic industries for the country’s economy (i.e., manufacturing and services) as classified by the GSO in 2013. When available, potential interviewees were
chosen from the most contributing industries, such as textiles and garments, agricultural products, handicrafts, tourism, etc. In addition, viewpoints of policy makers and other stakeholders were also included to ensure the reliability and validity of the study findings.

ii) Investigator triangulation: the research student conducted this research with her supervisors, who had outstanding academic expertise and practical experience on sustainable business management in developing countries.

iii) Triangulation of analysis: the analysis was implemented on the basis of case study analysis with 21 SMEs, using thematic analysis from deductively and inductively generated themes. This helped provide in-depth analysis of the current situation of the pursuit of Vietnamese SME sustainability.

iv) Triangulation of theory: The study adopted various sources in the literature on corporate sustainability management and theories that provided different perspectives in examining and interpreting the data. They provided different points of view that helped evaluate the current study’s results.

4.10 Description of Organisations Involved in the Study

4.10.1 Non-State SME Cases

Twenty-one SME owner-managers were interviewed. The enterprises included in this study ranged from micro to small and medium-sized, local, community-based to industrial park-based operations in Hanoi, in the northern economic zone, one of the key economic zones of Vietnam (Government of Vietnam 2004a). As discussed, the enterprises operated in different industries, although all were located in either the manufacturing or services sector in order to focus attention on the organisational characteristics of the northern business background. Table 4.1 presents profiles of non-state SMEs investigated which were codified as stated in section 4.6.4 to ensure the privacy, confidentiality and anonymity of participants.
### Table 4.1 Non-State SMEs Involved in the Study

<table>
<thead>
<tr>
<th>No</th>
<th>Coded Companies</th>
<th>Business Activity</th>
<th>Number of Employees</th>
<th>Size Classification</th>
<th>Industry Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MM1</td>
<td>Agricultural machines</td>
<td>220 (m)</td>
<td>Medium-sized</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>MM2</td>
<td>Wooden chopsticks</td>
<td>230 (m)</td>
<td>Medium-sized</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>MM3</td>
<td>Livestock food production</td>
<td>210 (m)</td>
<td>Medium-sized</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>SM1</td>
<td>Porcelain and ceramics</td>
<td>150 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>SM2</td>
<td>Home interior furniture</td>
<td>150 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>SM3</td>
<td>Arts and handicrafts</td>
<td>100 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>SM4</td>
<td>Manufacture of wearing apparel</td>
<td>110 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>SM5</td>
<td>Double-layer glass windows</td>
<td>100 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>SM6</td>
<td>Manufacture of wearing apparel</td>
<td>90 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>SM7</td>
<td>Shoe making</td>
<td>100 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>SM8</td>
<td>Manufacture of wearing apparel</td>
<td>120 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>SM9</td>
<td>Food production for export</td>
<td>70 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>SM10</td>
<td>Plant pesticides and fertilizers</td>
<td>150 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>SM11</td>
<td>Health supplement production</td>
<td>90 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>SS1</td>
<td>Tourism company</td>
<td>25 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>SS2</td>
<td>Postal express</td>
<td>20 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>SS3</td>
<td>Coffee wholesale</td>
<td>16 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>SS4</td>
<td>Home interior design consulting</td>
<td>14 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>SS5</td>
<td>Food and café retail</td>
<td>15 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>SS6</td>
<td>Agricultural products wholesale</td>
<td>10 (s)</td>
<td>Small-sized</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>XSS</td>
<td>Information-technological product retail</td>
<td>9 (xs)</td>
<td>Micro-sized</td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- MM: Medium-sized Manufacturing firms
- SM: Small-sized Manufacturing firms
- SS: Small-sized Service firms
- XSS: Micro-sized Service firms

**Company MM1:** MM1 is a medium-sized manufacturer of agricultural machines. Located in Hanoi, the company provides agricultural machines for farmers in the northern economic region of Vietnam and several other regions in the central region of the country. The company imports manufacturing system from Korea and is making plans to export their products to some Asian countries. The company has more than 200 workers and seeks to expand its branches and factories in other provinces.

**Company MM2:** MM2 is a medium-sized manufacturing company. It produces wooden chopsticks for Japanese clients. The chopsticks are made under strict safety requirements for Japanese market consumption. The company has more than 200 workers and has less than ten years’ experience in this business activity.
Company MM3: MM3 is a medium-sized manufacturing company. The company manufactures and distributes animal feed for livestock, poultry and seafood farming. The company has more than ten years’ experience and reputation in manufacturing livestock food. In addition to domestic distribution, the company also exports products to countries in Africa.

Company SM1: SM1 is a small-sized manufacturing company of porcelain and ceramic products. The company is located in a traditional area for making porcelain products for hundreds of years. The company was established less than ten years ago with the aim of producing high-quality porcelain and gain profits from orders from foreign clients. Total employees are approximately 150.

Company SM2: SM2 is a small-sized company manufacturing interior wood furniture. The company uses both domestic and imported materials to produce high-quality and new models of products that provide convenience and quality for users. The company employs 150 workers and has more than ten years’ experience in this activity.

Company SM3: SM3 is a small-sized company which produces traditional Vietnamese rattan handicrafts. The company’s products are mainly aimed for the export market, with several distributors and retailers for domestic consumption. The company employs 100 local workers who are skilled in making rattan products.

Company SM4: SM4 is a small-sized company producing clothes for export. Its main production is cutting and sewing the garments according to the designs entirely provided by foreign clients. The company employs more than 100 workers and aims to expand production capacity to gain more contracts with foreign customers.

Company SM5: SM5 is a small-sized company manufacturing double-layer (double-glazed) glass used for office buildings and other civil work. The company learns and employs Australian technologies in making quality products for domestic consumption. It has approximately 100 workers with more than ten years’ experience in this business activity.
**Company SM6:** SM6 is a small-sized company manufacturing readymade clothes. The main product line involves cutting and sewing clothes from imported garments. The company products are consumed both domestically and internationally. It seeks to expand its business in international markets.

**Company SM7:** SM7 is a small-sized company manufacturing shoes. It provides wholesale for domestic distributors and retailers in the Northern provinces. The company is engaged with high-quality and good design products to maintain competitiveness in the market. It has about 100 workers and more than ten years’ experience in shoe making.

**Company SM8:** SM8 is a small-sized company manufacturing readymade clothes. The production involves cutting and sewing clothes from garments bought from garment suppliers. The company products are consumed both domestically and internationally. It plans to expand its production line and looks for large or foreign customers.

**Company SM9:** SM9 is a small-sized manufacturing company that is newly established. The company’s products are livestock food and aims for product export. The company products focus on poultry food. The company is in the process of establishing its reputation with foreign customers by providing good-quality products.

**Company SM10:** SM10 is a small-sized company producing plant pesticides and fertilisers in agricultural work. The products are consumed domestically, with distributors in the Northern provinces, and are sold to farmers. The company has good reputation for product quality. It employs 150 workers.

**Company SM11:** SM11 is a small-sized manufacturing company. Its products are health supplements such as organic food and vitamins that can be safely consumed by customers with diabetic and heart issues. The company focuses on the importance of high quality to ensure customers’ safety. It employs 100 workers and is starting to be recognised in the market.
Company SS1: SS1 is a small-sized service company that offers tourist packages. The company is experienced and has a good reputation in conducting tours and travel-related issues. The company is located in Hanoi and employs 25 people.

Company SS2: SS2 is a small-sized service company. It provides postal express services. The company is a local one that emerged to meet postal demand. The company provides postal services domestically and internationally, with a good reputation for timeliness and protection of posted goods. The company is located in Hanoi and employs approximately 20 people.

Company SS3: SS3 is a small-sized service company. It is a coffee wholesale company for retailers and coffee shops in Hanoi. The company also organises a small coffee showroom, where it makes and sells organic coffee drinks for coffee lovers in the local area. It has 16 employees and is creating a trend of drinking organic coffee in Hanoi.

Company SS4: SS4 is a small-sized service company. It provides consultation for home interior design. The company is located in Hanoi, and has 14 employees who have good skills and professional experience in home design. The company is becoming recognised for good design and meeting customers’ requirements for their home decoration.

Company SS5: SS5 is a very small company focusing on food and coffee retailing. The company creates its own distinctiveness through food and cake preparation by its own chefs to attract customers. The company is seeking to provide services that show its own brand in order to retain customers.

Company SS6: SS6 is a small company retailing tools and machines for agricultural work. The company focuses on customers in rural areas as important targeted clients. Products are sold at reasonable prices that suit customer affordability in rural areas.

Company XSS: XSS is a micro company which provides computers and related information and technological equipment to customers in the local area. Its products are both domestically made by international corporations that have factories in Vietnam,
such as Samsung and Dell, and are imported by large providers in Vietnam, such as the FPT company.

4.10.2 Other Interviewees

To triangulate the primary data gathered from selected non-state SMEs, input from policy makers and SME industry representatives was also used. For that reason, selected public sector organisations and industry assisting organisations were interviewed. In total, eight interviews with five government policy makers and three SME industry representatives were undertaken, to gather their expertise and position in contributing to SME sustainable development. Table 4.2 summaries the information of these participants. The information was codified (see section 4.6.4) to ensure privacy, confidentiality and anonymity.

Table 4.2 Public Sectors and Industry Organisations Involved in the Study

<table>
<thead>
<tr>
<th>No</th>
<th>Coded Participants</th>
<th>Organisation</th>
<th>Organisation Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PM1</td>
<td>Vietnam Agency for Trade Promotion</td>
<td>Government Departments</td>
</tr>
<tr>
<td>2</td>
<td>PM2</td>
<td>Multilateral Trade Policy Department</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>PM3</td>
<td>Agency for Standards, Metrology and Quality</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>PM4</td>
<td>Council for National Sustainable Development</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>PM5</td>
<td>Enterprise Development Agency</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>IR1</td>
<td>Hanoi SME Association</td>
<td>Industry Associations</td>
</tr>
<tr>
<td>7</td>
<td>IR2</td>
<td>Vietnamese Business Council for Sustainable Development</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>IR3</td>
<td>Vietnam Chamber of Commerce and Industry</td>
<td></td>
</tr>
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</table>

Legend:
PM: Policy makers in government departments
IR: Industry representative in associations

4.10.2.1 Public Sector Organisations

Respondents were selected from the following Vietnamese public sector organisations, which directly endorse supporting policies to SMEs:

Vietnam Agency of Trade Promotion: The Agency is a department of the Ministry of Industry and Trade in charge of developing national strategies on technical standards. It also studies practical activities to help promote Vietnamese goods and services in
domestic and international markets. The organisation guides firms to enhance their investment in information technology to increase business revenue and brand name. It studies implementation of administrative reform to provide better services to business. The researcher collected data through an in-depth interview with a senior policy maker (PM1) at this organisation.

**Multilateral Trade Policy Department:** The department directly belongs to the Ministry of Industry and Trade assisting the government initiative in international economic integration. The department has the responsibility to assure that assistance for Vietnamese SMEs is stated in trade agreements. It also formulates and instructs the implementation of domestic policies on economic and commercial agreements. An in-depth interview with a senior policy maker (PM2) at this organisation was conducted.

**Agency for Standards, Metrology and Quality:** The Agency, under the administration of the Ministry of Science and Technology, formulates policies regarding standard requirement for SMEs operation. It has the right to issue certification on standards and quality for eligible firms. The agency is responsible for providing information about standards, metrology and quality to relevant SMEs. The agency is in charge of monitoring firms’ commitments to their registered standards and quality. An in-depth interview was conducted with a senior policy maker (PM3).

**Council for National Sustainable Development:** The Council was established in 2012 to advise and assist the government to develop and implement strategies, policies, programs, missions and activities on sustainable development approved by the Prime Minister. Since then, it has worked to provide solutions to implement sustainable development and enhance competitiveness for Vietnamese enterprises. The researcher collected data through an in-depth interview with a policy maker (PM4).

**Enterprise Development Agency:** The Agency, under the administration of the Ministry of Planning and Investment, was established on 8 November 2010. The Agency assists the Minister in managing the operation of enterprises in Vietnam with a focus on SME development. It sets up policy orientations and programs on assisting SME development. It also directs the implementation of SME development promotion models.
and methods through SME support centres. The researcher collected data from a senior policy maker (PM5) at this organisation.

4.10.2.2 SME Industry Representatives

There was also participation of three industry representatives:

**Hanoi SME Association:** The Association is a social organisation with the purpose of bringing SMEs in Hanoi city and related areas together. It also assists its members in all economic sectors to enhance entrepreneurship and competitiveness by organising skill enhancing seminars. It also plays a role as the representative of SMEs in advising the government in formulating SME policies. The researcher collected data through an in-depth interview with a senior officer (IR1).

**Vietnamese Business Council for Sustainable Development:** The Council was officially launched on 17 December 2010. It was established with the mandate to promote the active role of the business community in implementing sustainable development in Vietnam. Since then, it has facilitated the sharing of experience, solutions and good practices on sustainable development, and strengthening dialogue and close coordination between the business community, the government and civil organisations regarding sustainable development issues in the business sector. It is a partner within the Global Network of the World Business Council for Sustainable Development (WBCSD). A senior officer (IR2) at the organisation was interviewed for data collection.

**Vietnam Chamber of Commerce and Industry:** The Chamber is a leading business-assisting organisation that includes support for SMEs. Its role is to organise dialogue between businesses with governmental agencies and union representatives. It also enhances social responsibility, ethics and environmental protection of businesses. It has the right to issue certificates of origin for exported goods and assist domestic and foreign enterprises to resolve disagreements and disputes through negotiation. The researcher conducted an in-depth interview with a senior officer (IR3).
4.11 Chapter Summary

This chapter has presented the rationale for the chosen research strategy and methodology. In order to gain in-depth understanding of an emergent phenomenon, it argued that qualitative research is the most suitable approach because it helps to explore how the constructs of corporate sustainability in SMEs are interacting. Given the study on SME sector was conducted taking into account the socio-economic context of Vietnam, it thus utilised an embedded single-case design. Various techniques were employed for data collection, including in-depth interviews, document review and observations. Data were collected from different sources of information, including 21 SMEs from different economic sectors and of different sizes. Interviews were also conducted with five government policy makers and three industry representatives to gain different views and to triangulate the data collected from SMEs. The use of various sources of the literature and theories on corporate sustainability management provided different perspectives in examining and interpreting data. This study also took ethical issues into consideration to ensure participants’ privacy, confidentiality and anonymity.

The next chapter presents the findings, analysis and discussion in relation to the research propositions on SME economic sustainability.
CHAPTER 5
ECONOMIC SUSTAINABILITY

5.1 Introduction

This chapter presents findings in response to the four research sub-questions on economic issues. It focuses on i) how SMEs perceive economic issues as an important aspect of a sustainable enterprise, ii) success factors, including the roles of the Vietnamese government and other stakeholders in promoting SME economic sustainability, iii) challenges hindering SME economic sustainability, and iv) mechanisms used to overcome these challenges. In addition to deductive themes generated from the structured questions, inductive themes have been obtained and analysed from the real experience and perceptions of participants. The final section discusses the key findings and outcomes relating to the research propositions.

It is found that, in the views of respondents, economic issues constituted a significant element of the triple bottom line. Financial benefits, long-term competitiveness and SME economic impact were key constructs to economic sustainability. In order to achieve economic sustainability, SMEs highlighted several effective roles of the government and other stakeholders. Success factors which were highlighted most were the roles of owner-managers in leading companies’ business activities and training for employees. Firms’ relationships with suppliers and peers also played a role. The capacity of machinery was highlighted as important for productivity: it increased firms’ economic value. Respondents mainly saw the government as providing sets of policies which needed more effective implementation mechanisms, including encouragement of relevant agencies to collaborate. Challenges cited for economic sustainability included market competition, shortage of raw materials, limited access to finance and government administrative practices.

Given this situation, SMEs actively looked for training programs or courses and seminars to increase their management and technical skills. Also, for immediate solutions, seeking assistance from peers and counterparts was most popular as a solution.
The government, in order to maximise its support, tried to provide many channels of assistance, such as introducing online enquiry channels, organising workshops, spreading business information, and promoting associations’ roles. However, such support seemed not to have met SMEs’ practical needs because of the delay in providing follow-up guidelines and other steps in implementation.

5.2 How SMEs Perceive Economic Sustainability

This section presents findings from respondents’ opinions about various elements that comprise economic sustainability. The findings are presented according to financial benefits, long-term competitiveness and economic impacts. Table 5.1 presents opinions of respondents about these elements.

<table>
<thead>
<tr>
<th>Table 5.1 Opinions of Respondents about SME Economic Sustainability</th>
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<tbody>
<tr>
<td>Level of Importance</td>
</tr>
<tr>
<td>Owner-managers (N=21)</td>
</tr>
<tr>
<td>Government Officials (N=5)</td>
</tr>
<tr>
<td>Industry Representatives (N=3)</td>
</tr>
<tr>
<td>Comments</td>
</tr>
<tr>
<td>Financial benefits (profits, cash-flow management)</td>
</tr>
<tr>
<td>Significant</td>
</tr>
<tr>
<td>Some impact</td>
</tr>
<tr>
<td>No impact</td>
</tr>
<tr>
<td>Unaware</td>
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<tr>
<td>Maintaining wealth and making profits was the core role. Using ‘cash’ was more popular than bank transfers in daily business activities.</td>
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<tr>
<td>Long-term competitiveness (investment, planning)</td>
</tr>
<tr>
<td>Significant</td>
</tr>
<tr>
<td>Some impact</td>
</tr>
<tr>
<td>No impact</td>
</tr>
<tr>
<td>Unaware</td>
</tr>
<tr>
<td>Investing in machinery and expanding factories was a common investment mode for long-term operations.</td>
</tr>
<tr>
<td>Economic impact (taxes, adequate prices)</td>
</tr>
<tr>
<td>Significant</td>
</tr>
<tr>
<td>Some impact</td>
</tr>
<tr>
<td>No impact</td>
</tr>
<tr>
<td>Unaware</td>
</tr>
<tr>
<td>Tax payment was emphasised for legal compliance. Offering reasonable product prices was needed to make products competitive.</td>
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</table>

5.2.1 Financial Benefits

As indicated in Table 5.1, unsurprisingly almost all SMEs highlighted financial issues as being of significant importance to their businesses. Issues included profits, cash-flow management and shareholder value. Seventeen out of 21 SME respondents emphasised that financial issues were either their primary concern (11 respondents) or having some
impact (six respondents). Only three who ran newly established businesses said that their primary focus was to develop the products necessary to gain customers rather than focusing too much on financial benefits. Notably, one SME respondent revealed that he was not aware of having a proper financial statement in the few months since firm establishment. The input from government officials and industry representatives also shared the view that financial benefits were important for firms in order to achieve economic sustainability.

In talking about the issue of running the business, the respondent of MM1 emphasised the need for the company to increase profit and revenue:

*To me, the priority is always gaining profits and revenue to maintain business operations. Signing contracts and increasing sales are certainly necessary as the main company targets. Without a stable rise in profits and revenue, I cannot say that the company is running well.* (MM1)

The respondent MM3 highlighted the importance of profits that enhance shareholders trust in investing in the business:

*Profit and revenue is extremely important which shows to the shareholders that the company is operating well. They really look forward these which makes them confident with their investment. For the company, this helps it maintain the source of capital.* (MM3)

Similarly, opinions from policy makers and industry representatives (PM1, PM3, PM5, IR1, IR2) highlighted the significance of gaining more and more contracts as important for firms’ revenues and profits. The representative of the SME promotion development agency (PM5) indicated the need to have a gradual increase in contracts and customers to ensure gradually rising revenues, a healthy cash flow and profits.

Additionally, a common view among respondents was the need for their companies to have ‘regular cash-flow statements’. This helped companies to monitor the money flow so that they could manage and seek financial support promptly to cover operating costs. It is notable that SMEs reported a ‘cash shortage’ at the end of the calendar year when the company had to deal with debts and pay for material purchases, wages and bonuses.
(SM2). From the viewpoint of policy makers, the management of cash flow in SMEs was very important (PM2).

It is surprising that one SME respondent revealed that his company did not have a proper financial statement during the few months since its establishment (XSS). Similarly, another two service companies (SS5, SS6) indicated they were attempting to find customers rather than focusing on cash-flow statements. These three service companies were newly established, with their primary focus on developing products.

Policy maker PM1 emphasised the importance of financial management and raised concern about the shortage of seriousness in small and extra small enterprises in having proper accounting statements and consequent weaknesses in strategic planning and operational management. When discussing this issue, PM1 was concerned that:

*For small and micro sized enterprises, they do not pay much attention to the company’s financial and accounting statements. Therefore, they face issues at the end of financial year or calendar year when the company needs cash in paying debts, wages and bonuses.* (PM1)

Overall, it can be argued that financial issues are seen as an important factor contributing to firms’ economic sustainability. Firms emphasise the importance of creating wealth through finding new contracts. In terms of financial management, smaller and newly established entrepreneurs neglect the management of cash-flow reports and struggle with marketing, finding customers and daily operations. It is also worth noting that the reliance of Vietnamese SMEs on ‘cash’ rather than credit creates inconvenience in payment.

5.2.2 Long-Term Competitiveness

As can be seen in Table 5.1, many respondents highlighted the importance of long-term competitiveness, including the need for investment and operational planning. About half the respondents showed a high level of concern about long-term competitiveness. Fourteen of 21 SME respondents affirmed investment for long-term competitiveness as either an essential element (ten respondents) or having some impact (four) on firms’
economic sustainability. However, two SME respondents were not aware of the need to have a substantial investment in production for long-term competitiveness: they asserted that their need was to focus on marketing products to strengthen their position in the market. Government officials and industry representatives also emphasised the significant importance of investment and planning in firms’ production in achieving economic sustainability.

In explaining their long-term strategy in maintaining their ‘profit and income’, the respondent of manufacturing company SM4 revealed his strategy:

*Buying new models of sewing machines [means that we] can make products that have fewer errors. In this way, we can manufacture more products with the same amount of materials. This means that we are also able to use the materials and labour more efficiently.* (SM4)

Similarly, SM1 commented:

*So far, the business has been good. We plan to invest in factory space and machines to increase product quantity and have stable quality. We are also thinking of improving the existing product designs so that next year we will offer customers improved ones.* (SM1)

Sharing a common view, government officials and industry representatives (PM1, PM3, PM5, IR1, IR3) highlighted the need for investment and planning in SMEs and commented that medium-sized enterprises were active in investing in warehouses and technology to be competitive in the market:

*Many medium-sized enterprises attending our networking workshops enquire about official machinery providers who receive accreditation from the government so that they can purchase good quality machines.* (PM3)

As observed from site visits to companies MM1, MM2 and SM4, these companies possessed relatively new and modern operations. (See Appendix 6 for photographs taken at these companies.)

Taken together, the findings indicate that long-term competitiveness is critically important for SMEs’ economic sustainability. In manufacturing companies, there is a
strong belief in the role of investment in warehouses and machinery. This finding suggests a need for government policies to encourage investment by firms so that SMEs can achieve economic sustainability.

5.2.3 Economic Impact

Table 5.1 shows a relatively high level of concern among SMEs about the economic impacts of their businesses. These impacts include payment of taxes and wages and the creation of economic value for stakeholders in the supply chain. About half the respondents highlighted economic impacts as of significant importance as part of firms’ economic sustainability. Five SME respondents considered their business as having some economic impact. Yet three were not aware of their economic impact on the country’s economy. Government officials and industry representatives also considered firms’ economic impact as an important component of firms’ economic sustainability.

The respondent of company SM1 emphasised the contribution of the company to the state budget by tax payments:

*The company has to pay a fixed annual tax for business operations of three million dong. In addition, each month the company prepares a tax report for tax declaration at the tax office. The quantity of tax that we have to pay is calculated based on our company revenue.* (SM1)

In addition, engagement with adequate prices was considered an important issue. The company SM10 stated:

*Our product price is calculated by taking into account the costs of materials, manufacturing, rent, labour, delivery, company profit, tax, and so on. The price given is very competitive, because there are now many SMEs offering similar products. Therefore, our company’s price has to be very reasonable to compete in the market.* (SM10)

From the opinions of policy makers and non-profit organisations, firms’ economic impact was also considered very important to the economy. Policy maker PM4 emphasised that, not only did SMEs raise the wages of employees, but also their business activities contributed to national economic achievement. For example, private
enterprises in the tourism sector attracted nearly 8,000,000 international tourist arrivals, with total revenue reaching USD11 billion (GSO 2015).

Policy makers and industry representatives had a good understanding of the current situation about SMEs’ economic activities and were able to discuss their current support activities. Support and reforms revealed included online systems for business registration, online tax payment, new portals for enterprises to look up information and submit enquiries and face-to-face consultation points, and organising campaigns in local industrial clusters and other provinces to announce updated policies.

Overall, it is found that SMEs’ economic contribution to the national economy is highlighted as an important element of firms’ economic sustainability. This finding suggests that SMEs have become an important sector contributing to the economy. With the variety of their business activities, this also assists economic reform.
5.3 Key Success Factors Affecting SME Economic Sustainability

This section presents respondents’ opinions about common success factors affecting SME economic sustainability. These common factors are managerial capability, recruiting and training, networking, economic integration, technology and innovation, labour capacity and government supporting policies. The elements presented in Table 5.2 are organised in descending order of importance.

| Table 5.2 Opinions of Respondents about Key Success Factors Affecting SME Economic Sustainability |
|---------------------------------------------------------------|---------------------------------------------------------------|
| Level of Importance | Owner-managers (N=21) | Government Officials (N=5) | Industry Representatives (N=3) | Comments |
| 1. Managerial capability | Significant | 15 | 4 | 3 | Entrepreneurial behaviours of owner-managers facilitated firms’ economic activities. |
| | Some impact | 5 | 1 | 0 | |
| | No impact | 0 | 0 | 0 | |
| | Unaware | 1 | 0 | 0 | |
| 2. Recruiting & training | Significant | 10 | 2 | 2 | Proper consideration of recruiting and training was very important for firms’ ability to generate economic value. |
| | Some impact | 7 | 2 | 1 | |
| | No impact | 3 | 1 | 0 | |
| | Unaware | 1 | 0 | 0 | |
| 3. Industrial clustering & networking | Significant | 10 | 3 | 3 | Good relationships among peers promoted financial support such as trade credit. |
| | Some impact | 7 | 2 | 0 | This illustrated Vietnamese entrepreneurial culture. |
| | No impact | 2 | 0 | 0 | |
| | Unaware | 2 | 0 | 0 | |
| 4. Economic integration | Significant | 9 | 2 | 2 | Market access and technology transfer were benefits. They increased economic status of SMEs. |
| | Some impact | 7 | 2 | 1 | |
| | No impact | 3 | 1 | 0 | |
| | Unaware | 2 | 0 | 0 | |
| 5. Technology & innovation | Significant | 9 | 3 | 3 | It was important to increase productivity. The level of technological application was still low despite government programs. |
| | Some impact | 6 | 2 | 0 | |
| | No impact | 2 | 0 | 0 | |
| | Unaware | 4 | 0 | 0 | |
| 6. Labour capacity | Significant | 7 | 2 | 1 | A single and small firm employed a small number of workers. Due to low quality of labour, companies offered training to all workers. |
| | Some impact | 5 | 3 | 2 | |
| | No impact | 9 | 0 | 0 | |
| | Unaware | 0 | 0 | 0 | |
| 7. Government supporting policies | Significant | 5 | 2 | 1 | It was not a primary source of support. Enforcement was weak despite supporting initiatives. |
| | Some impact | 5 | 3 | 1 | |
| | No impact | 9 | 0 | 1 | |
| | Unaware | 2 | 0 | 0 | |
5.3.1 Managerial Capability

As shown in Table 5.2, almost all respondents highlighted the role of owner-managers as a significant factor in SME economic sustainability. The various roles included knowledge and capability, personal characteristics and management vision. About two-thirds of SME respondents highlighted managerial capability as critical to firms’ economic sustainability. Roles addressed included looking for customers, having ideas to improve products, organising the company’s activities, dealing with employees’ issues and having expertise in their business field. One company was not aware that his role was critical because his company’s survival very much relied on market trends. Input from government officials and industry representatives shared similar views that managerial capability was critical for achieving firms’ economic sustainability.

SME respondents showed understanding that their experience, networks and knowledge were essential to run their businesses effectively. Company SS4 said:

In Asian countries, the combination between interior decoration and Feng Shui is a major concern, as it is believed to be able to bring health and prosperity to the hosts. Therefore, I ask all of my employees to read the information on basic Feng Shui criteria to be able to satisfy customers. (SS4)

SS2 expressed her decisive characteristic:

To forecast future needs is just not enough. There is a need for action. And not only act, but rather act immediately. That is the only way to gain advantage over your competitors. (SS2)

Similarly, almost all policy makers and industry representatives highlighted the significant role of managerial capability in SMEs. In supporting the role of SME owner-managers in order to maintain economic performance of firms, the representative of the Hanoi SME Association said:

Most of the members of the association are quite active owner-managers. For example, some owner-managers decided to invest in machinery, but others invested in product design. The type of investment for their business depends on manager’s forecast on the possibility of gaining profit. (IR1)
In addition, policy maker PM3 was especially impressed by owner-managers’ awareness of obtaining trademarks in order to be competitive and avoid imitating products:

*There is a trend that SMEs registered their businesses’ logos and trademarks at National Intellectual Property Office to protect their products and images. This indicates that the owner-managers have been interested in professionalism, which makes them more attractive in the market.* (PM3)

Overall, it was found that SME owner-managers play a major role in firms’ economic sustainability. It was also found that Vietnamese SME owner-managers have autonomy over firms’ operations and activities. Evidence from owner-managers of being active and willing reveals a potential possibility to increase entrepreneurial behaviours. Given that in transitional economies, in which there is a deficiency in entrepreneurial behaviours, such emergent activism of SME owner-managers is a positive sign which needs to be enhanced by support from the government.

### 5.3.2 Recruiting and Training

It can be seen from Table 5.2, recruiting and training was highlighted as a very important factor contributing to firms’ economic sustainability. Ten SMEs perceived this factor as significant. Another seven considered it as having some impact. One small-sized service SME did not recognise the role of this factor. Most government officials and industry representatives highlighted this factor as important to facilitate firms’ activities to create economic wealth.

As identified by a porcelain and pottery, hiring local employees who grew up with the work of making pottery was always a priority in its recruiting strategy (SM1). However, this was not compulsory; the company could also train the workers so that they could complete their tasks. SM1 stated:

*We prefer recruiting people who are local residents coming from Bat Trang, as they are more ready to work and familiar with the work of the ceramic factory. So far, our senior workers are Bat Trang residents with very high commitment and enthusiasm for ceramic product-making.* (SM1)
Many companies emphasised the most important characteristic of employees was their eagerness for work and the firms stated their willingness to provide training for employees once they were hired. Apart from formal lessons, it was a tradition that older workers instructed younger employees to improve the skills. However, they revealed that companies did not have a clear strategy and written policy for this issue, which was solely decided by the owner-managers. Indeed, it was highlighted that owner-managers played a very important role in improving relations among employees, ensuring that senior workers shared experience with younger recruits. MM1 pointed to the necessity of training employees according to the needs of the task for greatest effectiveness:

*The company has customised training programs for particular positions for specialisation. Depending on the level of skills of the recruit, training for lifting positions, packing or painting positions is provided. Normally, this depends on the needs of particular section; the company will have certain basic requirements and will provide supplementing training.* (MM1)

In the services sector, the necessity of training was also very important, as each employee was seen as a representative of the company. The service company SS1 said:

*The work of a tour guide is quite challenging. His work task is to achieve customer satisfaction and the success of the tour organisation. Therefore, our company spends a lot in training good tour operators to prepare for them a variety of skills to be proactive when operating a visiting tour.* (SS1)

Similarly, most policy makers and industry representatives highlighted recruiting and training as significant factors for firms’ economic sustainability. Policy maker PM1 added that providing recruiting and training could increase firms’ productivity. The reasons given were that skilled and enthusiastic employees helped reduce turnover of staff, taking fewer sick days, reducing penalties, insurance and worker’s compensation costs, increasing higher levels of worker satisfaction and enabling attraction of good quality staff (PM1).

Overall, it was found that SMEs considered the role of recruiting and training to be very important to firms’ economic sustainability. In this regard, it is noted that human capital is a very important element that can be transformed to economic value. Therefore, it is necessary to give proper attention to this factor and provide prompt strategies that take
advantage of the availability of young labour in order to enhance firms’ economic sustainability.

5.3.3 Industrial Clustering and Networking

Industrial clustering and networking also appeared to be an important success factor (see Table 5.2). Seventeen SMEs reported this factor as either significant (ten respondents) or having some impact (seven). Two newly established service companies did not recognise the role of this factor. Similarly, government officials and industry representatives also identified industrial clustering and networking as important success factors for firms’ economic sustainability.

In terms of the benefits from industrial clustering, as informed by manufacturing SMEs, according to current government policies and regulations manufacturers can be grouped in industrial clusters in which infrastructure such as private roads and access to land is favourable for manufacturing activities. Company SM2 revealed the benefits of industrial clustering for their business:

> Now trucks can more easily access our warehouse, thanks to private lanes and roads in the industrial zone, which is much more convenient than when the company was located in the city centre. The land is much larger and there is more space for implementing operating activities. The company also has plans to build a showroom with our furniture products for visiting clients. (SM2)

Similarly, porcelain and ceramics and art and handicrafts manufacturing companies established in traditional craft villages reported that they had opened a group of shops for their introductory goods right in the village to introduce their exported products for tourists and potential wholesale buyers. In addition to the benefits of industrial clusters, most of the respondents said that networking with suppliers, customers and peers was very important in supporting each other in business operation matters. Manufacturing companies (SM1, SM2, SM4, SM6, SM7) stressed the support that included ‘materials and finance’. Service company SS1 cited cooperation between companies in the tourism industry in ‘sharing customers’ in peak seasons. Notably, most of the partners in the network of manufacturing companies were in their supply chain. It was found that small
manufacturing companies highlighted the mutual support of co-operating firms. As company SM2 stated:

Normally the company has partners that provide us with materials such as accessories for product finishing and packaging materials. We do not pay every single time that materials are provided. We agree to pay every quarter so that we can manage payment from customers to be in time to pay suppliers. (SM2)

In discussing the role of networking, the policy maker in the Agency for Industrial Promotion highlighted an informal model of networking that was very helpful to business:

Networking has been very popular in the history of business activities. The historical and traditional mode of doing business among Vietnamese entrepreneurs involved gathering together in the form of a product supply chain [buôn có bán, bán có phường]. This traditional method still works very well in modern businesses, as help is readily available from peers. (PM1)

Overall, industrial clustering and networking is considered to be an important factor for firms’ economic sustainability. It is important to note that, in this context, good relations among SMEs help them to increase resources such as trade credit and financial support. It is also argued that the Vietnamese traditional way of doing business is that entrepreneurs in a product supply chain assist each other. This entrepreneurial culture can help promote the development of industries.

5.3.4 Economic Integration

As indicated in Table 5.2, economic integration was highlighted as a very important factor contributing to firms’ economic sustainability. These economic integration issues included foreign customers, technological expertise exchange, product expertise exchange, and larger numbers of foreign visitors. Sixteen SMEs considered economic integration as either of significant importance (nine respondents) or having some impact (seven). Two SMEs doing domestic business were not very well aware of this issue. Government officials and industry representatives highlighted the role of economic integration in assisting SMEs to increase economic value.
Talking about this issue, company MM1 disclosed her company’s strategy in expanding the company’s market:

After several years of market research and product improvement, we are now confident about having agricultural machinery sold in Myanmar and Indonesia. This is a very good market as there are still not many competitors in this field in these two markets. (MM1)

Economic integration is also helpful to attract foreigners into the country. Tourist company SS1 discussed:

There are more foreign visitors who know about Vietnam as a tourism destination. Over the last few years, there has been a growing number of foreign customers enquiring about our tour programs across the country. (SS1)

In addition, traditional products also took this opportunity to be presented in the global market to increase their value. Company SM3 emphasised:

The company is preparing new designs of handicrafts to participate in the handicraft fair in the United States. This is a good opportunity to meet potential customers from Western countries. Through this direct approach, it will be easier for me to understand more about the needs of the foreign marketplace so as to make the products more suitable. (SM3)

Similarly, almost all policy makers and business associations considered the significant role of economic integration for SMEs’ economic sustainability. The representative of Vietnamese Council for National Sustainable Development emphasised the direction of the government focusing on tourism development with the vision by year 2020 through international integration:

International integration is really an advantage for Vietnamese tourist companies. As there are gradually more bilateral and multilateral cooperation agreements, many countries and international organisations see Vietnam as a tourism destination. Tourist companies can take this opportunity to build a tourism industry. Their advantages are available experience and understanding of the local tourist destinations. (PM4)

Two SMEs, however, reported that they did not consider economic integration as influencing factors for their operations because their businesses dealt with local
customers, selling products for family usage.

Overall, it can be argued that economic integration is very important for SMEs’ economic sustainability. This factor not only helps SMEs sell products in the foreign market but also helps to increase the nation’s economic and infrastructure conditions through imported high technology machinery. In addition, SMEs who are exporting firms are more aware of the significant impacts of economic integration. Given the fact that economic integration can bring many opportunities for the local SMEs, it can be advantageous that these entrepreneurs know clearly and accurately market access requirement in order to have products satisfy those markets.

5.3.5 Technology and Innovation

As indicated in Table 5.2, technology and innovation were regarded as important for contributing to firms’ economic sustainability. Fifteen of 21 SME respondents highlighted that technology and innovation had either significant impact (nine respondents) or some impact (six). Four respondents were not aware of the need for innovation in doing their business. Input from government officials and industry representatives revealed that technology and innovation were important facilitators for assisting SME economic sustainability. In talking about the role of applying new technology in firms’ operation, MM1 stated:

*In the near future, the company will be working with companies in Japan and South Korea to receive technical transfer of agricultural machine so that we can produce products according to our needs. (MM1)*

New models of machinery were also strongly highlighted as important by the furniture making company SM2 where products were required to be re-styled and re-designed to be competitive in the market. Other companies also agreed that marketing and selling their products on the internet was very popular and an efficient way to attract customers’ attention.

A services company also outlined the role of using the internet. SS4 stated:
We do upload our most impressive projects on our website. This is a simple and effective mode of marketing. Now many people do not have time going to every single company to look at the catalogue. They do more searching for information on the internet. Therefore, it is actually very convenient when the customers open our website and can find the look of the projects that we have done in customers’ houses. This induces trust in the customers as to what the company can really do. (SS4)

Similarly, most of the policy makers confirmed that the application of technology in manufacturing and business activities enhances productivity for SMEs. Policy maker PM5 from the Enterprise Development Agency stressed that the government called on business in applying technology in order to foster the competitive position of Vietnamese SMEs in the region:

_The concept of using high technology in manufacturing is not very new in policy direction. The government is now attempting to raise the number of SMEs applying high quality technology by 10 per cent per year._ (PM5)

As observed from the government’s work, it has begun to consider the role of technological and engineering application in SMEs as a significant target for SME development since the first Decision on SME development plan for the five years between the year 2006 and 2010 (Government of Vietnam 2006). Recently, in the five-year plan for 2011-2015, the government concretised and implemented this initiative in the National Program on technological application and innovation in SMEs to the year 2020 (Government of Vietnam 2012a).

However, the review results from the Vietnamese government’s statistical yearbook 2014 indicates that more than 50 per cent of manufacturing enterprises are categorised as among the low technology activities group. Specifically, most exporting manufacturing activities, such as food products, textiles and apparel, leather and related products, and wood and wood products, are in this group.

Overall, technology and innovation are considered important for SMEs’ economic sustainability. It is also argued that technology and innovation play a role in both manufacturing and service companies. Yet, in spite of government policies on promoting technological applications in SMEs, the level of technological application is still
generally low. Given this, enhancing the pace of technology application of Vietnamese SMEs is extremely important for increasing the productivity of major exporting firms.

5.3.6 Availability of Labour

Labour market availability was considered to have little impact on SME economic sustainability (see Table 5.2). Only seven respondents highlighted this factor as having a significant impact on their business, whereas nine indicated this as having no impact on their business operations. Government officials and industry representatives considered the availability of labour as important, but it did not serve as an advantage for SMEs. In affirming that the availability of labour is important, company MM3 said:

*Indeed, labour quality is very important. When recruiting, we are really concerned about the success of the recruit, and whether we can hire skilful workers in the area.* (MM3)

But company MM2 did not consider there was any effect of availability of labour on the company:

*I think that at the moment the labour market does not affect our company’s operations. The company has enough employees now. For the time being, this is not a daily concern to our business.* (MM2)

With a similar view, industry representative IR1 indicated that availability of labour did not significantly assist economic sustainability of Vietnamese SMEs:

*As an SME does not employ as many workers as a large company does, therefore the availability of labour is not a difficulty or has a critical effect on the company’s business.* (IR1)

SMEs did not show a trend in taking advantage of the availability of labour, such as frequent change or new recruitment for new employees for new skills.

Overall, it is argued that the availability of labour is not as important as other factors for firms’ economic sustainability. This is likely the case because a single SME employs a small number of workers in the labour market. In addition, it may be also because unskilled labour does not provide immediate turnover for companies, and therefore does
not encourage SMEs to recruit new labour. Given the fact that Vietnam is enjoying an abundance of young labour, it is necessary to make use of this availability to enhance SMEs’ skilled labour.

5.3.7 Government Supporting Policies

As can be seen from Table 5.2, government supporting policies were not highlighted as primary success factors for firms’ economic sustainability. Only five of 21 SMEs highlighted this role as significant. A further five considered that such policies had some impact. Nine respondents evaluated current supporting policies and programs as having no impact. Another two enterprises did not show awareness about current policies. In contrast, government policy makers identified that supporting policies had been introduced and were expected to play an important role. Industry representatives highlighted the role of such policies but shared their concern about their effectiveness. In highlighting available information received from government support, company SM3 identified:

_I receive quite a lot of information on up-coming trade fairs domestically and internationally from the government newsletters. As a result of this type of trade fair our products have been introduced in the foreign market such as European countries._ (SM3)

However, company SM2 had a different view of the programs in which it has participated:

_Workshops that I attended, organised by the government, were very descriptive and general. Most of the time there were one or two presenters reviewing changes in current government policies regarding tax, material prices, investment opportunities in new industrial regions. These workshops are not interactive, so those attending do not really learn a lot from them._ (SM2)

Notably, all the government officials highlighted that government had made an important contribution to economic growth of SMEs by issuing many series of supporting policies, especially with the research project on Law on SME Support:
Recently, the Ministry of Planning and Investment has proposed to the Prime Minister a research project on studying and building a SME Support Law. I think SMEs will be soon systematically supported with tax, product innovation and consumption. (PM2)

In adding to the government’s initiative in promoting market access for SMEs, policy maker PM2 said:

As you may know, TPP is an opportunity. From the government side, it requires further reform of the business environment to enhance competitiveness. For SMEs, I believe that SMEs are beneficiaries of this agreement, such as through privatisation of state-owned companies, better allocation of resources and improved supporting programs for SMEs. (PM2)

The Hanoi SME Association representative commented that the government was not as active as the SME sector in terms of providing essential support such as detailed requirements of foreign countries for exported goods or enhancing manager’s skills and visions:

SME owner-managers are very serious and hardworking because the factory is all their own. Therefore they themselves look for essential workshops and classes provided by international capacity building companies rather than sit and wait for government. (IR1)

In discussing enhancing the government’s role, another industry representative revealed that government needed to have more collaboration with the private sector so that SMEs could seize the opportunities in recent FTAs because SMEs could not do it by themselves (IR3).

Findings from document analysis proposed that it took more than six years for the government to provide several supporting programs and policies as a result of the Decree in 2009. The first legal document on supporting the development of SMEs was introduced in 2001 (Government of Vietnam 2001). This document was revised and developed to be the new decree on supporting the development of SMEs in 2009 (Government of Vietnam 2009). A year later, the resolution on implementation of the decree was introduced (Government of Vietnam 2010). Two years after that, the Prime Minister made a decision approving the plan for developing SMEs 2011-2015.
And recently the Prime Minister’s decision approving the project for enhancing capability building of implementing agencies in supporting SMEs has been introduced (Government of Vietnam 2015c). In summary, since the revised government decree on supporting SMEs development, it has taken six years to produce the many documents needed and required the involvement of many agencies in implementing the decision. Yet any achievement from this set of policies is little recognised.

Overall, it can be argued that government supporting policies do not play the significant role expected. There is a gap between government policies and SME business expectations and between policy and implementation. However, the willingness of government shown through their new proposal on SME Supporting Law may prove to ensure the economic sustainability of Vietnamese SMEs.
5.4 Key Challenges Affecting SME Economic Sustainability

This section presents respondents’ opinions about common challenges affecting SME economic sustainability. As can be seen in Table 5.3, these common challenges are market completion, access to raw inputs, access to financial support, costs of technologies, administrative practices and employee disengagement. The elements presented in Table 5.3 are organised in descending order of importance.

Table 5.3 Opinions of Respondents about Key Challenges Affecting SME Economic Sustainability

<table>
<thead>
<tr>
<th>Level of Importance</th>
<th>Owner-managers (N=21)</th>
<th>Government Officials (N=5)</th>
<th>Industry Representatives (N=3)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market competition</td>
<td>Significant</td>
<td>18</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>3</td>
<td>2</td>
<td>0</td>
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<tr>
<td></td>
<td>No impact</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2. Shortage of raw materials</td>
<td>Significant</td>
<td>14</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3. Limited access to financial support</td>
<td>Significant</td>
<td>12</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>4</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4. Costs of technological application</td>
<td>Significant</td>
<td>11</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>7</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5. Employee disengagement</td>
<td>Significant</td>
<td>11</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>6</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>3</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6. Government administrative practices</td>
<td>Significant</td>
<td>8</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>6</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>7</td>
<td>2</td>
<td>0</td>
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<tr>
<td></td>
<td>Unaware</td>
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<td>0</td>
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</tbody>
</table>
5.4.1 Market Competition

As can be seen from Table 5.3, almost all respondents considered market competition to be a significant challenge to SME economic sustainability. More than two-thirds of respondents considered this factor a significant challenge. Only three SMEs considered it as having some impact. This indicates a critical element in hindering economic sustainability of SMEs. Input from government officials and industry representatives also indicated market competition as a primary challenge to SME economic sustainability. In discussing this issue, the arts and handicrafts company SM3 indicated that it was facing fierce competition from products from China:

*We are now challenged by the presence of Chinese products. Although a Chinese product’s quality as sold in the domestic market is not as good as the Vietnamese one, its price really beats our price. These products are sold everywhere in the market, and are even more popular than our products.* (SM3)

In addition, SMEs in manufacturing companies showed their concern about competition in supply of materials: low-quality and low-price materials from China were growing and were ‘crowding-out’ materials from ASEAN and European countries. Wooden chopstick making company SM2 particularly expressed concern that many newly established wood processing companies bought low-quality material from China in order to get higher profit from its finished product, and these low-quality or fake products, which were sold massively in the domestic market, affected the business of ‘decent’ companies.

Sharing a similar opinion, company SM8 disclosed its difficulty in competing with companies in other developing countries selling the same products:

*The market is not as large as it was. There have been more and more competitors in the market than a few years ago. Recently, garment enterprises from China, India, Pakistan, especially from China, are very competitive in terms of price.* (SM8)

Competition was also a challenge in the services sector. There was competition between domestic and international companies providing service products. Company SS2
explained:

_There are now many giant logistics corporations coming, for example DHL, TNT, etc., which have a strong history and experience in logistic industry. They actually crowd out Vietnamese logistics enterprises like us. We only share a very small market, which is just postal express services._ (SS2)

This is similar to results from policy makers and non-profit organisations, who proposed that this factor had a significant negative impact on SME economic value creation.

Similarly, policy makers and industry representatives (PM2, PM5, IR1, IR3) consistently highlighted that domestic SMEs faced price competition from foreign companies in both domestic and international markets.

Overall, it is argued that market competition is critically highlighted as a challenge to SME economic sustainability. Of the many issues around competition, price and quality are the two major challenges. It is also found that, in the price war, Vietnamese products are less competitive than Chinese ones. A possible reason for this is the price of input materials and the finished look of the products.

### 5.4.2 Shortage of Raw Materials

As shown in Table 5.3, limited access to raw inputs was considered to be a significant challenge for SME economic sustainability. Fourteen SMEs considered this factor as significant, second only to market competition. Only two respondents were not aware of the issue because their companies were small-sized service companies and one was newly established. Government officials and industry representatives also noted that shortage of raw materials was a significant challenge and it was more critical for manufacturing than for service companies.

Manufacturing enterprises, including textiles and garments, wooden furniture and handicrafts, reported their dependence on materials from foreign suppliers that made them ‘passive’ in choosing materials and planning their operations. In discussing this issue, respondent SM2 was concerned:
Chapter 5: Economic Sustainability

It is now very difficult to search for wood materials to maintain production. Prices of types of wood have increased by an average of 5 to 7 per cent, in particular hardwood has increased from between 30 and 40 per cent, making business fall into line. This has made our profit very low and there is even no profit sometimes. (SM2)

Also concerned about the shortage of raw inputs as it affected firms’ operations, company SM3 said:

Manufacturing becomes increasingly difficult due to shortage of raw materials. Raw material prices are now increasing. For example, for bamboo products, within two years the price has increased from 10,000 to 20,000 per tree, which is twice as expensive. Therefore, the company has to import raw material from China to meet several export orders. (SM3)

Similarly, most of the public policy makers and industry representatives highlighted limited access to raw inputs as a significant challenge for SMEs. However, two policy makers (PM2, PM5) and one industry representative argued that limited access to raw inputs created less of a challenge for SMEs in service companies compared to manufacturing, because they did not make much use of raw materials.

Overall, it has been found that limited access to raw inputs is considered to be a major challenge for SME business, especially in manufacturing. It is therefore necessary to find a solution in order to address this issue because manufacturing companies make up the largest number among the total number of enterprises. In addition, they are the way forward for economic development.

5.4.3 Limited Access to Financial Support

As shown in Table 5.3, limited access to finance support was considered a significant challenge to SME economic sustainability. Twelve out of 21 SMEs insisted that limited access to financial support was a significant challenge. Only three respondents from service companies were not aware of the difficulty because they did not seek financial support from financial institutions. Many SMEs found it difficult to access financial support from financial institutions. Requirements normally included the company’s profile, assets, liquidity and business performance. Results, however, revealed that
finance support packages were very difficult to obtain for small and micro business because they could not provide substantial proof of business capability in order to meet loan criteria. In contrast, government officials indicated that it was SMEs’ responsibility to understand fully loan conditions, which were relatively clear and accessible. Discussing this issue, company SM1 said:

In order to access the loan, the company has to prepare a very detailed company profile that proves the ability of paying debt through the valuing of assets and the company’s business situation. (SM1)

The owner-manager of SM5 indicated:

Being accepted for a money loan is not the final step. This is also because the interest rate is not favourable enough for my company to decide on this loan for manufacturing. As interest rate is so high at 12 per cent and above, I think even for a company that operates well, it could not cover the interest and the loan. (SM5)

With a similar perception, industry representative IR3 admitted that, although the government requested banks to support SMEs, only 30 per cent of SMEs could approach capital sources.

The results from document review show that loan with high interest rates affect companies’ operations and the economy. The average profit margin of manufacturing enterprises currently ranges from 10 to 15 per cent. Therefore, if the interest rate is higher or increases, company profit will reduce immediately. This can discourage business activities and the whole economy.

However, it was found that the causes were not only from loan conditions but also from inadequate information provided by firms applying for loans. In responding this issue, government official PM5 said:

In reality, loan conditions are established within firms’ capability – for example, proof of two years running business effectiveness, presence of revenue and profit by way of a financial report, a report of income and expenses, credibility of products, a persuasive loan plan strategy, assets, a plan for debt repayment. However, SMEs still complain that they find it difficult to fulfil these requirements. (PM5)
Overall, limited access to financial support is considered to be a significant challenge by the SME sector. Conversely, government policy makers argued that the requirements on firms for loans were designed to be within SME capability. Yet the majority of SMEs reported difficulty in accessing bank loans, regardless of government financial support through the banking system. Evidence shows that there are SMEs that can access loans. Thus, this is a disparity between the belief of government and the views of SMEs which needs further investigation so that financial support can be implemented effectively.

5.4.4 Cost of Technological Application

It can be seen from Table 5.3 that the cost of applying new model technology and machinery was considered a challenge to SME economic sustainability. Eleven SMEs highlighted this factor as significant. Seven respondents considered this challenge as having some impact. Their reason for this was not only based on the cost of purchasing new machines but also on training employees to work with them. Two SMEs in services companies did not consider costs of technological application as a challenge because their business operations did not use expensive technologies. Government officials and industry representatives also shared the opinion that cost of technological application was a significant challenge. They also revealed that this challenge did not in fact significantly affect industries that mainly depended on manual work. In discussing this issue, owner-manager SM7 reported the company’s difficulty:

*The new technological machine generation, which is manufactured in Europe, Japan or Italy, is more expensive than the ones manufactured in China. For example, European and Japanese machines are three times more expensive but they last longer and have fewer breakdowns. Certainly, Chinese machines are cheaper and wear out more quickly.* (SM7)

The policy maker in the Agency for Standards, Metrology and Quality (PM3) suggested that SMEs found it difficult in spending on new technological machinery due to their limitations in capital. In addition, most new technological machine generations were imported, and therefore the cost was high:

*Most of the manufacturing machinery is imported from China, Taiwan, Korea and Japan. The better quality the machines are, the higher the price*
is. In addition, it is costly after import tax, transportation fees, accreditation fees, maintenance fees. (PM3)

Two policy makers did not consider this factor a major challenge to all enterprises, because industrial sectors such as handicrafts or service providers do business in a very ‘traditional’ way, which either deal with human manual skills or run retailing shops (PM3, PM5).

Overall, it is argued that the costs of purchasing new technological machines is considered a challenge to SME economic sustainability, despite its role as discussed in the previous section. In addition, government policy makers acknowledge that this challenge can be significant for manufacturing enterprises dependent on a production line. There is little evidence that this issue is a challenge to companies whose business relies on manually made products or services. Therefore, this difference in opinion should be noted so that the government can consider providing appropriate support for different types of businesses.

5.4.5 Employee Disengagement

As indicated in Table 5.3, employee disengagement was considered a significant challenge to SME economic sustainability. Eleven SMEs considered it so. Six complained that it caused a negative impact on companies and only three did not regard it as having an impact on economic sustainability. Input from government officials and industry representatives also revealed that employee disengagement was a challenge because it affected firms’ efforts to manage their economic sustainability.

Many of the manufacturing enterprises expressed their disappointment in dealing with the unprofessional attitudes of their workers. The workers were said to be difficult to deal with because they held undisciplined and irresponsible attitudes, such as lack of care in protecting company assets like raw materials, working time and machinery. Company SM2 complained:

For instance, the installation team is given two days to install all kitchen cabinets for a customer. However, they often claim that they forget
accessories or, due to extra requests from the customers, that they cannot complete the work in two days and require the company to pay an extra day with an extra amount to finish the work outside the factory. If the company meets this request, they continue to do the same again. (SM2)

In addition, manufacturing owner-managers showed their surprise at the attitudes of workers, who were ready to quit their job even when they had not been offered a place with another manufacturer. Owner-manager SM6 said:

The company needs and has attracted many workers, but the stability of the workforce is not high. There are workers who are not very keen on sewing and working. They seem to be likely to change to other work where they think the income is more promising. (SM6)

Similarly, two policy makers regarded the disengagement of employees as significantly impacting on firms’ business. In particular, the representative of the Hanoi SME Association (IR1) cited labour mobility across regions that caused problems for the labour stability of firms:

Well, there is the fact of the mobility of employees across regions due to their satisfaction with travel and wanting to experience a different working environment. That movement is also following trends and peer suggestions. (IR1)

Overall, it is argued that employee disengagement is considered a challenge to SME economic sustainability. Such disengagement shows an informal and unprofessional working attitude which is relatively a risk to company long-term existence. Therefore, SMEs must bear this in mind in order to be prepared to deal with such attitudes. In order to ensure SME economic sustainability, it is recommended raising employee awareness and responsibility. In addition, managerial skills and leadership should also be addressed.

5.4.6 Government Administrative Procedure

As indicated in Table 5.3, administrative procedure was considered to have several impacts on SME economic sustainability. Eight SME respondents revealed that government administrative practices were a significant challenge. The other six
considered it as having some impact. The issues that were mostly complained of were the bureaucracy in government tax control, which was time-consuming in declaring tax liability, and making payments. In addition, respondents claimed that administrative practice was time wasted that they could have spent on their other work. Input from government officials and industry representatives also indicated administrative procedure in the tax payment system continued to create difficulty for SMEs, despite recent reforms.

Specifically, SMEs revealed that, even though there was a simplified tax payment process on-line, this remained incompatible across taxation offices and banks, which meant uncertainty in processing time for any payment reaching the National Account. Therefore, most of the time they physically attend the taxation office to declare liability and go to the National Account Office to pay the tax to ensure that it goes directly to the National Account. Owner-manager of MM1 was concerned:

*The procedure that the company needs to apply for tax declarations is exhausting. The company has to visit the tax office in order to know what to fill in in the tax form and application. Then, after filling in the form, we go to the Treasury to pay the tax. After that, we bring the proof of payment back to the tax office to get another approval for having already paid tax.* (MM1)

There was also an issue with local authorities. SMEs expressed their discomfort in working with the local authority which lacked professionalism and clarity and made the process time and resource consuming. Company SM6 said:

*Imagine that most of the time, when you need to certify documents, pay social insurance or any types of work relating to the local administrator, you will need to go several times. Even though we are very used to the procedure, every time we go there they request another type of document or indicate that we lack some sort of document.* (SM6)

In addition, administrative procedures also made firms unwilling to expand their business. Company SM2 expressed discomfort when they wanted to apply for an expansion of its factories:

*I have a plan for building another factory next to the first one. But it takes quite a lot of time applying for the approval from the local authority.*
Therefore, I am still wondering when I will realise this investment plan, because at the same time I still have to run the current factory, which is running quite well now. I do not want this to affect manufacturing because going for an application takes too much time. (SM2)

Similarly, industry representatives (IR1, IR2) highlighted that administrative procedures remained an issue for businesses. And the policy maker (PM1) reported that, although many administrative procedures had been removed, administrative practices remained burdensome.

Overall, it is argued that administrative procedure is a hindrance to SME economic sustainability. There is evidence that the government has attempted to simplify administrative practices. However, in order to evaluate the effectiveness of this simplification, SME comments must be considered. At the moment, current administrative practices are still complained about as problematic and time-consuming. Therefore, apart from government initiatives in reducing bureaucracy in administrative practices, it is necessary to focus on implementation to ensure effectiveness in administration.

5.5 Current Mechanisms to Overcome Challenges

The current mechanisms to overcome challenges have emerged from discussion with respondents, document reviews and observations in relation to the current challenges studied.

5.5.1 Current Mechanisms Used by the Government

On the part of government, providing supportive policies and programs appeared to be the main current mechanisms. To tackle the shortage of input materials, the government issued Decision 12/2011/QD-TTg in 2011 on the development of supporting industries (Government of Vietnam 2011a). This document provides incentives, such as land access, infrastructure, product supply network, import tax incentives, financial credit and labour training for enterprises producing materials for domestic goods production.
Another government focus to improve SME productivity has been technology. Policy maker PM5 from the Enterprise Development Agency stressed that government called on business to apply technology in order to foster the competitive position of Vietnamese SMEs in the region and to increase the number of firms applying high-quality technology by 10 per cent per year through training support for SME employees and managers.

In addition, further reduction of administrative practices included faster approval for new business registration, online tax payment, new portals for enterprises to look up information, submit enquiries and seek face-to-face consultations.

Policy maker PM2 looked forward to seeing the international trade agreement TPP as a means for Vietnamese SMEs to expand their market with leading partners, especially the United States. This trade agreement was expected to create market diversity and provide substantial input materials that together would help SMEs to grow further in the value chain and global production networks.

5.5.2 Current Mechanisms Used by SMEs

In the case of SMEs, they had made the most of their experience, networks, and knowledge in the field as essential to run business effectively and take advantage of trade credit in their networks. In addition, in order to expand their market, several solutions were applied, such as selling products over the internet or attending international trade fairs. In order to deal with the issue of employees leaving, enterprises revealed that they nurtured ‘chief’ workers who had the best working skills and experience (SM2, SM4, SM6, SS1, SS2). These employees were the ones that companies trust for their loyalty. In this way, these enterprises can handle the transition between old and new employees.
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5.6 Discussion and Answers to Research Propositions

The previous sections in this chapter have presented key findings of respondents’ opinions about the issues relevant to economic sustainability. This section discusses key findings and answers to the research sub-propositions.

5.6.1 Discussion and Answer to Sub-Proposition P1

P1. Various economic issues are likely to influence sustainable SME development in Vietnam.

Sub-proposition P1 assumes that various economic issues are likely to influence sustainable SME development in Vietnam. The associated economic issues attached to this proposition are financial benefits, long-term competitiveness and economic impact. In general, SMEs showed a high level of awareness of the importance of economic practices that constitute SME economic sustainability. This finding is consistent with previous studies’ propositions indicating that the primary objective of business is to create wealth and economic value for firms’ long-term survival (Ireland et al. 2001; Vandermerwe & Rada 1989). Given the core role of business, it is expected that SMEs would enhance entrepreneurial practices to create a competent and competitive private business sector.

In particular, the findings reveal that SMEs considered financial management and investment as important to achieve economic sustainability. The findings are consistent with research in business management on the impact of finance, profitability and investment in machinery and factories for SME economic sustainability (Loof & Heshmati 2008; March-Chorda 2004; Newman, Gao & Zheng 2015). Given the fact that there can be a time lag between investment, break-even point and profit from a firm’s decision on investment, SMEs must have determination to achieve long-term and serious business operations. This finding also discloses an activism among SMEs in participating in the supply chain (Nguyen & Freeman 2009). In addition, manufacturing medium-sized enterprises showed more concern about these activities than small and newly established ones. Therefore, there is room for the Vietnamese government to
facilitate and encourage business activities of medium-sized firms to maximise their economic value. It is also necessary to note the habit of using ‘cash’ in daily business activities among Vietnamese SMEs. This finding suggests that SMEs should habitually use bank transfers for business activities, which would be better for financial management. There needs to be more support to enhance core business management skills, such as financial management for new start-ups that show positive enthusiasm in doing business and product creativity.

The results propose that SMEs had a high level of awareness of their economic impact through income tax and fee payments and competitive product prices. This supports findings from previous research that SMEs provide a number of important socio-economic benefits to millions of people in Africa, Latin America and Asia, and contribute significantly to national revenue in many developing countries (Hilson 2002). A possible explanation for legal compliance is the seriousness of SMEs in operating legally and formally to avoid any risk of prosecution (Andreoni, Erard & Feinstein 1998; Stam & Verbeeten 2015). In addition, market competition can be a reason for selling products with reasonable prices. It is noteworthy that one company considered it was in their interest to cooperate with coffee farmers in supplying high-quality products so as to create advantage over other coffee retailers.

From the perspective of entrepreneurship theory (Chiles, Bluedorn & Gupta 2007; Pacheco, Dean & Payne 2010), several current practices taking into account internal long-term economic value and contribution to the economy indicate the likelihood that SMEs tend to actively transform themselves in pursuing economic sustainability. In order to transform to become a sustainable entrepreneur who is a value creator (Dunphy, Griffiths & Benn 2007), it is essential that an SME focuses on product innovation rather than only on product improvement.

Taking into account all available evidence from the interviews, documents and observations, various economic issues, including financial benefits, long-term competitiveness and economic contribution of SMEs, have influenced the path towards sustainable development of Vietnamese SMEs. Sub-proposition P1 is therefore largely supported by the evidence available.
5.6.2 Discussion and Answer to Sub-Proposition P4

P4. Key success factors, including the government and other stakeholders, play a role in promoting sustainable SME development in Vietnam.

Sub-proposition 4 assumes that the government and other stakeholders such as owner-managers, networked partners and employees play a role in promoting economic sustainability of SMEs in Vietnam.

The main role of the Vietnamese government here is in making and implementing policies that encourage SME economic growth and productivity, create a fair and competitive business environment, and promote decentralisation and collaboration with SMEs and supporting organisation in facilitating business activities of SMEs. In addition, in transition economies, government policies and leadership need to be predictable so that SMEs can adapt to the change.

The role of government: Results indicate that, although the Vietnamese government had several initiatives for providing research and collaboration, its role mainly emerged through issuing a series of policies but with a shortage of effective implementing mechanisms. Previous studies (Mair & Marti 2009; Puffer, McCarthy & Boisot 2010; Talmaciu 2012) indicate that governments in developing countries provide too many policies but are weak in enforcing and monitoring. A possible reason for this is due to limited capacity and efficiency of the government in dealing with shortcomings in an emerging economy. It needs to be noted that operating costs are increased by several factors, including cumbersome bureaucratic procedures, deficiency in coordination amongst administrative agencies, and poor and uneven enforcement practices. The implication of this finding is the possibility for numerous opportunities for unfair competition and corruption. Therefore, the results raise an issue for the government to deal with and improve the implementation process. Possible improvement can start with business licensing and registration, tax and customs procedures and investment approval.
Findings also indicate that the government showed its determination to promote SME economic sustainability by joining international trade agreements. This initiative suggests the government’s effort in reducing its monopoly by allowing the market self-regulating mechanism through business activities (Albareda et al. 2008; Murray, Haynes & Hudson 2010). The results reveal the government’s determination to promote SME innovation through the National Program on technological application and innovation in SMEs to the year 2020. The results confirm the primary roles of the government with respect to developing the SME sector that enhance investment and profitability and additional benefits while remaining a regulator (McKechnie 1995). A possible reason is that the failure of the planned-economy mechanism before 1986 has forced the government to open the market and reduce the intervention of government in the business sector. In addition, the wave of globalisation and a flat economy are unavoidable so that the country has to commit to internal institutional change in order to seize economic opportunities.

**The role of other stakeholders:** In addition to the role of the government, the results also indicate the role of various stakeholders in promoting economic sustainability. The findings strongly emphasise that owner-managers, employees and networked partners played extremely important roles in firms’ economic performance. Previous studies indicate that social structure and market factors have substantial impact on entrepreneurial activity (Fligstein 2001; North 1990). This is, therefore, in addition to government’s role in supporting economic practices, and it is essential to emphasise that various stakeholders in the supply chain are important and decisive in economic sustainability of SMEs.

The finding indicates that SME owner-managers played a decisive role for firms’ economic performance. This is consistent with Higgins and Mirza’s (2011) proposition that firms’ economic success draws heavily on knowledge capability of owner-managers who have autonomy over firm operations and activities. Additionally, the role of SME owner-managers is highlighted in the literature as one of the advantages of SMEs over large companies in terms of their dynamic, entrepreneurial and leadership style (Bos-Brouwers 2010). It can thus be suggested that managerial capability for Vietnamese SMEs needs to be enhanced so that they can demonstrate more entrepreneurial
behaviours that are in short supply in a transition economy. Further work is also necessary to identify detailed SME owner-managers’ entrepreneurial characteristics. This points to the desirability for a comprehensive capacity building program or policies addressing needed skills to contribute to SME economic sustainability.

Employees were also indicated to be an important stakeholder in firms’ economic sustainability. The findings are consistent with other studies proposing employee skills and capability are intangible assets of SMEs contributing to firm economic sustainability and to the whole country in cases where SMEs contribute to a large proportion of business and employment (Steenkamp & Kashyap 2010). In addition, the findings complement previous research by Evangelos, Angelos and Dimitrios (2013) on critical factors for SMEs’ effective implementation of ISO 9001. The research indicates that employee attributes, such as commitment, involvement, teamwork and rewards are the five most critical factors for quality management in the firm. Given the important role of employees, it is suggested that the quality of employees needs to be recognised and intensively emphasised so that they can make substantial contribution to firms’ economic sustainability.

As found in this study, recruiting and training was considered important factors for increasing employee quality. Previous research also highlights the needs of training and management support in order to provide awareness among employees so as to avoid their resistance to change (Bhuiyan & Alam 2005; Zeng, Tian & Tam 2007). In addition, this finding supports the proposition that there is a positive relationship between training and profitability in firms (O’Regan, Stainer & Sims 2010; Patel & Cardon 2010). Given the importance of this factor, it is argued that these findings can be included in strategic plans for profitability for SMEs that have an advantage in the availability of labour. A possible strategy is that SMEs can create and expand a culture of learning and creativity among employees. In this way, new knowledge and innovation in business operations can be fostered and become the fuel of the future of firm growth. However, given SME size constraints, in order to provide an effective framework in increasing employee capability, this requires the involvement of both firms and government. Government support can be direct, by establishing study and training centres for specific skills, or
indirect, by providing tax incentives for firms conducting short training courses for employees.

The findings reveal that clustering and networking also played an important role in facilitating SME economic sustainability. The findings indicate that knowledge and information obtained from networks with customers and partners have had an impact on manager’s decisions on making firm economic value. The findings support Foreman-Peck, Makepeace and Morgan (2006) that networking creating greater information acquisition and communication is associated with firm profitability. Another important finding was the assistance of networks in trade credits that facilitated SME operations. This finding is similar to the findings of Le and Nguyen’s study (2009) on the impact of networking on bank financing for Vietnamese SMEs, and proposing that trade credit and loans from networks are more accessible, convenient and sometimes cheaper than bank loans. A possible explanation for this lies in emerging economies where the underdevelopment of financial markets requires alternative sources of financing, such as from relatives, friends and partners in the supply chain. From an institutional theory perspective (Hoang & Antoncic 2003; Peng 2003), this suggests that networks play an important role in substituting for less than effective market institutions.

Despite effective use of network support from peers, the finding suggests a shortage of effective networks between SMEs and supporting agencies such as business associations and experts. Similar findings in previous studies indicate that limited networking between SME and training providers is due to ineffectiveness of the involvement of SMEs and institutional support (Kitching & Blackburn 1999; Li & Zhang 2007; Nguyen, Weinstein & Meyer 2005). Several possible reasons for this are the inadequacy of intensity and quality of supporting programs and the low level of awareness of owner-managers of the important role played by these agencies. Given the situation, it is argued that firms’ economic sustainability is very much influenced by managers’ networks in transition economies.

From the perspective of institutional theory, the role of government in supporting SME economic sustainability in the form of formal institutions has effects such as encouragement of establishing various business activities. Nonetheless, results indicate
that informal institutions such as networking and internal firms’ capability play more roles in facilitating SME economic practices. Although formal institutional structures can help firm reduce transaction costs, in this situation SMEs are faced with high transaction costs due to the inadequacy of such structures (North 1990). In addition, given the situation that more informal practices (networking, individual behaviours) are more helpful than formal practices in SMEs, this shows a weak policy implementation process, despite a large number of recently issued policies.

**Technology and labour market:** Regarding the level of technological application, the study found that SMEs did not pay substantial attention to R&D. The results show that the major purpose of applying new technology was to increase product quality rather than create completely new and innovative products. A number of studies identify that the majority of SMEs in developing countries only apply readymade technological innovation from more developed countries rather than investing in R&D themselves (Bos-Brouwers 2010; Chen 2009; Madrid-Guijarro, Garcia & Van Auken 2013). In addition, the literature identifies that high risk of innovative activities and a shortage of information limit firms’ commitment to innovation (Nieto & Santamaria 2010). Therefore, a possible reason for SMEs’ reluctance in R&D may be due to shortage of capital and being unsure about future market trends, with the result that they choose the option of taking advantage of readymade technology to avoid risk. An implication of this is the possibility that investment in management innovation may be less costly and time-consuming and more suited to their size. This result is not very encouraging because investment innovation affects firm competitiveness and, therefore, national economic performance. Given the large number of SMEs in the Vietnamese economy, deficiency in innovation investment likely makes the economy uncompetitive in the world market, resulting in the country’s weak economic performance. A possible mechanism by government to induce an increase in SME R&D expenditure is to provide R&D tax credits (Kobayashi 2014).

This finding shows that the Vietnamese labour market remains far from competitive. In transition economies, enterprises are under pressure of labour costs that limit labour productivity (Nesporova 1999). The quality of the labour force is too low and it has limited experience and skills. Only when the labour market offers many more options
can enterprises seek opportunities that are value-added by qualified workers. The shortage of a high-quality labour force is predicted in a transition economy because the market is expanding with many new industries and services. Therefore, the reallocation of labour from agriculture and low skill employment will be slow and require impetus from business entities. This is a two-way issue in a transition economy. However, in the situation where the government does not respond in good time, it is necessary that SMEs are pro-active in dealing with this. The findings indicate that SMEs accepted choosing unskilled workers they would train in order, over time, to catch up with the requirements of the market rather than waiting for the government to develop policies that improve labour quality.

Taking into account all available evidence from the interviews, documents and observations, the Vietnamese government and other stakeholders play a role in part in promoting sustainable SME development. Sub-proposition P4 is therefore partially supported.

5.6.3 Discussion and Answer to Sub-Proposition P5

P5. *There are challenges that have been hindering sustainable SME development in Vietnam.*

Sub-proposition P5 assumes that there are challenges hindering the path toward sustainable SME development. Key challenges found in this study were market competition, shortage of raw materials, financial constraints, cost of technologies and employee disengagement.

Results indicate that market competition significantly limited firms’ economic sustainability. The findings reveal that competition occurred in both manufacturing and services companies. Such competition includes Chinese low-price products and counterparts in the same industry. The findings are consistent with Tang and Hull’s (2012) proposition that entrepreneurial businesses in a transition economy are more likely to develop a wary attitude about competition in the market. Such wary attitudes occur possibly because the current regulatory system does not offer adequate protection
to SMEs. Another possible explanation is the close border between Vietnam and China so that many materials sold on the black market are easily transferred from China to Vietnam, and this leads to the market lacking fair competitiveness. This can also be due to the immature free market mechanism and limitations in SME internal capability.

Findings on Vietnamese SME cases indicate that shortage of material inputs used in production was a significant constraint for firms in meeting their planned targets. A number of studies indicate that transition economies experience the issue of increasing demand for material inputs and shortage of proper supply (Aulakh & Kotabe 2008; Minxin & Pei 2009; Mittal, Gandhi & Tripathi 2010). This difficulty in access to inputs occurs may result in increase in product price due to increased price of inputs. Vietnamese products have enjoyed competitiveness due to low price, but scarcity of raw materials may result in reducing this competitiveness. The literature indicates that Vietnam has a large number of imports, including machines and material goods for manufacturing. However, these material imports are mostly to serve the FDI sector and state-owned companies. Given the large number of SMEs and their important role in the economy, it is necessary to solve the material supply constraint in order to maintain the growth of this sector.

Financial constraints were highlighted as a significant limiting factor in SME economic sustainability. The finding is consistent with previous studies on SME constraints where financial constraint is highlighted as major constraint on economic growth (Canton et al. 2013; Fraser, Bhaumik & Wright 2015). The findings also support Hutchinson and Xavier’s study (2006) that claims that the growth of SMEs in developing countries is mostly reliant on internal cash flows and networks in comparison with firms in more developed countries. The reason for that may be due to the difficulty in accessing financial support from government, which requires government initiatives to further improve implementation of existing support policies. Moreover, one explanation may lie in levels of trust among managers in the network that facilitates SME short-term credit more quickly and reduces temporary financial constraint (Moro & Fink 2013).

It also reveals that costs of technological application and equipment for firm operation were another challenge. Regardless of the acknowledgement of benefits from
technologies according to respondents in this study, related costs, such as equipment purchase and skill training, were limited by firms’ resource constraints. The findings are consistent with previous studies on the use of technology and modern equipment in SMEs’ operations, which indicate that cost in adoption is a major concern (Jones et al. 2014; Simmons, Armstrong & Durkin 2011; Wolcott, Kamal & Qureshi 2008). Given the importance of technologies for SME entrepreneurship (Brinckmann, Salomo & Gemuenden 2011; Hashi & Krasniqi 2011; Lee et al. 2012), especially in a country in which many operations aim at exporting products, low levels of technological application may cause low productivity and competitiveness in the global supply chain. Therefore, focusing on technology should be highlighted as an issue for firms’ long-term performance.

The findings here reveal that the low level of commitment of employees, shown through their engagement with firms, was a typical issue. In manufacturing SMEs, another reason for staff disengagement was their personal interest in moving to another city, following encouragement from peers. Little in the literature has addressed the issue of job movement between industrial regions. Most literature on employee commitment discusses income, fair opportunities, keeping informed, etc., as drivers of staff engagement (Dalal et al. 2012; Gittell, Seidner & Wimbush 2010; Wu, Bacon & Hoque 2014). This study suggests that for manufacturing SMEs one of the main reason for staff disengagement was their personal interest, as described. This finding contributes to the literature of employee engagement for management strategy for maintaining staff and helps SMEs predict task performance of employees from their attitudes. One solution may include improvement of infrastructure to ensure socio-economic development in industrial areas. The basic infrastructure needed is creation of schools, hospitals and entertainment centres to retain the workforce within the area. The construction of such facilities could help reduce job movement of workers by satisfying people’s needs for schooling and basic needs.

Previous studies indicate that a favourable institutional environment will facilitate business activities and motivate entrepreneurship (Baumol, Litan & Schramm 2009). This study indicates that many institutional factors, including both external (shortage of raw materials, market competition and access to financial support) and internal factors
(firms’ limited capabilities) restrict firms’ entrepreneurial development. Such barriers indicate the absence of effective market-based institutions, and behind this are the ineffectiveness and control of the government (Broadman et al. 2004). In such a situation, firms are more likely to seek assistance from their own capabilities and alternative sources of assistance (Meyer et al. 2009). In this study, SMEs also confront internal constraints of finance and capabilities. As entrepreneurial development relies on the context in which it operates, the findings indicate that entrepreneurship in SMEs faces greater difficulties than in developed economies due to uncertain and weak institutional powers.

Taking into account all available evidence from interviews, documents and observations, many challenges have been hindering sustainable SME development in Vietnam. Sub-proposition P5 is therefore largely supported.

5.6.4 Discussion and Answer to Sub-Proposition P6

P6. The mechanisms used by both the government and SMEs need adjustments to mitigate the challenges.

In promoting SME economic sustainability, the findings indicate that the Vietnamese government has attempted to initiate institutional changes that enable non-state firms to emerge in the economy. The findings are consistent with previous research on the role of government in facilitating non-state firms’ activities in transition economies through changes in laws (Ring et al. 2005). However, such massive sets of policies, which were lacking in efficiency due to poor implementation and bureaucracy, created little support for SME economic sustainability. The findings are consistent with a study by Smallbone and Welter (2001) that proposed that such rapid change in laws and policies with institutional deficiencies can result in significant additional operational costs for business rather than creating additional value. Unlike findings from a study on transition economies (Smallbone et al. 2010) that indicated governments tended to permit entrepreneurship to exist rather than to promote its activities, the findings of this study indicate that the government has sought to promote entrepreneurship activities. This was shown it its internal reforms and actively joining free trade agreements that require the
economy to operate under market-economy mechanisms. But the findings also reveal government diffidence in realising this aim. In order to improve governmental work, it is necessary first to enhance the effectiveness of enforcement and monitoring. A possible adjustment can be the enhancement of openness and transparency, such as intensive application of e-government, so that SMEs can easily access and provide comments on the work of government.

Findings of this study indicate that, although SMEs have attempted to address their challenges, their efforts were nonetheless informal, given the findings that SMEs took advantage of their capability and resources, such as networks, employees and owner-managers capability. There is little evidence of their awareness of the advantage of their size. SMEs need to take advantage of their size, which is flexible, so that they can quickly adjust to change and opportunity. Therefore SMEs are advised to consider the idea of innovation in everyday production and products.

Hence, the mechanisms used by both the government and SMEs need to take into account the country’s institutional arrangements, market economy rules, global economic trends and the size of SMEs in relation to appropriate strategies to overcome challenges. Thus sub-proposition P6 is largely supported.

5.7 Chapter Summary

This chapter has presented the key findings on SME economic sustainability and discussion in relation to the research sub-propositions. It is clear that there was significant awareness about the importance of economic sustainability, apparent in financial benefits, long-term competitiveness and national economic contribution. SMEs have been active in managing their business activities to enhance economic wealth.

The findings reveal that, while the role of the government remained problematic for SMEs, management skills and networking have been influential in SME performance. Government efforts remain focused on issuing massive sets of policies. However, implementation has been neglected, to the detriment of SME economic performance. Given the inadequacy of government support, SMEs, in order to achieve economic
sustainability, have made the most of their internal assets. One of the key success factors has been managerial skills. SMEs have made the most of owner-managers’ skills in business organisation and management. SMEs’ relations with networked partners have also helped created advantage, especially in trade-credit and in sharing experience. In enhancing employee contribution, SMEs emphasised the need for training and recruiting skilled employees.

Challenges reported by SMEs included commercial conditions, financial constraints, employee disengagement and government practices. Domestically, SMEs have faced market competition, especially from low-priced products from China. They have also faced shortages of raw materials. Bank loan conditions remain difficult. Government administrative practices, despite recent reforms, remain burdensome and time-consuming.

SME entrepreneurial activities in this study were important, given the role of entrepreneurship in transitional economies in contributing to the establishment of market institutions. An incomplete legal framework and immature market mechanisms result in rising costs, including time and resources, which reduce SME economic efficiency. Formal institutions have been incomplete, and informal institutions, including the flexibility of SME owner-managers’ business relations, have played a greater role. Entrepreneurship in Vietnamese SMEs has been experiencing more difficulties than in developed countries where SME sector is supported by a complete legal framework. The next chapter presents findings on SME social sustainability and discusses these findings in relation to the research propositions.
CHAPTER 6
SOCIAL SUSTAINABILITY

6.1 Introduction

This chapter presents findings in response to the four research sub-questions about social issues. It focuses on i) how SMEs perceive social issues as an important aspect of a sustainable enterprise, ii) success factors including the roles of Vietnamese government and other stakeholders in promoting SME social sustainability, iii) challenges hindering SME social sustainability, and iv) mechanisms used to overcome these challenges. In addition to deductive themes generated from the structured questions, inductive themes have been obtained and analysed from the real experience and perceptions of participants. The final section discusses the key findings and outcomes in relation to the research propositions.

It was found that social issues constitute an important element of the triple bottom line in the SME sector. Equity issues, internal social improvement and social impact were key constructs to social sustainability. In order to achieve social sustainability, SMEs highlighted the role of the government and other stakeholders. The government attempted to issue social policies regulating firms’ social practices. Other key success factors were from firms’ internal capability, such as managers’ capability, HR practices and network supports. SMEs followed government’s regulations to ensure their legal business status. They also attempted to share employees’ personal difficulties when possible and were willing to give donations to local activities and to vulnerable groups in the community. Key challenges highlighted were employees’ low level of awareness, limited knowledge and information, limited access to finance and government administrative procedures.

Within resource constraints, SMEs cooperated with their networked partners to exchange experience in dealing with firms’ internal social issues and maximise their social contribution to the community. The government, in order to enhance its support for SMEs, continued to reduce administrative procedures. Only recently, in 2015, the
government provided support for firms engaging with social practices in the form of tax incentives. These will need more time for their effectiveness to be determined.

### 6.2 How SMEs Perceive Social Sustainability

This section presents findings relating to the elements that comprise social sustainability: equity, internal social improvement and the social impact of SMEs. Table 6.1 presents opinions of respondents about these.

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<tr>
<th>Table 6.1 Opinions of Respondents about SME Social Sustainability</th>
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<tr>
<td><strong>Level of Importance</strong></td>
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<tr>
<td><strong>Equity within a business</strong> (equal opportunities between employees)</td>
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<tr>
<td>Significant</td>
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<tr>
<td>Some impact</td>
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<td>No impact</td>
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<tr>
<td>Unaware</td>
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<tr>
<td><strong>Internal social improvement</strong> (training, labour rights)</td>
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<tr>
<td>Significant</td>
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<td>Some impact</td>
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<td>No impact</td>
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<td>Unaware</td>
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<tr>
<td><strong>Social impact</strong> (social conditions outside the firm)</td>
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<tr>
<td>Significant</td>
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<td>Some impact</td>
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#### 6.2.1 Equity within a Business

As indicated in Table 6.1, the need for equity within a business was considered a very important element in SME social sustainability. To ensure equity, firms needed to provide equal opportunities regarding hiring, training opportunities and distribution of income between employees. Sixteen of 21 SME respondents emphasised equity as either significant (11) or having some impact (five). Only three were not aware of the importance of equity: they did not think of this because of their small number of
employees. Government policy makers and industry representatives also highlighted the importance of equity in SMEs.

Most SMEs revealed that they did not prioritise male or female applicants. They added also that the balance between female and male applications tended to depend on the nature of the positions available. In an agricultural machine manufacturing company, MM1, there were more male applicants than females:

*The company’s recruiting policies do not differentiate male from female applicants. The second is, of course, depending on the particular job, there will be more male or female applicants. For example, the labour is predominantly male in hard work such as forklift drivers and truck drivers.*

(MM1)

Tourism company SS1 revealed that gender was not prioritised for recruitment; it was the experience of applicants as expressed in their curriculum vitae and demonstrated in a one-month ‘working trial period’ that determined whether they were suitable for the position.

Industry representative IR3 emphasised a similar view that there was not a problem of gender discrimination in the SME sector. Recruitment simply depended on the characteristics of the industry that matched potential applicants’ capacity.

In addition, a special supporting policy was reported to be available for female employees. Most respondents stated their compliance with the rules on female labour, such as maternity leave. Document review of the Labour Law approved in 2012 showed a clear provision: Chapter 10 on special rules for female labour regulated that maternal leave was extended to six months instead of four month under the previous law and they might be eligible to receive social benefits as regulated by the Social Insurance Law. In particular, female workers who participated in social insurance received social benefits that included a financial subsidy equivalent to two months’ salary and 100 per cent of salary during their six-month maternity leave (Government of Vietnam 2014e).

As observed from site-visits to companies MM2, SM2, SM4, although there was a difference in the number of male and female workers, the difference was not significant
Another issue relating to equity within a business was labour rights compliance of firms. All SMEs that reported compliance with wage distribution stated that working contracts were signed on the basis of mutual agreement between the company and employees. SM7 said:

*Normally we employ workers and require a two-month working trial. Within those two months, we normally pay 80 per cent of the normal wage. And this applies to all potential workers. (SM7)*

Two SMEs considered that the issue of equity in the companies did not necessarily have an impact on social sustainability. Company SS3 revealed:

*The company trains employees on the basis of who shows better attitudes to their task so that the training can be beneficial for both employees and the company; otherwise it is wasteful of time and money. (SS3)*

Policy makers revealed that equality among employees could help promote firms’ working environment and increase productivity. Policy maker PM4 stated:

*Equality is one of the important issues for firms’ existence. Employees are part of the company’s assets and this is something relating to human issues. Letting employees feel that they are being equally treated, therefore, is very important to avoid disappointment and disengagement to the company. (PM4)*

In relation to child labour, all SMEs insisted that they did not use it in their production. The findings indicated that there was no support for employing children under 15 years of age. As highlighted by a policy maker in the Council of National Sustainable Development (PM4), to use child labour, the company had to comply with child employment rules. These regulations required the firm to have a specific monitoring book, providing details of parents or guardian, registering with the Ministry of Labour-Invalids and Social Affairs (MOLISA) on the use of children under 15 years old working in enterprises, and having health checked before and after recruitment and every six
months. Therefore SMEs located in large cities did not recruit child labour because of a variety of other labour options and to avoid law violations.

Overall, equity in a business was highlighted as a very important factor contributing to social sustainability of SMEs. Issues considered important by SMEs included equal opportunity in recruitment for male and female workers, equal time in work trials and treatment for all employees, non-use of child labour and compliance with maternity leave rules. These findings are encouraging because they show evidence of consistent behaviour in addressing issues of equality and legal compliance in firms.

### 6.2.2 Internal Social Improvement

As can be seen in Table 6.1, many respondents showed a high level of concern about internal social improvement of SMEs. Sixteen of 21 SMEs affirmed training and labour rights compliance as important and 12 of these insisted these practices were of significant importance. However, two newly established SMEs with few employees did not perceive such importance or were unaware of the presence of these practices. Government policy makers and industry representatives also stated that internal social improvement in SMEs was very important for achieving firms’ social sustainability.

In relation to company policies to increase working skills, almost all SMEs insisted that their employees received training courses through types of workshops or tutoring from senior colleagues or line managers. SM8 reported:

> The company has policies for specific training for different positions. For example, for sewing workers the company arranges skilled and senior workers to train juniors for about three months. After this time, trained workers can work and operate independently with the machine. (SM8)

Exporting companies, such as wooden chopstick making, strongly emphasised training and legal obligations in company safety rules in order to ‘minimise the risk of working accidents’ (MM2). This practice was actually very important because it ensured efficient operations and friendly working conditions.
Service companies considered that their employees’ income, including salary, bonuses and tips, was above average, especially in the case of those whose work involved product sales or was on a project basis. They stressed that such employees showed more enthusiasm and determination to achieve their targets.

In discussing the responsibility of SMEs to their employees, most SMEs reported several, such as on-time salary payments, social insurance payment, trade union establishment and healthy working conditions. Company SM5 said:

_The company manages to pay social insurance for employees on time, which is agreed in the working contract, because it is regulated by laws and quarterly checked, and if we don’t, [the company] is heavily fined by local authorities. The fine is about 18 per cent of salary at the time of being caught. If the company is caught not paying a few months of insurance, we can be taken to court._ (SM5)

Regarding salary payment, almost all respondents reported that the salary was on the basis of mutual agreement between the company and the employees. It was agreed that it not be lower than the basis level of the local area as regulated by government policy. Textile and garment company SM4 stated:

_We pay the employee’s salary based on their sewing experience. A several-years experienced good sewer can earn up to 7 million per month. We also pay annual medical and social insurance to follow the government’s regulations. Other workers’ average wages are from 4 million to 7 million, with lunch covered by the company. Throughout the year, they are allowed to have a two weeks’ leave._ (SM4)

Similarly, information shared by porcelain and ceramics manufacturing company SM1 showed that the salary paid by the company was reasonable for the living standards in the local area:

_Our employees earn 5 million to 6 million per month. I think that is reasonable for the employees who live in the village, because they do not need to pay for house rent and transportation._ (SM1)

Company SM2 revealed that it even assisted employees with any personal difficulties:
It is very normal that sometimes employees are urgently in need of money and request to be paid the next month’s salary in advance. The company considers the situation for the request for salary in advance for them to tackle their issues, which might be treatment for illness or school fees for children, etc. (SM2)

In addition, as observed, most medium-size companies had guides for work safety, fire escape maps, descriptions of work and a function room, although small companies did not have such guides and instructions.

Policy maker PM3 argued that training and labour rights compliance in SMEs were extremely important because they directly affected firms’ productivity. In addition, industry representative IR3 added that social practices within the firm were helpful in stabilising operating conditions, eliminating the likelihood of sabotage and strikes.

Policy maker PM4 commented that, although it was regulated in law that employers must train employees about work safety and so on, only larger firms complied seriously for their own operational safety. Smaller companies did the training informally in the form of introductions and warnings. In addition, policy maker (PM3) said:

Although it is regulated that companies must organise a yearly health check-up for employees, in the private sector, very few companies take this rule as essential. The attention of firms to employees’ well-being is mainly shown through their visits to hospital or employees’ residences when they are sick. (PM3)

In government law and policies, social practices within firms are very strongly emphasised. Common issues of labour rights compliance are well regulated in recently approved laws such as payment of social insurance (Government of Vietnam 2014e), rules on social insurance for full-time, part-time and casual contracts (Government of Vietnam 2013c), and rules on healthcare insurance for employees (Government of Vietnam 2014d). Nonetheless, training issues in SMEs remain heavily dependent on firm capability and necessity and this is in need of formal regulation by government.

Overall, the issue of social practices to improve internal social conditions in SMEs was very important. SMEs strongly emphasised the need to implement these practices well
in order to maintain the stable operation of firms and avoid fines from the authorities. There was also evidence showing the positive relationship between firms and employees shown through their support for their employees’ personal difficulties. Policy makers and government documents also revealed serious consideration of this issue, as shown through a variety of laws and policies. However, there is still some limitation in ensuring that all these requirements are well implemented because of SMEs’ financial and capability constraints.

6.2.3 Social Impact

As can be seen in Table 6.1, many respondents consider social impact a significant element in SME social sustainability. Seven SMEs considered social impact to be of significant importance and highlighted their role in this activity. Seven considered social impact as having some impact on overall firm social sustainability. Seven companies, however, revealed that they had little awareness (five companies) or were unaware (two) of their role in having supporting activities for the local community. Government policy makers and industry representatives shared similar views that SMEs showed their willingness in contributing to social activities in the local community.

Considering their firms as having significant social impact, ceramic and handicraft manufacturing companies (SM1, SM3) reported their role in maintaining traditional skills for the village. Company SM3 advised:

*With a long tradition, rattan workers in the village, regardless of being men or women, can participate in a certain segment of the profession. Our company therefore, besides bringing economic benefits for the people here, also helps maintain and improve the traditional profession for the village, which is a source of pride for the people here.* (SM3)

In addition, the role of SMEs in introducing a new and safer way of producing organic coffee is considered to enhance knowledge of the community. With enthusiasm, the owner-manager SS3, a coffee wholesaling company, revealed her plan for collaborating with farmers in planting coffee: investing in domestic farmland and hiring coffee farmers to work and cultivate could increase the company’s product quality; ‘clean coffee’ ensured product quality, as well as safety for consumers:
As a coffee lover, I am not pleased with the way that many of the coffee products are not pure coffee. Therefore, my idea of producing a clean coffee has come. The coffee of our company is 100 per cent pure, no chemicals, no mixing of impurities such as corn, soybeans and black beans. It is carefully chosen from domestic prestigious providers, instead of buying from floating providers in the market. (SS3)

In discussing the contribution of SMEs to the communities in which they operate, industry representative IR1 considered that medium-sized companies in fact became more creative and involved other stakeholders in their operations to provide qualified products to customers than did small companies. Furthermore, this occurred more frequently in the area of exporting companies. Hence, it is found that company size and activities do indeed affect SME awareness of their role in the community.

SMEs (MM1, MM2, SM2, SM6, SM10) showed attention to organising events for children and scholarships for good students in local areas:

We organise several events in a year for local children, such as parties and gifts during the full moon and mid-autumn festival and scholarships for students with good study results in a school year. (SM6)

Industry representative IR2 also highlighted active participation of local SMEs in joining programs of the association, such as donating warm clothes for highland children, and books and education facilities for local schools.

The results from observations reveal that several common social activities in local areas were donations to community fundraising or organising events in local areas. There is a deficiency in activities that assist long-term development of local communities, such as providing free technical assistance using their business skills, being members of local committees of stakeholders and having strategies to share information with stakeholders about firms’ social engagement.

Overall, it is argued that social impact is an important element in constructing social sustainability of SMEs. Although social impact is not regarded as a primary concern for firms’ social responsibility, there is evidence that these practices are implemented, which shows SMEs’ good will. However, there are limitations in the types of activities that are
spontaneous and short-term. Given the possible role of SMEs in improving local communities, it is necessary to enhance the level of awareness and willingness of SMEs to provide long-term strategies to promote the development of local communities.
6.3 Key Success Factors Affecting SME Social Sustainability

This section presents respondents’ opinions about common success factors affecting SME social sustainability. As can be seen in Table 6.2, these common factors are managerial capability, recruiting and training, networking, economic integration, labour capacity, government support policies and technology and innovation. The elements presented in Table 6.2 are organised in descending order of importance.

Table 6.2 Opinions of Respondents about Key Success Factors Affecting SME Social Sustainability

<table>
<thead>
<tr>
<th>Level of Importance</th>
<th>Owner-managers (N=21)</th>
<th>Government Officials (N=5)</th>
<th>Industry Representatives (N=3)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Managerial capability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>11</td>
<td>2</td>
<td>2</td>
<td>Owner-managers’ personal values played a key role in enhancing firms’ social engagement.</td>
</tr>
<tr>
<td>Some impact</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2. Recruiting &amp; training</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>9</td>
<td>3</td>
<td>1</td>
<td>Training was very important, as it increased employees’ commitment to work.</td>
</tr>
<tr>
<td>Some impact</td>
<td>7</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3. Industrial clustering &amp; networking</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>Networked partners and firms in an industrial cluster learned from each other and together organised local supports.</td>
</tr>
<tr>
<td>Some impact</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>4. Labour capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>Employees’ attitude was important. Such attitudes could differ across geographic areas.</td>
</tr>
<tr>
<td>Some impact</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>5. Economic integration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>This depended on firms’ economic activities, domestic- or exporting-oriented, whether social practices were more needed.</td>
</tr>
<tr>
<td>Some impact</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>7</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>6. Supporting policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>Current policies neglected incentives to engage firms’ social practices.</td>
</tr>
<tr>
<td>Some impact</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>7. Technology &amp; innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>This was less important than other factors. Manual work tasks were more common.</td>
</tr>
<tr>
<td>Some impact</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>
6.3.1 Managerial Capability

As indicated in Table 6.2, the SME owner-manager’s role was considered to be a very important success factor for firms’ social sustainability. Eleven of 21 SMEs reported that the owner-manager’s role was determining social practices in the firms. Six said that they had some impact on implementing firm’s social responsibility. Only four considered that they either had no role (three) or were not aware (one) of their role, because their firms had not organised such activities in the local community. Government policy makers and industry representatives shared a view that managerial capability of SMEs’ owner-managers was the most important factor directing firms’ social practices.

The express delivery company SS2 showed willingness in inspiring employees by making them feel proud of the completed duties. The respondent also revealed that maintaining a harmonious atmosphere in the workplace led to reduction of employees’ unnecessary stress so that they were more productive and committed to the company. Furniture production company SM2 revealed its strategy in connecting employees to encourage closer relationships and mutual supporting:

\[
\text{In the company, apart from formal lessons, it is the tradition that senior workers instruct younger employees to improve their skills. I often have to keep an eye on the senior workers so that they provide proper instruction to new workers in detail. (SM2)}
\]

Having a different point of view, companies SM5 and SM10 said that the manager also needed additional involvement and enthusiasm of employees in ensuring social benefits, such as spending time visiting sick people and ensuring income fairness among employees.

Policy maker PM4 commented that internal social responsibilities, such as health insurance, social insurance and work safety, were regulated. Social responsibility at the local level, such as offering scholarships for good students and organising cultural events, was not compulsory. These activities were very much up to the personal values and motivation for social responsibility of owner-managers themselves.
As observed, apart from labour benefits regulated by law, most social activities of SMEs were organised through the leadership of the owner-managers. There was no evidence of clear or strategic plans on improving internal social conditions or assistance to local communities. There was evidence that owner-managers’ personal decisions drove social practices of firms.

Overall, it is argued that owner-managers play significant roles in determining social practices in firms. But this relies on the awareness and attitudes of these owner-managers, who decide the extent to which social practices can be actively implemented or whether they comply with laws at the minimum required engagement level.

### 6.3.2 Recruiting and Training

As indicated in Table 6.2, most SME respondents considered recruiting and training as an important factor for social sustainability. Sixteen of 21 considered recruiting and training as either significant (nine) or having some impact (seven) on social issues. Three did not regard the role as important and two others were not aware of the relationship between recruiting and training and social practices. Government officials and industry representatives emphasised that HR practices in recruiting and training could be important to firms’ success in implementing social practices.

In discussing the needs of recruiting and training for firms’ social sustainability, textiles and garments company SM4 highlighted:

*Making workers familiar with their workplace is our first lesson. Next, we provide them with general instructions for using machinery and remind them of the high cost of machines that are used in the factory. This is to raise constructive awareness among workers of the need for protecting company’s assets.* (SM4)

Service companies SS2 and SS3 highlighted that providing training was an opportunity where SMEs and employees could exchange views. This was found to help employees increase their commitment to the values of social responsibility of the company.

The representative of SME supporting agency IR1 added:
Recruiting is very important. Good attitude workers can minimise the likelihood of having unexpected circumstances in the factories, such as dishonesty or violations among employees. Training on working safety conditions is also very important. Many of the workers coming from rural areas are not skilful with automatic machines. Good training can help avoid unexpected accidents due to the lack of operating skills. (IR1)

Policy maker PM2 highlighted that the role of businesses was how to attract and retain qualified and skilled employees, which was in fact a social responsibility of SMEs in developing countries, in order to create more employment and reduce poverty. Also, he insisted that, in return, the enterprise that paid adequately and created fair opportunities for staff training, a health insurance regime and good workplace conditions would attract and maintain greater numbers of high-quality employees.

Additionally, findings reveal that, while most manufacturing companies only emphasised ‘job duties and skills’, service companies considered that recruiting the ‘right’ persons for the firm was important and provided ‘job advertisements’ with duty information and personal requirements. Most respondents said that, once the employees were recruited, the company would gradually educate and train them to match with the company’s ethical values.

Recent survey results by the Ministry of Labour-Invalids and Social Affairs (MOLISA) in 2013 on 24 SMEs in the footwear and textiles sectors show an increase in business revenue by 25 per cent, with labour productivity from VND34.2 to 35.8 million per employee per year, by way of implementing training skill improvement. Besides economic efficiency, businesses are also strengthening trust and reputation with customers, creating satisfaction and engagement of employees and attracting talented workers.

Overall, it can be argued that recruiting and training is an important factor contributing to social sustainability of SMEs. As training is offered to all workers about working safety and other benefits, employees become more engaged with companies’ values, including social practices. Thus, this helps contribute to firms’ internal social sustainability and solves other social issues.
6.3.3 Industrial Clustering and Networking

As indicated in Table 6.2, industrial clustering and networking were considered to be important for SME social sustainability. About half of the SMEs highlighted the important role of this factor in facilitating their social practices. However, of nine respondents, six did not regard it as important and three were not aware of an impact. Conversely, government officials and industry representatives considered industrial clustering and networking played an important role in firms’ social practices.

Company MM2 disclosed that it shared experience with networked partners in organising holidays for all workers, and joined in supporting local schools and the community.

...These are annual activities that several interested companies in this industrialised area together organise. (MM2)

In a similar statement, policy maker PM5 also highlighted how those companies in industrialised areas supported local social development through activities jointly organised by several companies:

This is not mandated by the government. These types of social activities come from the willingness of companies. Possibly the owner-managers feel their personal responsibility to help less advantaged groups in the area and I think it multiplies the value when many of them have organised social activities together. (PM5)

Overall, it can be argued that SMEs make the most of clustering and networking in order to better implement their social practices. The form of cooperation among SMEs in the industrial area in implementing support for the community in the local area shows SME good will. This kind of activity should be encouraged so that local community’ infrastructure and equity can be improved.

6.3.4 Labour Capacity

As indicated in Table 6.2, labour capacity was considered to have influence on firms’ social sustainability. Nine of 21 SMEs considered it of significant importance (six) or
having some impact (three). Of the remainder, SME respondents is as either having no impact (seven) or were unaware of the factor (five). Government officials and industry representatives highlighted the importance of labour capacity in which employees’ quality was critical for firms’ success in social practice implementation.

Among the SMEs considering labour capacity as of significant importance, company MM3 said:

*Labour capacity is indeed important. For example, in some years, we recruit very good attitudes and skilful workers. But in other years the group of workers are not as good. I think it also depends on the characteristics of the home town of the employees. For example, those workers who come from the central area are very hardworking, so we find it easier to successfully train these workers.* (MM3)

According to industry representative IR2, capability or ability of employees was very important to the social practices of firms. The reason for this was that employees’ reactions forced companies to fulfil their responsibilities such as salary increases, allowable leave and other social benefits.

In addition, as observed, the results reveal that the role of labour capability in firm was not very clear. Little evidence emerged that the voice of employees through their trade unions about overall social practices was strong.

Overall, it can be argued that labour capacity has some impact on social sustainability of the SME sector. There is evidence that labour capacity is a potentially significant factor, if this factor is strategically focused to enhance social practices of SMEs.

### 6.3.5 Economic Integration

As indicated in Table 6.2, economic integration was considered to have some impact on SME social sustainability. Nine of 21 SMEs considered it as either of significant importance (four) or having some impact (five). Seven did not consider this factor as having impact on their social practices. Five from domestically consuming-oriented companies were unaware of the presence of this factor for the application of social
practices. Input from government officials and industry representatives identified economic integration as an important opportunity that encouraged SMEs to implement social practices as required by foreign customers.

According to company SM8, this was very dependent on clients with whose commercial orders the company had to comply:

*The products of the company are made to the Japanese company’s orders which emphasises safe working conditions to avoid any risks of local law violation. To retain customers, we have to follow their request.* (SM8)

As policy maker PM2 commented, economic integration through many international trade agreements created opportunities for the formal application of social practices at firms. He also revealed that, although in the global trade market the concept of code of conduct was commonly applied, it remained new to many enterprises, especially SMEs. The reason for this was that SMEs were said to have fewer social issues to deal with compared to their large-size counterparts.

Industry representative IR2 indicated that economic integration was a ‘true opportunity’ for social sustainability. He added that market forces would make enterprises follow the global rules of social practices.

Nonetheless, policy maker PM5 was concerned that economic integration was not a significant factor as most SMEs were still doing business very locally:

*Although the number of SMEs is big, only a few are now trading with international partners and have really joined the global market. As a reason [for this], I do not think that the social practices that they are called on to apply in the world can quickly affect all SMEs.* (PM5)

As observed, most existing attention from the media and business associations was attempting to focus on the compliance of large enterprises and FDI companies, whereas the impact of economic integration on social practice implementation received little attention in domestic SMEs.
Overall, it can be argued that economic integration has some impact on social sustainability of SMEs. The extent to which economic integration has influenced the SME sector currently depends on firms’ economic activities, whether domestically or internationally. This suggests that the more firms participate in the global economy, the more the likelihood of their engagement with social practices will increase due to their need to comply with international trade rules.

6.3.6 Government Support Policies

As described in Table 6.2, most SMEs considered government support policies to have little impact on firms’ social sustainability. Only two SMEs considered the role of government as important in issuing effective policies that assisted social practices at their business. Many SMEs considered the factor either as having no impact (seven) or were unaware of these policies (five). Government officials and industry representatives indicated that the current laws did not perform optimally, because of a lack of incentives to encourage firms’ engagement. Company SM6 disclosed:

*The labour law actually forces companies to pay for extra working hours, social insurance, establish trade unions, etc. However, it does not provide clear incentives for companies who follow all of these rules. We manage to comply with all the rules in order to avoid unnecessary burdens and fines from local authorities. (SM6)*

Policy maker PM4 indicated that the Labour Law 2012 was a very good updated document that provided clear directions on aspects of labour relations in contracts, social insurance and extended maternity leave.

Industry representative IR1 was concerned that the laws were not taking account of all firms’ capabilities:

*Not all businesses can always satisfy all the rights of workers, such as training, retraining and raising the level of vocational skills. For small and new start-up businesses who only began operating with limited financial resources, the compulsory provision of ’training’ in the labour contract can be ‘too much’ for them. (IR1)*
The results from document review reveal that the government is studying several types of incentives for businesses that mainly employ female workers. Such incentives are income tax reduction such that increased expenses for female workers could be considered to be deductible in determining taxable income (Government of Vietnam 2015d).

Document review also reveals that very few government policies mention the need to enhance awareness and application of global rules of conduct represented in international standards such as SA 8000 and ISO 9000, so that SMEs can both appropriately implement the social practices and be likely to obtain these certificates for their market expansion.

Overall, it is argued that the government has attempted to engage SMEs with social responsibility shown in labour rights and recent introduction of tax incentives. However, the laws showed weaknesses in that SMEs’ resource constraints were not taken into account. Support in the form of tax incentives, which have been recently begun, needs more time for its effectiveness to be evaluated. At present, SMEs found government support insufficient for their social practices.

6.3.7 Technology and Innovation

As indicated in Table 6.2, technology and innovation are not considered important in contributing to SME social sustainability. Only two SME respondents considered it significant, given the reason that new types of machinery and working tools enhanced employee skills. Company MM1 concentrated on using technological upgrades in manufacturing. Service company SS4 used high-technology software in its business. But many SME respondents considered technology and innovation as having no impact (seven) or were unaware of its role (seven). Government officials and industry representatives also indicated that technology and innovation did not play a significant role in facilitating SMEs’ social practices due to the more common use of physical rather than high-tech labour.
Despite the low level of awareness of SMEs about the role of technology and innovation in social practices, according to policy maker PM1 technological applications became very important for reducing human physical effort and enhancing productivity:

*The application of technology in large companies is more popular and it engages more labour in the production chain. In addition, it helps increase productivity and also reduces physical effort. Therefore, I think applying technological operations can be visibly effective.* (PM1)

As observed from site visits to several manufacturing SMEs, most of the work still relied on physical and manual intervention.

Overall, it is argued that technology and innovation do not play a significant role in liberating employees from manual work or improving skills. A possible reason for this is the limited capability of SMEs in purchasing technological operation production lines, the small scale of operations and the availability of a labour force.
6.4 Key Challenges Affecting SME Social Sustainability

This section presents respondents’ opinions about common challenges affecting SME social sustainability. As can be seen in Table 6.3, these challenges are employee awareness, limited knowledge and information, government administrative procedures, limited access to financial support, market competition and limited access to inputs. The elements presented in Table 6.3 are organised in descending order of importance.

<table>
<thead>
<tr>
<th>1. Employee disengagement</th>
<th>Level of Importance</th>
<th>Owner-managers (N=21)</th>
<th>Government Officials (N=5)</th>
<th>Industry Representatives (N=3)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant</td>
<td>9</td>
<td>3</td>
<td>1</td>
<td>Employees had little awareness of their social benefits. They did not want to contribute to social insurance payment</td>
<td></td>
</tr>
<tr>
<td>Some impact</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Limited knowledge and information</th>
<th>Level of Importance</th>
<th>Owner-managers (N=21)</th>
<th>Government Officials (N=5)</th>
<th>Industry Representatives (N=3)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant</td>
<td>9</td>
<td>1</td>
<td>1</td>
<td>Shortage of information from government and other organisations made social practices inefficient.</td>
<td></td>
</tr>
<tr>
<td>Some impact</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>4</td>
<td>1</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Limited access to financial support</th>
<th>Level of Importance</th>
<th>Owner-managers (N=21)</th>
<th>Government Officials (N=5)</th>
<th>Industry Representatives (N=3)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>Financial constraints limited firms to implementing both internal firm and social activities.</td>
<td></td>
</tr>
<tr>
<td>Some impact</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>7</td>
<td>2</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>3</td>
<td>0</td>
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<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>Despite government attempts to cut red tape, it still discouraged firms’ social practices.</td>
<td></td>
</tr>
<tr>
<td>Some impact</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Market competition</th>
<th>Level of Importance</th>
<th>Owner-managers (N=21)</th>
<th>Government Officials (N=5)</th>
<th>Industry Representatives (N=3)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>Higher salaries offered by other companies affected labour retention. It more affected economic activities than social practices.</td>
<td></td>
</tr>
<tr>
<td>Some impact</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>8</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td></td>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Significant</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>Deficiency in inputs can affect a company’s operation. The company then could not guarantee a job for workers.</td>
<td></td>
</tr>
<tr>
<td>Some impact</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
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<tr>
<td>No impact</td>
<td>8</td>
<td>3</td>
<td>1</td>
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<tr>
<td>Unaware</td>
<td>7</td>
<td>0</td>
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6.4.1 Employee Disengagement

As indicated in Table 6.3, most respondents showed their concern about the low level of awareness of employees which limited firms’ realisation of social responsibility. Sixteen of 21 SMEs highlighted employee disengagement as a challenge to firm’s social sustainability: nine considered it a significant limiting factor and seven considered that it had some impact. Three SMEs were unaware of the factor as a challenge. Government officials and industry representatives shared similar views that employee disengagement was an obstacle for firms in implementing social practices.

In discussing company contributions at social aspects, company SM5 expressed their concern that the disengagement of employees affected the realisation of social responsibilities of the firm:

> Although the company has tried to treat all employees equally, they tend to increase their complaints and compare work and benefits among themselves. I must say that to create a friendly working environment for everyone is very difficult, as the employees now have a very low skill level but high level in demand of returned benefits. (SM5)

Notably, company SM2 revealed that the low level of the awareness of employees led to their refusal of long-term benefits:

> Sometimes it is about the workers who do not want to pay for social insurance, as this is taken from their salary. According to law, the total social insurance rate is about 30 per cent of the salary, of which the enterprise has to pay 17 per cent and the employee contributes 8 per cent. (SM2)

As revealed by industry representative IR2, this was due to the fact that many workers (the target of the Social Insurance Law) were not interested in participating in social insurance. Specifically, many workers who were casual and part-time labourers did not want to spend money from their salary to pay for the insurance.

Document review shows that in the whole country only 11 million people pay for social insurance, accounting to 70 per cent of the total number liable to pay for compulsory social insurance (VOV 2015).
Policy maker PM1 emphasised that in many cases the workers were not even fully aware of their basic rights to examine whether their employers complied with government regulations. Common compliance included satisfying minimum wages, working hours, social insurance, work safety, etc. In addition, industry representative IR3 claimed that the awareness of union officers, especially in small companies, was not a very efficient way to increase awareness of employees about their rights in ensuring that social responsibility was properly implemented.

Document reviews revealed that the low-level awareness of employees limited their ability to monitor enterprises in paying social benefits, working safety and work contracts. This is a popular issue in the media and social reports. In addition, evidence in official government reports revealed that inflation was the reason that employees refused to contribute to social insurance payments.

Overall, the low level of awareness of employees is a significant challenge to social sustainability of SMEs. This issue is one of the key challenges, as employees are the focus of the internal social improvement of firms. Therefore, the low level of awareness causes loss in employees’ social benefits and also loss in the government’s social insurance fund. Social insurance is one of the main pillars of the social security system. Therefore it is important to consider how government and SMEs can encourage workers to participate in social insurance.

### 6.4.2 Limited Information and Knowledge

According to Table 6.3, inadequacy of information was considered to be a significant challenge to the implementation of social practices in SMEs. Fourteen SMEs highlighted this challenge as either significant (nine) or having some impact (five) on their social practices. Government officials and industry representatives shared similar opinions that limited knowledge of SMEs regarding potential benefits of social practices hindered their engagement.

Companies interviewed claimed that they did not receive sufficient information regarding social practice requirements via formal channels such as newsletters or emails.
In particular, company SM10 claimed that more specific guidelines for social responsibility practices must be in place so that they could be well-prepared for changes:

Most of the information that we can find on the government website is just too general. What I think is more helpful are regular workshops to inform of new policies and new requirements of social responsibility practices that firms will need to comply in the near future so that we can actively prepare for any change. (SM10)

Company SM6 revealed that there was confusion between elements in laws and codes of conduct in social practices when he first attended a networked workshop on the code of conduct concept.

Similarly, the representative from SME support agency IR3 pointed out that not many SMEs were proactive in implementing social responsibility practices due to shortage of information on new policies and guidelines and slowness in the process of providing guidelines for new policies.

As observed, apart from government laws and policies in implying firm’s social responsibility, there were very few guidelines and policies encouraging SMEs to obtain international standards certificates. This therefore created a challenge for firms to familiarise themselves with sets of codes of conduct in order to be competitive in the global market.

Overall, it can be argued that shortage of information regarding social responsibility of firms is a key challenge to SMEs in order to formally implement these practices and catch up with the global market ethics requirements. This finding indicates a possible shortage of efficiency due to the delay in the policy launch program, specifically in spreading the information. In this regard, the greater the delay in information dissemination, the lower the benefits to SMEs, because such slowness affects ability to respond in a timely way to market needs.
6.4.3 Limited Access to Financial Support

As shown in Table 6.3, many respondents proposed that access to financial support from the government was a barrier to implementing social responsibility. Eleven of 21 SMEs considered this factor either to be a significant challenge (seven) or having an impact (four) on their implementation of social practices. Three revealed they never thought of using financial support to implement their social practices. Government officials and industry representative also indicated that financial constraint was a challenge to firms’ social practices.

In particular, most respondents cited the shortage of financial capital of firms that needed to prioritise compulsory operation activities, such as social insurance, salary and bonus as basic needs, and committed contracts with employees. As company SM10 revealed, it tried to organise other activities but this also depended on the company’s income at that time:

*Every year the company has to reserve funds for annual social activities within firms, such as a summer holiday for the family of employees, assisting sick employees and their parents, or annual paid leave. Because offering a fully covered holiday for the family package yearly is very difficult to cover, so the decision is dependent on each year’s income.* (SM10)

In explaining the effect of financial constraint on social practices, policy maker PM4 said that this challenge differed according to firm size:

*I think that financial constraint in SMEs affects their ability to implement internal social activities. Enterprises that are capable of dealing with both internal activities and local community activities often are medium-sized companies who have quite good financial potential.* (PM4)

Overall, shortage of financial resources presents as a significant challenge to SMEs, hindering all types of activities, including social practices. Although the importance of social practices is well understood, deficiency in financial resources and difficult access to financial supports make it difficult for SMEs to implement social responsibility.
6.4.4 Government Administrative Practices

As can be seen in Table 6.3, administrative practice was highlighted as a challenge to firms’ social engagement. Six of 21 SMEs considered this a significant challenge in terms of processing social insurance applications and benefits. Seven revealed they had issues in processing insurance applications. The remainder considered this challenge either as having no impact (five) or were unaware of it (three). Government officials and industry representatives indicated that government administrative procedure remained a challenge for firms’ implementation of social insurance tasks, despite recent government attempts to reform.

In discussing the company’s experience in working with government authorities to implement social practices, MM3 reported:

*The company’s accountant has to visit the social insurance local office many times to complete new applications and declare the groups of payments. First, he needs to meet the staff to be guided and understand the contents of the application, complete the form correctly, then download, print and fill in the declaration form to submit for the whole group of employees.* (MM3)

According to policy maker PM5, many administrative procedures had been reduced. Nonetheless, he also admitted:

*There are still a lot of procedures requiring papers and documents that get the work approved and solved slowly. It is one of the reasons that leads to many companies avoiding paying social insurance for workers.* (PM5)

As observed, the government has issued many policies in order to provide clearer steps in administrative procedures for social insurance. The most recent reform was the attempt for trial implementation of e-government in social insurance administration aiming to provide faster assessment and more transparency (Government of Vietnam 2015b). This practice is still under trial implementation.

Overall, administrative procedures are a challenge hindering the contribution of SMEs in paying social insurance and other social benefits for employees. Although government attempts have sought to reduce procedures, it is important to note that the
perceptions of respondents revealed that issues remained in the implementation of these policies. This factor can discourage SMEs from implementing social practices and could provide firms with an excuse for avoiding paying social insurance for their employees.

### 6.4.5 Market Competition

From Table 6.3, market competition was considered to create difficulty for firms’ social sustainability. Seven SMEs considered market competition as either a significant challenge (two) or having some impact (five). Six SMEs were not aware of this factor as a challenge. Government officials and industry representatives said that market competition was a concern for the proper implementation of social practices. Nonetheless, it was less challenging than other factors.

Company SM7 revealed that competition for skilled workers could affect firms’ intention of providing training:

> Due to the call of other companies, who offer slightly higher salary for the workers, it is possible that these skilled workers will leave the company. We find it very concerning, as once we have invested in training for the labour and they leave, this will affect other workers. (SM7)

In order to tackle the likelihood of employees leaving to work for other companies, SS3 revealed:

> The company is very clear at the beginning about the increased salary plan and bonuses to sales employees to make sure of their commitment with the company. The company also employs casual staff, and so we always have sufficient labour. (SS3)

According to policy maker PM2, competition between companies to attract skilled labour occurred as firms managed to reduce training costs. Firms, especially those medium- and larger-sized in the manufacturing sector, were most affected, because the loss of labour not only affected short-term profit and income loss also affected the change of labour structure, which resulted in long-term difficulties.
Overall, market competition does not have much effect on social responsibility of SMEs. Moreover, the challenge is more noticeable in companies whose workers are key assets and determine the company’s existence. Due to the possibility that workers may quit their jobs, there is evidence showing that SMEs have considered immediate plans to allocate work shifts in order to provide sufficient work for their employees and stabilise the company’s operations.

6.4.6 Shortage of Raw Materials

As shown in the Table 6.3, deficiency of input materials was considered to create less challenge to firms’ social engagement compared to other factors. Only two of 21 SMEs (SM3, SM11) considered this challenge as significant. Four considered it as having some impact. Eight considered it as having no impact, and seven were unaware of this challenge. Government officials and industry representatives also said that this factor had more effect on manufacturing than on service companies.

In discussing the impact of shortage of raw materials on firms’ ability to deal with firms’ internal social improvement, company SM11 revealed:

*Inputs supply is short during periods in the year. When it happens, the company has to reduce working hours and try to provide work tasks for all employees. In our company, the main income of employees is their monthly salary, and so maintaining them is to help them to keep their income and retain skilled workers for the company too.* (SM11)

As revealed by the representative of the SME industry, IR1, shortage of raw inputs was not severe for all businesses. In particular, he revealed that shortage of inputs resulting in less available work was a significant challenge to a firm’s product-making, because it discouraged engagement of skilled employees.

Overall, shortage of raw materials can be a difficulty for manufacturing firms because it is related to maintaining jobs for skilled workers. Hence this challenge has a negative impact on firms’ efforts in job creation as one of their social roles.
6.5 Current Mechanisms used to Overcome Challenges

Current mechanisms used to overcome challenges have emerged from discussion of respondents, document reviews and observations in relation to the current challenges studied.

6.5.1 Mechanisms Used by the Government

The study revealed that, in order to ensure social practices were well implemented at firms, the government made improvement to the Labour Law and related laws to protect employees. The government began to consider the need for economic incentives, such as tax reductions for firms using female labour, to encourage female labour and recruitment in business sectors (Government of Vietnam 2015d). To reduce red tape and facilitate the participation of firms and employees in social insurance, the government issued (Government of Vietnam 2015b) on electronic transactions in the field of social insurance and it initiated listed and transparent steps in solving issues related to social insurance. Nonetheless, this reform will take time to synchronise, through a complete electronic system, with other government administrative departments.

In addition, the findings revealed that joining the global market with strict regulation of labour rights could help increase workers’ social benefits and avoid firms’ reluctance on social issues. As revealed by government official PM2, in joining the global market with the most significant trade agreement, the TPP, Vietnam was the least developed of the 12 countries. Therefore, under the strict monitoring mechanism of this agreement, he believed that the country’s institutional framework needed to be very much improved:

*We need to meet the biggest change among TPP countries, including the legal system to meet the standards of this agreement. For example, in the field of labour, although labour standards here are based on the standards of the International Labour Organisation, nonetheless many provisions remain completely new. (PM2)*

The findings suggest that improvement and revision of the Labour Law should take into consideration international labour law and regulation. Many labour-related laws
(Government of Vietnam 2012b, 2013c, 2014d) have been revised and have addressed the country’s economic and social issues.

6.5.2 Mechanisms Used by SMEs

The findings indicated that there were several current solutions used by SMEs to deal with financial constraints in order to maximise firms’ social activities at minimised cost. In order to overcome firms’ constraints on achieving social sustainability, SMEs applied several tactics, such as reducing expenses in company camps, enhancing internal training and recruiting good-attitude workers. In discussing such solution, SM3, an arts and handicraft company, said:

*Instead of covering a family package for the whole company’s employees, year-end parties are organised at the company site that involve all the employee’s family being present to increase understanding and unification.*  
(SM3)

Although it was encouraging that SMEs have made efforts to maintain such social activities to address employees’ spiritual and entertainment activities, this could not solve the roots of challenges such as persistence of employees’ disengagement with social security payment. Therefore, it is argued that such mechanisms applied by SMEs are only able to overcome challenges for the time being, and this requires formal plans and regulations to tackle the obstacles at the root of the issues.

6.6 Discussion and Answers to Research Propositions

The previous sections in this chapter present key findings of respondents’ opinions about issues of social sustainability practices. This section discusses key findings in relation to the research propositions.

6.6.1 Discussion and Answer to Sub-Proposition P2

P2. Various social issues are likely to influence sustainable SME development in Vietnam.
Sub-proposition P2 assumes that various social issues are likely to influence sustainable SME development. The associated social issues are equity, internal social improvement and social impact. In general, the results reveal that SMEs showed a considerable level of awareness of the importance of social issues for firms. This finding is consistent with Pastrana and Sriramesh’s (2014) propositions that SMEs strongly perceive the need for implementing social practices for practical and moral reasons. Sharing a similar view, a study on Italian SMEs also indicates growing attention to the implementation of social practices motivated from the culture (Coppa & Sriramesh 2013). It can be therefore assumed that the implementation of social issues in SMEs has originated from cultural and personal beliefs of SME owner-managers. This finding is also helpful for understanding the possible drivers for social engagement of SMEs.

In particular, on the issue of equity, the findings reveal that SMEs have implemented common practices of equity in firms. The findings support previous studies indicating that SMEs have become aware of social issues, such as promoting gender equality (Font, Garay & Jones 2014) and eliminating the use of child labour, in order to avoid legal problems associated with labour rights (Khan, Munir & Willmott 2007). Stakeholder theory, which is a theory of organisational management and ethics, highlights the interests and well-being of those who can assist or hinder the achievement of organisations’ objectives (Phillips, Freeman & Wicks 2003). Under this view, equitable treatment which is based on the fundamental principle of equity will enhance values such as trust between firms and related parties (Azmat & Ha 2013; Freeman et al. 2010). Gaining trust from employees is believed to create value for their willingness to provide personal knowledge and information helpful to firms (Barney & Hansen 1994; Harrison, Bosse & Phillips 2010). This, according to Lamont (2002), helps nourish organisations and enhance entrepreneurialism. The possible outcome of this practice can be firms’ reputation and longevity. Therefore, in the case of a developing country deficient of entrepreneurial behaviours, the issue of equity is very promising not only for firms’ social sustainability but also for the country’s long-term competitiveness.

In terms of internal social improvement, SMEs have put effort into internal social improvement, such as job training, work safety, and social and health insurance. The findings reveal that the most consistent drivers for engaging in social responsibility were
ethical, cultural and economic values. These findings are supported by previous studies that propose that SMEs tend to pay greater attention to key stakeholders such as employees who create firms’ immediate value (Coppa & Sriramesh 2013; Hendry, Athur & Jones 1995). This study notably contradicts the study of European SMEs by the European Commission in 2002, which states that SMEs only pay attention to the external community and ignore internal stakeholders such as employees. The current findings also support other previous studies indicating that the relationships between firm key stakeholders such as employees are connected to financial performance (Berman et al. 1999; Delery & Doty 1996). Freeman and co-authors (2010) claim that stakeholder theory is compatible with Friedman’s (1962) maximising of shareholder value, since the only way to maximise value sustainably is to satisfy stakeholders. Accordingly, inspired employees are needed to improve firms’ performance. The welfare of employees was often cited as a major concern, showing a positive engagement by SMEs with social improvement. In short, internal social practices in which a major target is employees are very important. Therefore, this kind of practice should be promoted and improved.

Nonetheless, there is little evidence that indicates these social practices were emphasised as a strategy that helped maintain enthusiasm of both employees and owner-managers. In a study of Portuguese SMEs’ social practice adoption, Santos (2011) indicates that informal social practices are worth pursuing, despite their being unstructured and spontaneous, because this to some extent develops firms’ daily management. However, Battaglia et al. (2014) propose that only formal social instruments can play a significant role for firms’ competitiveness. Therefore, as this seems to be at an initial and exploratory stage, with an absence of detailed and planned strategies, it is difficult to firmly propose that current applied social practices can foster SMEs’ competitiveness. A further study with more focus on measuring the effectiveness of such informal practices is therefore suggested.

In terms of social impact, the findings reveal that there was a tendency for SMEs to pay attention to direct support to the communities in which they operate. However, most assistance was still limited to financial support to cultural activities and fund raising in local communities. The findings of this study support the results from a survey by Vives (2006) regarding social and environmental responsibility in SMEs in Latin America; this
found that SMEs have paid less attention to society at large. It could be argued that these social practices at local community level are less common than internal social practices which directly affect the business. Although these community-based activities were limited, they may help SMEs to create a good impression and better relations with the local community and public sector, thus creating trust and facilitating their business operations (Baden, Harwood & Woodward 2011). Given firms’ size and capabilities constraints, such activities are in fact encouraging. From the stakeholder theory perspective (Dunham, Freeman & Liedtka 2006), stakeholders are categorised into two groups, using the terms ‘cooperation’ and ‘collaboration’. The cooperation group includes those in the community who affect or are affected by the business; the collaboration group includes those on whom the business relies for support, such as employees, suppliers and customers. Thus, as argued by Freeman and co-authors (2010), maximising cooperation with the community is necessary to grow the business successfully. Nonetheless, the finding does not indicate a clear relationship between social activities in the local area and the firm’s competitiveness. Further studies that consider these issues would therefore be useful to explore the relations.

SMEs’ attempts to increase employee skills and society indicate entrepreneurial signs in which they have made the most of current resources to ensure firm performance and social contribution (Wang & Ang 2004). Nonetheless, the findings show little evidence of innovative practices in HR practice in the SMEs studied. Although there is evidence showing the integration of HR practices in training and increasing employees’ skills to increase productivity, these practices were mainly based on owner-managers’ experience and mostly dealt with companies’ goals at the time rather than planning for future targets. Thus, in terms of social sustainability, these firms are still only at the phase of being ‘value conservers’, according to the sustainability phase model (Dunphy, Griffiths & Benn 2007, p. 17).

Taking into account all available evidence from the interviews, documents and observations, various social issues have to some extent influenced the development of sustainable SMEs. Sub-proposition P2 is therefore partially supported.
6.6.2 Discussion and Answer to Sub-Proposition P4

P4. Key success factors, including the government and other stakeholders, play a role in promoting sustainable SME development in Vietnam.

Sub-proposition P4 assumes that government and other stakeholders, such as owner-managers, employees, networked partners, customers and competitors, play a role in promoting the social sustainability of SMEs.

The expected role of the government attached to this proposition is to make and implement policies that encourage social practices and fairness at firms, to ensure firms’ proper social engagement with global standards, promote decentralisation and collaborate with the private sector in facilitating the social practices of SMEs. In addition, in a transitional economy, government policies and leadership need to be more engaged with predictability so that firms can adapt to the changes that are occurring.

The role of the government: The results indicate that the government has demonstrated its role in the above perspectives. These roles included issuing supporting policies and reducing administrative procedures in promoting social practices. Nonetheless, there is little evidence in the current study which indicates that these policies were being applied efficiently and appropriately, considering the SMEs’ capabilities. In addition, the findings suggest a low level of social security and benefits that did not attract employees’ and firms’ participation. The findings are consistent with Hoivik and Shankar’s (2011) propositions that the government needs to lead the way in providing a policy framework to address SMEs’ social issues and demands. Given the fact that in Vietnam there is a population of 90 million, with approximately 70 per cent at working age and a large number of emergent SMEs (GSO 2014), improving labour quality and addressing social issues are very important. A possible approach, which has been applied in many developed countries in order to enhance policy efficiency, is a ‘soft intervention’ policy approach that aims to encourage companies to engage with major economic and social challenges facing the government (Albareda et al. 2008; Harrison & Rodriguez-Clare 2010; Joseph 2003). Under this approach, the role of government is viewed as collaborative with the private sector. This mechanism can ensure that SMEs are not only...
just forced to comply with laws and regulations but also actively implement these practices. The involvement of the private sector with the government in constructing policies would address practical needs and benefit business.

**The role of other stakeholders:** The findings indicate that SME owner-managers, as firm stakeholders, played a very important role in decision making regarding implementation of appropriate social practices by firms. The findings of this study are similar to the findings of Jenkins (2009) that owner-managers’ values are essential and powerful drivers for ethical solutions. In addition, the current findings support the study by Sen and Cowley (2013) on SME social performance, which indicates that decision making on social practices in most businesses was independently undertaken by owner-managers. Given the extent of the literature highlighting their role, it is argued that the personal values of SME owner-managers are very important in building social sustainability.

In addition, the study reveals that employees were another important asset driving SMEs’ social practices. This finding is similar to previous studies showing that employees have enormous influence on firms’ social sustainability (Collins et al. 2007; Davies & Crane 2010; Jenkins 2006). In addition, previous research indicates that the more employees are involved and understand the structure of their companies’ social responsibility, the more they contribute and value their work and organisation (Stawiski et al. 2010). Thus, it is argued that activities engaging employees will contribute to SME social capital and social relations (Adler & Kwon 2002). Several activities have been identified in this study. These activities are the adoption of a ‘soft’ approach (Davies & Crane 2010) in the way that mentors and peers encourage new employees to make themselves familiar with the new workplace. In addition, SMEs’ financial support to employees in special situations is considered as ethical and meaningful behaviour. Through these practices, firms can obtain employees’ loyalty and working motivation to compensate for their low resource strengths and thereby survive competition in the market. This finding, therefore, has an important implication for developing firms’ internal social sustainability frameworks.
The findings of this study also indicate that peers in SMEs’ networks played a role in contributing to firms’ social engagement. Previous studies indicate that this is especially true in newly emergent Asian economies such as Vietnam, where social network ties including friends and family are important to gain access to mutual support and advice for business operation (Hoang & Antonic 2003; Le & Nguyen 2009). It is therefore argued that social networks help spread knowledge of social issue management and belief in firms’ social responsibilities. This is an important finding contributing to the literature on business ethics model in Asian SMEs. This finding is also helpful to SMEs and policy makers in considering such success factor for SME social sustainability.

Other stakeholders that influenced firms’ social engagement were customers and competitors in the supply chain. The finding of this study complements the research by Yu and Bell (2007) on building a sustainable business in Chinese SMEs, whose business environment is quite similar to Vietnamese SMEs. The study assumes that the awareness of SMEs about social issues will be enhanced due to the force of globalisation. Similarly, SMEs are anticipated to have a higher level of involvement in internal social responsibility (Vives 2006). A possible explanation for this positive movement is that SMEs are receiving a growing amount of public attention. Such pressure comes from issues of culture and human rights and the impact of supply chain partners, which compel firms to take account of social dimensions.

Institutional theory highlights the role of both formal and informal institutions that influence firms’ performance. In the area of social practices, the study indicates that laws and regulations and personal values of owner-managers all affect social practices in SMEs. Furthermore, such informal institutions, including culture and social networks, play a more important role in creating success in firms’ internal social improvement.

Taking into account all available evidence from the interviews, documents and observations, the government and other stakeholders play several roles in promoting sustainable SME development. Specifically, the government has attempted to improve the legal framework for social practices through revision of laws, reduction of administrative practice and joining in international trade agreements, to show its engagement with international labour standards. Nonetheless, little evidence indicates
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the effectiveness of this practice. SMEs, on the other hand, manage to comply with government laws and regulations on social issues and to satisfy owner-managers’ ethical values. These practices are not implemented on the basis of formal plans. Sub-proposition P4 is therefore, partially supported.

6.6.3 Discussion and Answer to Sub-Proposition P5

P5. There are challenges that have been hindering sustainable SME development in Vietnam.

Sub-proposition P5 assumes that there are challenges that have been hindering sustainable SME development in Vietnam. The results indicate key challenges affecting social practices at SMEs, such as the low level of employee awareness, limited knowledge and information, financial constraints and government administrative practices. Market competition and shortage of raw materials were shown to have less influence than other factors in hindering SMEs’ social practices.

Low level of employee awareness was revealed as a hindrance to social sustainability of SMEs. The findings further support Roberts, Lawson and Nicholls’s (2006) study that SMEs’ employees are not interested in social insurance, despite their direct interests and even when it is regulated by law. This finding is notably contradictory to the findings of Baumann et al.’s study in 2013 showing that Swiss SMEs’ employees show a high level of awareness of social issues, in particular those who are strongly participating in global supply chains. A possible reason is that the low level of social benefits leads to employees’ refusal to participate in the social security system. Another reason is that the policy enforcement has gaps, creating opportunities for employees and firms to bypass the laws. In developed countries, where the social security system is effective, employees are more willing to participate. In addition, it is argued that the more SMEs participate in the global economy, the more social practices that companies have to comply with that also enhance the awareness of employees.

The results indicate that limited knowledge and information was highlighted as a challenge to firms’ social practices. The finding is consistent with Jenkins’s study (2006)
on the application of CSR practices at UK SMEs, which indicates that supporting organisations provide a confusing array of services that often overlap and are poorly funded. Given the finding and extant literature, it is argued that shortage of information and frameworks on social sustainability for SMEs are a common hindrance (Azmat & Ha 2013).

Financial constraints were indicated as a difficulty for SMEs in implementing social benefits. This study reveals SMEs had an assumption that adopting social practices increases their costs. This seems to be an issue in terms of awareness of managers who did not consider that social values as intangible assets, such as employee motivation, would increase productivity. Therefore, although SMEs have implemented a certain a number of social practices, they need to fully evaluate the pros and cons of social practices in their firms.

The findings indicate that government administrative practices were considered a burden on SMEs in implementing their social responsibilities. The finding is consistent with Baden, Harwood and Woodward’s study (2011) that indicates small business finds too much regulation as hindering them from complying with social practices. It is argued that this avoidance is due to potential high costs from too much added paperwork. A possible explanation for this perception is for two reasons. First, it can be resource constraints on SMEs that lead to their resentment about increased costs. Second, it can be ineffective implementation of government policies that results in negative perceptions of SMEs about social practices (Azmat & Ha 2013). In either case, government administrative procedure is argued to be a hindrance to implementing social sustainability. From the view of institutional theory, firms’ social sustainability will not be achieved solely by simply voluntary actions but also require the government and market forces to shape these practices (Brammer, Jackson & Matten 2012). In terms of firms’ voluntary actions, there is evidence indicating such actions in society through firm participation in cultural and charity programs at local community level. Government laws and regulations have also been created to ensure firms’ obligations to their social responsibilities. Nonetheless, such laws and regulations do not really facilitate firms’ social practices due to slow reform and weaknesses in implementing
processes. In addition, low-level awareness of employees and financial constraints also result in inefficiency of social practices, regardless of limited voluntary actions by firms.

Taking into account all available evidence from the interviews, documents and observations, there are challenges that prevent SMEs from social sustainability. Sub-proposition P5 is therefore largely supported.

6.6.4 Discussion and Answer to Sub-Proposition P6

P6. The mechanisms used by both the government and SMEs need adjustments to mitigate the challenges.

The results indicate that the government has still spent too much effort in issuing policies and laws to compel businesses to comply with regulation on social issues. Little evidence indicates strong collaboration between the public and private sectors in producing effective social responsibility frameworks. It is recommended that, in terms of social responsibility of firms, because this directly relates to firm’s benefits, it is necessary to widely consult with SMEs to avoid waste of time and resources of firms (Fox, Ward and Howard 2002; Loorbach & Rotmans 2006). In addition, the government needs to provide sufficient support to appropriate targets, depending on firms’ size and economic activities, so that the support is effective.

The findings show that policies were deficient in developing infrastructure to ensure socio-economic development in the industrial areas, such as the creation of schools, hospitals and entertainment centres to attract the stability of employees working for SMEs. The construction of such facilities could help reduce job movement of workers by satisfying people’s needs for schooling and basic needs.

The results indicate that SMEs attempted to overcome difficulties by way of their internal capability and resources rather than from the support of government. It is recommended that SMEs need to actively study government policies in order to adopt changes actively. In addition, little evidence indicates that SMEs have taken advantage of the role of related business associations in dealing with social issues. This finding
suggests that business associations did not greatly contribute to promoting SME social practices (Albareda et al. 2008; Midttun 2005).

Taking into account all available evidence from the interviews, documents and observations, the mechanisms used by both the government and SMEs need adjustments to mitigate the challenges. Sub-proposition P6 is therefore largely supported.

### 6.7 Chapter Summary

This chapter has presented the key findings on SME social sustainability and discussion in relation to the research sub-propositions. It is clear that SMEs were noticeably conscious of their necessary activities in achieving social sustainability, including equity, internal social improvement and social contribution to local communities.

The government has issued policies engaging firms with social practices through the continuous updates of the Labour Law, Social Insurance Law and other policies. Nonetheless, the absence of incentives and weak administration identified by SMEs resulted in inefficiency in policy implementation.

In addition to complying with government laws, SMEs’ drivers for these practices were to ensure firms’ stable operations and from owner-managers’ personal beliefs and values, yet they were only informally implemented. Despite this willingness, firms’ size and other constraints, including employee disengagement, limited knowledge and information, financial constraints and the inadequacy of institutional support, have made it difficult for SMEs to manage formal plans for improved social practices. This has clearly affected firms’ social goals, such as employee’s skill improvement, work safety and health conditions, despite the willingness of firms to address these matters.

It is evident that SMEs’ entrepreneurial values and stakeholder pressure had positive impacts on the implementation of social practices. At the present time, influence and support by formal institutions were insufficient to accelerate SMEs’ social practices. Therefore, despite firms’ signs of engagement with social practices, Vietnamese SMEs were only at the initial stage in the path of achieving social sustainability.
The next chapter presents findings and discussion on SME natural and environmental sustainability in relation to the research propositions.
CHAPTER 7
NATURAL AND ENVIRONMENTAL SUSTAINABILITY

7.1 Introduction

This chapter presents the findings relevant to the four research sub-questions about environmental issues. It focuses on: i) how SMEs perceive environmental issues as an important aspect of a sustainable enterprise, ii) success factors including the roles of the Vietnamese government and other stakeholders in promoting SME environmental and ecological sustainability, iii) challenges hindering SME environmental sustainability, and iv) mechanisms used to overcome these challenges. In addition to deductive themes generated from the structured questions, inductive themes have been obtained and analysed from the real experience and perceptions of participants. The final section discusses the key findings and outcomes relating to the research propositions.

Environmental issues are the third most important dimension of the triple bottom line. The study indicates that SMEs had some understanding of common environmental issues, such as efficient use of resources and energy, emission reduction and their operational impact on the environment. However, the roles of government and other stakeholders did not emerge strongly in facilitating firms’ environmental sustainability. The government, in order to maximise its role, introduced environmental protection-related policies that were complex and more easily adopted by large-sized enterprises. Given this situation, SMEs were reactive because they had to manage their compliance with these regulations. They sought to avoid fines rather than consider the prospects for business opportunities. The study also found that owner-managers’ personal motivation and their search for cost reductions were the key factors in existing active practices of protecting their health and ensuring green workplaces. Industrial clusters in the form of traditional craft villages were helpful in spreading new models of product making to protect the environment. Satisfying environmental requirements requested by foreign clients has become a way of increasing SME knowledge and their application of these practices. Financial constraints on and inadequacy of knowledge within SMEs have hindered the adoption of improved practices. Supporting policies, comprising incentives
and financial support for technological applications in waste management and recycling, were revealed as possible options to enhance SME environmental sustainability.

7.2 How SMEs Perceive Natural and Environmental Sustainability

This section presents findings from respondents’ opinions about elements that comprise natural and environmental sustainability. These include efficient use of natural resources, emission reduction and reduction of local environmental damage. Table 7.1 presents these opinions.

**Table 7.1 Opinions of Respondents about SME Environmental Sustainability**

<table>
<thead>
<tr>
<th>Level of Importance</th>
<th>Owner-managers (N=21)</th>
<th>Government Officials (N=5)</th>
<th>Industry Representatives (N=3)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsible use of non-renewable &amp; renewable resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>8</td>
<td>2</td>
<td>1</td>
<td>Drivers for efficient use of resources were cost and energy savings; and creating an environmental friendly workplace.</td>
</tr>
<tr>
<td>Some impact</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Reduce emissions of water, air, noise</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>9</td>
<td>3</td>
<td>1</td>
<td>Firms tended to comply with laws. Practices were unsystematic and informal due to limited awareness and finance.</td>
</tr>
<tr>
<td>Some impact</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Reduce local environmental damage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>Only a minority of firms focused on waste reduction and recycling to reduce costs. Others neglected this issue.</td>
</tr>
<tr>
<td>Some impact</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No impact</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Unaware</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

7.2.1 Responsible Use of Non-Renewable and Renewable Resources

As indicated in Table 7.1, the responsible use of non-renewable and renewable resources is considered of some importance by SMEs. Eight out of 21 SME respondents highlighted this factor as significant and another five considered it as having some impact. However, eight perceived it as having no impact (three) or were not aware (five) of the need for efficient use of natural resources in their businesses. Common practices discussed included reduction in use of electricity and recycling of waste and water. The input from government officials and industry representatives also shared the view that
responsible use of non-renewable and renewable resources was important in order to achieve environmental sustainability.

In discussing the issue, respondent SM10 revealed that the company indeed took into account the need to take advantage of natural energy:

> Our warehouse is designed with a very good ventilation system, so that we do not need to turn on all the fans and air conditioners during our operation times. In addition, the warehouse receives a good amount of natural light, so we can also save on the electricity bills. (SM10)

Highlighting the need for waste recycling, company MM2 discussed making efficient use of material:

> There is wood-chip waste after producing the chopsticks. We burn it to produce boiling water and use the hot water for the raw material cleaning process. (MM2)

Providing detailed reasons, wooden chopstick-making company MM2 emphasised that they did not purchase wood material from the ‘black market’. The reason was that proof of origin of materials must be available for their Japanese clients. In addition, tourism company SS1 highlighted that they always reminded tourists to be aware of their actions and to appreciate the natural environment, such as national conservation areas or historic locations.

However, two SME respondents (SS5, XSS) were among the five who were not aware that this practice could help protect the environment:

> We always need to remind people in the company to turn off the lights and air conditioners when they leave the room to cut down the electricity bills. And if this action is saving our planet, then it is good. (SS5)

Most of the policy makers considered the need for responsible use of water and energy. Specifically, policy maker PM3 described how reduction of energy use helped save operation costs, and thus this environmental practice was the most common practice among SMEs:
I think that most of the SMEs, especially manufacturing companies, are really concerned about their electricity bills, as it directly affects their revenue and productivity. (PM3)

Industry representative IR3 considered this practice as a ‘priority’ because it saved raw materials for production. Sharing a similar view, policy maker PM5 stressed the importance of efficient use of resources. He stated that this action should be noted, given that the natural environment was damaged due to the massive exploitation of natural wood forests and shortage of fresh water in big cities, as well as water for agricultural work in dry seasons.

Overall, there is some awareness of efficient use of natural resources. Nonetheless, the main drivers for such environmental protection behaviours came from a search for internal benefits for firms. The drivers were energy cost savings, creating an environmental-friendly workplace and making the most of natural and raw materials.

7.2.2 Emissions Reduction

Reduction of emissions is considered an important issue by SMEs. Nine highlighted reduction of emissions from their operations as significant. Six companies identified their emission reductions could be somewhat important for environmental protection. Three companies considered this action as having neutral impact and another three were not aware of this issue. Manufacturing companies in which manufacturing materials were natural-based emphasised reducing waste disposal in the environment. Government officials and industry representatives also considered that the reduction of emissions of water, air and noise was important but that firms did not implement this well.

Export-oriented companies acknowledged that, due to the strict requirements of destination countries, in order for their products to be accepted they had to minimise the use of chemicals in the production process. Company SM3 stated that their product-making procedure was environment friendly and one of quality:
To dye the slides of bamboo and rattan, some kinds of tree leaves are used for completely natural colouring. This is a completely natural colouring, no chemicals, environmentally friendly and the colour can last for 30 to 40 years. (SM3)

Porcelain and ceramics company SM1 changed to a new type of energy use for firing. Previous sources of energy, charcoal and wood, were changed to gas and discharged less toxic material as waste into the atmosphere.

In addition to change to a more friendly environmental energy source, proper waste treatment systems were also discussed, as these were considered beneficial for firms’ operations. Policy maker PM3 illustrated how firms’ properties were affected by waste:

Gas, dust, waste water directly affect businesses, such as causing machine and equipment to wear out more quickly, increasing maintenance, reducing productivity, incurring costs. Thus, ideally, manufacturing SMEs can invest in waste treatment systems… but most firms are reluctant due to the initial costs of a complete system. (PM3)

Although emission reduction was important, actions taken by SMEs were limited only to cheap and simple treatments. In discussing SMEs’ practices in reducing emissions to the local environment, policy maker PM4 responded:

Most of the manufacturing firms are using biological methods for water treatment as these methods are fairly affordable and common. The methods are easy to operate, save costs and ensure non-toxic wastewater output. (PM4)

In discussing the need for waste treatment and emission reduction, industry representative IR2 highlighted that levels of waste treatment were required based on firms’ activities, and it was necessary for waste to be categorised before discharging it into the environment:

Different types of firms produce different types of waste. Although preliminary treatment of waste is important, most of the companies do not take it seriously. (IR2)

Overall, emission reduction is considered an important issue by all groups of respondents. While SMEs provided evidence for their environmental protection
practices, policy makers and business associations’ opinions were not very optimistic about current practices among SMEs. Concerns of policy makers and business associations were that these practices remained unsystematic and informal. Such limited practices were possibly due to the low level of awareness and firms’ constraints. It may also be due to the ineffective role of various supporting organisations in ensuring legal compliance by SMEs and encouraging their willingness to consider the impact on the environment.

7.2.3 Environmental Damage Reduction

Not many SME respondents perceived environmental damage reduction as a priority. Only three considered this factor significant. Most SMEs considered this practice as having no impact (seven) or were not aware of the issue (seven). Common practices mentioned were the avoidance of any type of pollution, including noise, water and air discharge that affected neighbourhoods. Government officials proposed that this practice was important but it was not emphasised by firms.

One of the very few SMEs that considered the environment surrounding its business, company SM2, proudly stated:

We plant a lot of green trees around our warehouses, so that we can have fresh air, and they also prevent dust coming from both the inside and outside environment. Normally, I spend nearly ten hours a day at the company, so I really take it seriously to work and live in green area. It is more necessary for industrial areas like this. (SM2)

Wooden chopstick company MM2 stated that it divided waste into different categories:

The waste disposal area of a few hundred metres square is located at the back of the company, classified into two areas: normal/recycling and hazardous waste. We hire a waste disposal company to deal with unrecyclable wastes, such as chemical containers and plastic covers. (MM2)

Fertiliser-making company SM10 asserted that it paid special attention to following the government’s new rules about using material for manufacturing fertilisers:
We pay special attention and comply with government regulations on the use of these environmental friendly materials in production. We regularly get updated about the materials that are allowed to be used and which are not allowed any more. For example, there is a new rule that materials for making fertilisers that are toxic to the soil are not allowed to be used. (SM10)

Similarly, most of the policy makers and industry representatives highlighted the need for reducing environmental damage by SMEs because of their large number in the economy. However, they reported that environmental practices at SMEs resulted from the need to comply with government rules and regulation rather than from the willingness of firms to take action. Policy maker PM3 was concerned:

All manufacturing companies are requested to provide annual reports on environmental impact. Nonetheless, many companies ask for a delay in submitting these reports. (PM3)

As explained by industry representative of IR1, it was a worthwhile but not an urgent topic to discuss the issue with service-based companies, because their business did not produce that much toxic and high carbon waste in the natural environment:

Service industries, they're relatively light carbon footprint-type businesses. We often talk about the carbon footprint generally with manufacturing companies to find a way to reduce waste and costs. (IR1)

Document review showed that the government had begun to enforce policies requiring enterprises to provide four main documents and reports on waste management. Specifically, the policies require a profile of the types of hazardous waste, periodic reports of environmental monitoring, permission to discharge water into the public and reports on completing environmental impact assessments or environmental protection projects, if any (Government of Vietnam 2011b). However, these policies did not regulate specific requirements between micro firms and large firms.

Overall, not many SMEs were aware of the importance of environmental practices. The government provided a number of environmental management policies but also a lack of support in the form of tax incentives or funding. SMEs focused on internal waste reduction and recycling in order to reduce the costs of energy consumption and for a
healthier working environment. The use of environmental friendly products in a few companies producing fertiliser and handicrafts was in order to comply with the government’s rules regulating the use of non-toxic chemicals in production. Fostering these practices could reduce the damage to the environment from firms’ operations.
7.3 Success Factors Affecting SME Environmental Sustainability

This section presents respondents’ opinions about common success factors affecting SME natural and environmental sustainability. As can be seen in Table 7.2, common factors included economic integration, industrial clustering and networking, managerial capability, recruiting and training, labour capacity, supporting policies, technology and innovation. The elements presented in Table 7.2 are organised in descending order of importance.

Table 7.2: Opinions of Respondents about Key Success Factors Affecting SME Environmental Sustainability

<table>
<thead>
<tr>
<th>Level of Importance</th>
<th>Owner-managers (N=21)</th>
<th>Government Officials (N=5)</th>
<th>Industry Representatives (N=3)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Industrial clustering &amp; networking</td>
<td>Significant</td>
<td>9</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>8</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2. Managerial capability</td>
<td>Significant</td>
<td>8</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>8</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>4</td>
<td>1</td>
<td>0</td>
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<tr>
<td></td>
<td>Unaware</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3. Technology &amp; innovation</td>
<td>Significant</td>
<td>7</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>6</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>6</td>
<td>2</td>
<td>1</td>
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<tr>
<td></td>
<td>Unaware</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4. Economic integration</td>
<td>Significant</td>
<td>6</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>5</td>
<td>2</td>
<td>1</td>
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<tr>
<td></td>
<td>No impact</td>
<td>7</td>
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<tr>
<td></td>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5. Recruiting &amp; training</td>
<td>Significant</td>
<td>4</td>
<td>1</td>
<td>1</td>
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<tr>
<td></td>
<td>Some impact</td>
<td>6</td>
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<td></td>
<td>No impact</td>
<td>8</td>
<td>2</td>
<td>1</td>
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<tr>
<td></td>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6. Supporting policies</td>
<td>Significant</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>6</td>
<td>3</td>
<td>2</td>
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<tr>
<td></td>
<td>No impact</td>
<td>8</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7. Labour capacity</td>
<td>Significant</td>
<td>2</td>
<td>1</td>
<td>1</td>
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<tr>
<td></td>
<td>Some impact</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>9</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>9</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>
7.3.1 Industrial Clustering and Networking

As indicated in Table 7.2, the majority of SMEs highlighted the role of industrial clustering and networking as a very important factor. Nine respondents perceived networking as significant and the other eight considered it as having some impact. Three service SMEs did not consider industrial clustering as significant for their businesses (SS2, SS4, SS6). Government officials and industry representatives also stated the importance of this factor in facilitating SME environmental sustainability. Company SM10 specified the advantage of industrial clustering:

> We sometimes visit each others’ manufacturing sites in order to compare current operating and recycling systems to see how we can save more energy in the production. Some can be relevant to adjustment with our manufacturing processes, such as using some solar energy or natural light for the warehouse. (SM10)

Company SM1 stressed that it took time for almost all porcelain and ceramics companies in the area to change from using coal to using gas. It started with one or two companies and, after learning that the change was good, other manufacturing companies started to follow. Also, the respondent from ‘green and clean’ coffee SS3 showed her ambition to engage the company’s image of clean coffee, with suppliers’ benefits:

> With this good pace of our business, I think I will work directly with the farmers regarding coffee supply. I am thinking of cooperating with coffee farmers to plan and cultivate the coffee. In this way, I can be assured of good supply and also quality. (SS3)

Similarly, PM3 considered that industrial clusters helped increase environmental management effectiveness of the government in dealing with the issues of wastewater management, air emissions and toxic waste (PM3). Industry representative IR1 commented:

> The idea of environmental protection, learnt from networked companies, creates company image and attractiveness. It also shows ethical consideration of companies regarding the natural environment. (IR1)

Government document review shows that the government has started to call on collaboration between government organisations, environmental police and other
relevant agencies. The set of government policies encouraging environmental protection through the establishment of industrial clusters and economic clusters regulates firms’ responsibilities for environmental damage they create (Government of Vietnam 2013b).

IR2 reported the role as a supporting networked organisation:

*We consider our role as a bridge between SMEs and the ministries and other supporting agencies. This helps increase the number of SMEs getting to know environmental practices. Until now, the two drivers, cost reduction and better well-being, have been the most common.* (IR2)

Overall, it is noted that clustering and networking is a facilitating factor for environmental practices, especially in manufacturing SMEs. In grouping manufacturing companies, the government can provide timely support as well as easily control and monitor company activities. This suggests that industrial clusters help stimulate experience shared among manufacturers. It emphasises that companies grouped in traditional craft villages, such as ceramics, effectively learn new methods from each other. In other industries, firms began to consider cooperating with partners in the supply chain to provide green products.

### 7.3.2 Managerial Capability

Most of the SMEs considered managerial capability an important factor. Eight highlighted this factor as significant. Another eight stressed that it had some impact. One stated that he did not consider himself responsible for environmental protection. The input from government officials and industry representatives indicated that this issue was important to the success of environmental practice implementation. According to company SS1, owner-managers’ presence made employees more responsible about their energy use:

*Well, every time I am present at the company, people look at me and turn off the lights and other electric devices more responsibly.* (SS1)

Company SM2 pointed to the owner-managers’ role in making employees correctly sort waste:
I need to make sure that waste has been classified correctly and remind the workers anytime I see them not putting manufacturing waste in the right place. Last year, the company was fined thirty million dong because a few of paint containers were left open with no cover. (SM2)

Similarly, most of the policy makers and industry representatives also highlighted the role of owner-managers as significant at firm level:

The owner-manager is the heart of the company and will be very proactive in considering environmental sustainability issues associated with their business. So, to implement environmental practices more effectively, I think it first starts with them. (PM3)

In discussing owner-managers’ values and beliefs as important to protect the environment, IR3 emphasised it thus:

I think that companies who care about environmental issues are trying to avoid fines from local authorities. Recycling, saving electricity and water are primarily to reduce the cost of operations. Nonetheless, many manufacturing companies’ owner-managers want to show their pride in their company so they really have plans to build up a ‘green’ workplace. (IR3)

Industry representative IR2 asserted the role of owner-managers was very important because their decisions affected firms’ practices:

The old technological or second-hand machinery chain is much cheaper than the new ones. And of course the old ones will use the natural resources and materials less efficiently than the new ones. So here is a decision for owner-managers. (IR2)

Overall, owner-managers’ awareness was very important for driving a firm’s environmental protection direction. SME owner-managers’ good knowledge about the benefits of environmental practices could help firms to make proper plans.

7.3.3 Technological Application

Many SMEs considered technological application as important factor. Seven respondents categorised it as very important. Six highlighted it as somewhat important. Another six perceived it as having no impact and two were not aware of its role.
Government officials and industry representatives emphasised it as important but did not believe that it contributed much. For company SM5, the use of new materials helped reduce energy consumption:

*In our office, it was very hot during summer time. Since we began using window film protector, electricity consumed over the summer time has reduced by nearly 30 per cent.* (SM5)

In the product-making process, company SM2 described its application of new techniques for product finish:

*We now use an electrostatic powder spray technology to paint our products. We can adjust the amount of powder spray and it dries very quickly. The initial investment is equal to water paint. The finished products look glossy and are easy to clean. In particular, the process of painting can be done easily without using chemical solvents, and so are very environment-friendly.* (SM2)

Service companies reported that the internet and tablets were widely used in daily operations. Activities included marketing, storing itineraries and customers’ information, showing new designs on internet websites instead of printed catalogues, and updating stock and pricing lists. Tourism company SS1 and express delivery company SS2 disclosed their attempts to reduce use of paper in their business. Company SS1 also commented:

*Now we do business and exchange information by email. Documents that we deal with are now in the form of electronic forms, including a customer’s details, flight itineraries, hotel bookings, etc. For us, it is more convenient and reduces the cost for printing and stationary.* (SS1)

Many SMEs considered the use of available and cheap technologies to reduce environmental damage. No SME highlighted the assistance available from business associations as leading them to decide to invest in technology and equipment. Document review of business association reports disclosed an inadequacy of activities from these organisations: most conferences and seminars on environmental protection were targeted at large-sized and FDI companies.
Technologies are considered an important factor to help SMEs reduce their impacts on the environment. A driver for this practice cited by the SMEs investigated was primarily to reduce energy costs. Another driver was the convenience of the internet which created access to more customers. However, there was little evidence to indicate that SMEs invested in modern technological machinery and equipment for innovative products. The current technology applied was mainly categorised as inexpensive and common.

7.3.4 Economic Integration

As indicated in Table 7.2, SMEs perceived economic integration as an important factor. Six respondents highlighted it as significant. Five considered it as having some impact. Seven SMEs said that it had no impact and three were unaware of it. Government officials and industry representatives indicated that this factor did not play a significant role in facilitating firms’ environmental practices.

SME respondents (MM1, MM2, SM8, and SM9) reported that foreign customers set purchase criteria based on factors such as the origin of materials and environmentally friendly packaging. SMEs were reactive to environmental practices that were requested by customers:

> For us, to have a reason to manufacture and sell the products, that is dependent on the clients’ order requests, as long as the products bring us profits after subtracting all the costs related to environmental protection... It’s got to make us money, we’re in business and that’s what we’re here for.
> (MM2)

Small manufacturing companies (SM1, SM4, SM7 and SM8) commented that working with foreign partners took more effort to fulfil orders, especially with Japanese partners. SM8 identified that, once the company satisfied order requirements, it gained more contracts.

Industry representative IR1 noted the need for SMEs to meet formalised standards set by their clients in order to receive or continue contracts. These were, however, perceived as something for SMEs to deal with within their supply chain:
And increasingly for SMEs who serve large corporate clients, if they haven’t got a sustainability strategy or knowledge of their carbon footprint, they could well struggle to retain clients on a long-term basis... So there would be downward pressure, through market structural change, which is forced on businesses by large enterprises. (IR1)

Recent notifications and reports by MOIT and VCCI (2014) provided considerable information on the opportunities and challenges of sustainable products. For example, green and safety rules from foreign buyers can push SMEs towards producing green and clean agricultural foods and products. This is an opportunity to raise SMEs’ awareness about green practices. However, many SMEs would be ‘shocked’ if they lacked proper preparation for product-making processes that complied with rules about green products and food safety. For example, they could face the risk of technical barriers in trade and quarantine requirements from mature markets.

Overall, it is argued that pressure from foreign customers is important for SME decisions in applying environmental practices. This pressure has become more critical because Vietnam has joined the global market. Nonetheless, this factor was not strongly emphasised by every SME investigated.

7.3.5 Recruiting and Training

Table 7.2 shows that recruiting and training are regarded as having little effect. Only four SMEs considered this as significant. In contrast, eight mentioned HR practices as having no impact, because they were limited and unstructured. Three SMEs were not aware of the presence of this factor. Similarly, government officials and industry representatives did not regard it as significant at present. Company MM3, which regarded HR practices as important, mentioned training for employees:

*New workers are mentored on how to keep their working area clean and save energy. Then all of the workers are assigned responsibility for their own work area. They have to sort out waste and discharge in relevant waste bins.* (MM3)

In service companies, training for employees using the internet and software to record company’s sales instead of paper-based records was reported not to be an issue because
young people were very familiar with the internet and software nowadays. Policy maker PM2 was concerned that training for owner-managers was also important, because the concept of environmental practices was new:

*Training for employees is important... But training for owner-managers is more important. Once owner-managers have an understanding of environmental practices, then they can transfer their understanding to their workers.* (PM2)

For policy maker PM3, training for employees could reduce future costs related to environmental clean-up, internal control and ethics breaches:

*By training employees, managers can promote not only better and safer environmental practices for the workforce itself, but also have a positive effect on business partners and local communities.* (PM3)

Overall, training in SMEs is thus argued to be informal and to receive little attention. It is also argued that, in order to engage SMEs with environmental sustainability, it is not only employees but also owner-managers who need training. Owner-managers need to learn about sustainable practices in order to be competitive in the global market.

### 7.3.6 Government Supporting Policies

Very few SMEs noted the role of government in leading the sector towards environmental sustainability by providing supporting policies. Most of the respondents considered such policies as having no impact. Only three respondents considered policies were providing adequate support. Government officials and industry representatives also revealed that there had been attempts to issue environmental policies but firms needed more practical support to enhance their practices. Company SM9 commented:

*Our company has not found access to funds for environmental activities. Rather, we are always prepared for the environmental protection control group to unexpectedly come to in fact impose fines.* (SM9)
As company SM4 pointed out, government support was unclear; SMEs were more likely to seek information from the internet on environmental issues in the first instance, or be guided by their customers and business peers:

*In press releases and the various publications from the Industry and Trade Department, there are articles on the benefits of environmental practices but they are very few and general.* (SM4)

Sharing a similar view, company MM3 was concerned that:

*There’s no real one-stop shop for environmental advice from the government. All that we can do is to contact several government agencies, whether local government or central government, in order to find out information. There we can find information on registration for commitment to environmental protection, certification for environmental protection practices, or the ISO procedure application.* (MM3)

Policy maker PM2 emphasised that most SMEs complied with environmental regulations to avoid fines from local authorities rather than seeing these regulations as opportunities for their business.

Industry representative IR3 pointed to the importance of local government and regulation at the local level as particularly important; the organisation also gave advice to the government during the policy design phase, but current policies were more applicable to large firms than SMEs.

Document review showed that the government has developed policies. For example, business enterprises that discard waste and toxic waste have to pay environmental taxes and fees (Government of Vietnam 2014c). This Environmental Protection Law also regulates that, in the case of business enterprises exploiting local natural resources as business materials, companies have to register and contribute to a local fund for environmental rehabilitation. This new law has referred to the need to provide incentives for firms investing in environmental protection projects.

To date, more effort has been made to support SME environmental engagement, including a list of areas entitled to the prioritised assistance given to SMEs where SME
environmental activities are considered one of five prioritised criteria (Government of Vietnam 2015a). This is positive progress. Nonetheless, there is a delay in terms of policymaking: it has been four years since Government Decree 56/2009/ND-CP on assistance to SMEs was issued in June 2009 and the government continued to establish a development fund for SMEs in 2013 (Government of Vietnam 2013a).

Overall, the government has shown its role in promoting environmental sustainability in the business sector, but it has taken much time for the government to initiate determinations. Despite the commitment of the government shown in Agenda 21 (Government of Vietnam 2004b), which insists on the business sector as a focus for sustainability practices, implementation has been very limited.

### 7.3.7 Labour Capacity

Table 7.2 indicates that labour capacity or availability in the market did not have much impact. The majority of respondents reported their unawareness of this. Only two SMEs considered the availability of labour and its capacity and quality had a significant impact. Similarly, government officials and industry representatives did not regard this factor as important for firms’ environmental practices. Company MM3, one of two that considered this as significant, commented:

*Labour capacity is important, as we believe constructive attitudes of potential employees really affect our practices... Those who have good will are better than those who are reluctant.* (MM3)

Information from government policy makers and industry representatives also described the relationship between labour capacity and the success of firms’ environmental practices. Policy maker PM5 was concerned:

*Actually, I think the awareness of environmental protection in society is generally low... It is unsurprising that workers hired do not know about environmental practices.* (PM5)

In sum, despite abundant availability of labour in the Vietnamese economy, this factor does not have important effect. The findings highlight that overall awareness about
environmental practices in society was low and could not foster labour capacity in the labour market. It is thus argued that environmental practices in SMEs were very dependent on overall awareness about labour in the society.
7.4 Challenges Affecting SME Environmental Sustainability

This section presents respondents’ opinions about common challenges affecting SME natural and environmental protection. As can be seen in Table 7.3, common challenges are shortage of raw materials, access to financial support and costs, limited knowledge and information, employee disengagement, market competition and government administrative practices. The elements in Table 7.3 are organised in descending order of importance.

Table 7.3 Opinions of Respondents about Key Challenges Affecting SME Environmental Sustainability

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Level of Importance</th>
<th>Owner-managers (N=21)</th>
<th>Government officials (N=5)</th>
<th>Industry Representatives (N=3)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Limited access to financial support</td>
<td>Significant</td>
<td>9</td>
<td>3</td>
<td>2</td>
<td>Firms faced initial costs for investing in environmental friendly and carbon-free factories.</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>7</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2. Employee disengagement</td>
<td>Significant</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>Lack of awareness. They needed to be reminded of environmental practices frequently.</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3. Limited knowledge &amp; information</td>
<td>Significant</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>Very few available sources from government channels highlighted benefits arising from environmental practices.</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>4. Government administrative practices</td>
<td>Significant</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>It lacked clarity and detail in imposing sanctions. Officials with incapacity were in office at implementation level.</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>8</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No impact</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>5. Shortage of raw materials</td>
<td>Significant</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>‘Fake’ chemical materials affected the quality of products and damaged the environment.</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td></td>
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<tr>
<td></td>
<td>No impact</td>
<td>8</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>6. Market competition</td>
<td>Significant</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>There was very little market need for green products and this did not promote firms’ motivation to pursue such products.</td>
</tr>
<tr>
<td></td>
<td>Some impact</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td></td>
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<tr>
<td></td>
<td>No impact</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unaware</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>
7.4.1 Limited Access to Finance

As indicated in Table 7.3, most of the SME respondents emphasised limited access to finance as one of the most significant challenges. Nine highlighted it as significant. Another seven considered it as having some impact. Three were unaware of the obstacles posed by limited access to finance because they were not aware of the need for environmental practices in their firms. SME shortage of finance was crucial for adoption of greener technology and investment in innovation processes for greener products. Input from government officials and industry representatives also noted that financial constraints were especially significant for firms that were new entrants in innovation because of the cost of new technology and machinery.

Having discussed the change of manufacturing energy from charcoal and wood to gas, porcelain and ceramic company SM1 claimed that gas was more costly than coal and the increasing cost of energy affected the product’s price, which made them less competitive:

_The government wants us to move to using gas to protect the environment but has no support for the price of gas. In order to change to gas ovens, the company has to buy ovens that are suitable for gas use. At the same time, the company is dealing with the cost of gas and to make workers familiar with new ovens in terms of firing time, temperature adjustment, etc._ (SM1)

Most of the SMEs recognised that the cost of alternative energy sources was often higher than traditional ones, and therefore these alternatives were not attractive to SMEs. SM8 complained about the high cost of environment-friendly materials:

_We are thinking of replacing normal halogen lights in the warehouse with LEDs to reduce the electricity bill and be more efficient with the high ceilings in the warehouse. But the price for LEDs is several times higher than normal lights. To replace all the lighting system will cost a lot, about hundred of million dong for both the warehouse and manufacturing site._ (SM8)

According to policy maker PM1, costs was always a hindrance unless SMEs were persuaded about the relationship between cost savings, energy use and carbon footprints:
If alternative use of energy can help SMEs be more efficient, such as by reduced consumption of electricity, gas, fuel, this must be clearly shown to SMEs with evidence and numbers. Only through as much detail as possible can SMEs see if they can manage it. For example, discussion and advice about technologies can be a good option. (PM1)

Overall, financial constraint is always an issue for SMEs. Although firms showed their attention to environmental practices, they faced initial costs for investing in environment-friendly and carbon-free factories. Therefore, it is proposed that any advice by the government needs to take into account the financial constraints on firms in order to provide prompt support.

7.4.2 Employee Disengagement

Table 7.3 indicates that the low level of awareness of workers created difficulty. Fourteen SME respondents stressed this as a significant challenge (six) or having some impact (eight). Only four categorised it as having no impact. Government officials and industry representatives also indicated that employee disengagement was a challenge. In discussing such a low level of employee awareness, respondent SM7 was concerned that, even in daily issues, workers needed to be reminded about effective practices:

*Good cleaning-up in an employee’s work area is also about the issue of hygiene for workers... If I do not supervise closely, they frequently leave the waste from day to day before discarding it.* (SM7)

It was also reported that the ignorance of workers sometimes led to firms’ loss of income due to their being fined by the local authority:

*...the reluctance of the workers who did not cover the paint containers that time unfortunately led to fines in that visit of the local environmental authority. The company had to pay, but could not penalise the workers because we did not know exactly [who was responsible] and in what ways we could penalise them.* (SM2)

In explaining the low level of awareness of workers in companies, respondent IR3 asserted:

*Employee awareness differs across employee group. It is lower in the manufacturing sector. They are work-focused rather than paying attention*
Respondent IR2 provided several possible reasons leading to the negligence of workers in a firm:

*Employees really lack environmental awareness. This is due to deficits in clear understanding of the purpose of these practices in the workplace, such as cost savings, a healthy workplace or legal compliance... also the visible consistency of owner-managers.* (IR2)

Overall, it is argued that the low level of awareness of workers affects firms’ environmental practices and their cost savings. It is argued that the effect of this low level of awareness tends to reduce opportunities to participate in larger markets where rules about green and sustainable product-making processes are stricter.

### 7.4.3 Limited Knowledge and Information

Many SMEs disclosed that limited knowledge and information were a significant challenge to proper environmental practices. The majority of SME respondents struggled to identify a range of benefits apart from cost-cutting opportunities in reducing energy consumption. Respondents found it difficult to name formal sources of information and industry standards on environmental sustainability. Government officials and industry representatives highlighted this factor as one of the primary challenges.

Respondent SS5 revealed that she had heard about the concept of ‘sustainability’ and ‘green’ but was unsure what the specific guidelines or mechanisms were and what practical benefits the company would get. With a little more knowledge, company SM9 referred to the international environmental management standard ISO14001, although he did not detail the issues dealt with therein.

Policy maker PM2 proposed that almost all SMEs, especially small companies were unaware of or unsure about how being green entrepreneurs would bring them benefits because of their knowledge inadequacy. Another concern was the low level of awareness
among employees, who are frequently not attentive to environmental issues (PM3). Policy maker PM1 commented on the knowledge acquisition of SMEs:

> Very few SMEs acquire technological knowledge relating to environmental sustainability so that they can consider their firm’s skills and resources to apply into practice... as I mentioned earlier about the relationship of cost-cutting opportunities and new technologies. (PM1)

Presenting the difficulty in providing information to SMEs, industry representative IR1 said:

> The work of giving advice to our members is quite limited, because the environmental initiative and strategy from the government as applied in the business sector is still unclear. For businesses, we realise that the notion of environmental protection is not a primary driver. (IR1)

With a similar view, IR2 reported:

> In addition, it is lack of environmental impact assessments. We found it difficult to provide comprehensive consultation for SMEs about their environmental impact. (IR2)

As observed from government and business associations’ websites, there were few conferences and workshops provided by specialists and educators on the environmental sustainability of firms. Most conferences comprised discussion between experts and large firms, while very few workshops are specific and focused on SMEs. In addition, in the national statistics office website, most statistical reports and research were on an economic overview of SMEs. There was little evidence of eagerness and enthusiasm in environmental reports on SMEs on the part of government and NGOs. It is argued that public research institutes and industry associations have not paid substantial attention to the issue of SME environmental sustainability.

Overall, it is argued that limited knowledge and information in SMEs is a challenge to proper environmental practices, and this limits their competitiveness and access to potential market. In most cases, environmental practices were implemented as a personal interest without a range of formal and planned actions. This issue is argued to be also due to the inadequate attention paid by SME assisting organisations.
7.4.4 Government Administrative Practices

As indicated in Table 7.3, government administrative procedure was regarded as a challenge to firms’ engagement. Twelve SME respondents either emphasised this challenge as significant (four) or having some impact (eight). Seven considered this issue as having no impact on their companies. Government officials and industry representatives commented that administrative procedure remained a hindrance, despite recent red tape reduction. Interference from local government officials did not encourage firms’ environmental activities:

Every year, a delegation consisting of the local environmental division and board of the industrial area pays a visit to the factory and investigates environmental protection conditions. If they can indicate which part is not implemented as regulated, then administrative fines are imposed on the business. On our part, we just follow their directions and try to negotiate reduction to the minimum fine level. Normally the fines are imposed for not discarding and sorting waste in the right place. (SM2)

Sharing a similar concern, policy maker PM4 was concerned about the competency and ethics of local government officials:

The competency and ethics of local environment officials is an issue. As fines are decided based on a number of laws, which enterprises do not clearly understand, local groups of officials may take advantage of this and make trouble for firms by presenting a range of financial fines. (PM4)

Regulations on fines for businesses that create environmental damage are not very clear. In particular, there has not been a particular law regulating environmental damage of business in industrial areas – where there is a high level of concentration of businesses. Therefore, when sanctioning businesses in industrial zones, the local government’s decision is pursuant to a variety of environmental and administrative provisions (Government of Vietnam 2012c, 2014c) and other available legal instruments, which require capable and ethical officials for making appropriate decisions.

Overall, the issue of administrative practice is considered a challenge due to the complexity of policies and limited capabilities of local officials in ensuring environmental practices at firms. With an increase in the number of SMEs, this weakness
at implementation level makes it difficult to get firms to engage with environmental sustainability. This is particularly a disadvantage for firms when they consider undertaking environmental practices as a strategy for competitive advantage.

7.4.5 Shortage of Raw Materials

Many SME respondents identified shortage of raw inputs as a challenge to their green products manufacturing. Two highlighted such element as significant and the other five claimed that this factor had some impact. Six SMEs did not realise the presence of this factor. Government officials and industry representatives also indicated that shortage of raw materials was a challenge for firms in producing environment-friendly products.

SM11 claimed that the supply of natural and organic products was not great for production of organic products. Pesticides and fertiliser manufacturing company SM10 claimed that the increasing price of organic inputs and natural-origin materials made it difficult for the firm in competition with traditional chemical pesticides and fertilisers:

*It is difficult to access buying stable quality raw inputs to ensure a stable supply of organic products to customers. Many types of materials are fake, and of poor quality... Materials’ prices are now much higher in comparison to those in previous years.* (SM10)

Policy maker PM3 described the hindrance presented by the shortage of raw materials to producing high-quality goods in the domestic market:

*The thing now is that many exported products have received global recognition of satisfying environmental requirements as the raw inputs and materials are carefully chosen. What I am concerned about is the products consumed domestically, in which the origin of the raw inputs is not well-controlled, leading to low quality and environmental protection concerns.* (PM3)

Respondents PM4 and IR3 commented on the weaknesses of the government in controlling the quality of imported materials harmful to the environment:
It is difficult to manage and control the quality of the imported goods and materials of old or second-hand machines, materials in which there can be more toxic waste discarded into the natural environment. (PM4)

Tests to find out if raw materials are organic and authentic are difficult, as this requires techniques and capable officers. (IR3)

Overall, shortage of raw materials is a challenge for SMEs in producing genuine products that are not harmful to the environment and consumers. Also, the control of qualified raw inputs is revealed as ineffective as a result of the presence of fake organic inputs in the market. This can potentially result in the loss of domestic customers. Companies which attempt to produce organic domestic-made products can find it difficult to survive.

7.4.6 Market Competition

Table 7.3 indicates that market competition is not a significant challenge. Only two SME respondents considered it significant. The majority noted this issue as having no impact on their production. As identified by respondent IR3, market needs did not emphasise the ‘greenness’ of products:

Local consumers’ needs for eco-friendly products are not in place... They are keener on products at affordable price. SMEs who are struggling for product making in price competition can neglect their environmental responsibility because their primary goals are cheap products. (IR3)

Policy maker PM2 commented that, if this element disappeared, it could be beneficial for the environment and ecology:

I think that if there was competition for environmental-friendly products that would be good for the environment, but I do not think SMEs are leading the trend towards green products. (PM2)

Overall, it is argued that market needs for green products were not substantial. If these needs existed, they would create pressure on firms and have positive effects on firms’ environmental practices to produce green products. However, the findings indicated that
such competition in environment-friendly products was so largely absent as to fail to show its effect.

### 7.5 Current Mechanisms Used to Overcome Challenges

#### 7.5.1 Mechanisms Used by the Government

In addressing the current shortage of appropriate support, respondent PM3 discussed the government’s longer-term solutions:

> The government is proposing new laws and policies on environmental practices, especially those applied to SMEs, with economic incentives to encourage SMEs to participate in environmental protection. (PM3)

In addition to formal law and regulations, an industry association also managed to provide programs on efficient production that saved on input materials and costs. Respondent IR3 considered the need for improving the quality of information given to SMEs:

> We organised one course providing information on the benefits of recycled materials for packaging of products. I think by showing businesses that they can control an energy cost by managing their carbon footprint could change the way the businesses operate. (IR3)

Overall, very few mechanisms existed to enhance environmental practices. Most existing mechanisms between the government and SMEs were very informal. SME efforts in implementing environmental practices were to reduce operation costs. Government support was not yet effective and did not promote a strategic vision of making improved environmental practices a competitive advantage for SMEs.

#### 7.5.2 Mechanisms Used by SMEs

The findings indicated that most SMEs were not much concerned about mechanisms to overcome challenges. As revealed by respondent MS10, to reduce waste management costs the company managed to organise waste discharge by sorting toxic and non-toxic waste and recycled and non-recycled waste in order to avoid fines and more effectively
use materials. Furthermore, SMEs, without formal financial support from the government, self-organised to reduce energy use in their operations.

7.6 Discussion and Answers to Research Propositions

Previous sections have presented key findings about respondents’ opinions about environmental sustainability. This section discusses key findings in relation to the research sub-propositions.

7.6.1 Discussion and Answer to Sub-Proposition P3

P3. Various environmental issues are likely to influence sustainable SME development in Vietnam.

Sub-proposition P3 assumes that various environmental issues are likely to influence sustainable SME development in Vietnam. Relevant issues are the responsible use of non-renewable and renewable resources, the reduction of emissions into the air and water, and avoidance of environmental damages and risks. The results indicate that SMEs have some awareness of the importance of improved environmental practices. These findings are consistent with Jabbour and Puppim-de-Oliveira’s (2012) propositions that in developing countries SMEs have implemented environmental practices but they still need to plan it formally to make the most of these practices. A possible reason for this is shortage of information about possible benefits that limits achieving better contamination control (Zeng et al. 2011). Information should highlight business opportunities beyond a short-term focus, such as cost savings of energy and material use. It should enlighten SMEs about opportunities for market niche access and long-term competitiveness (King & Lenox 2001; Porter & Van der Linde 1995). In this way it can enhance awareness and lead to more formal and planned activities.

In terms of the responsible use of resources and reduction of emissions, the results suggest that active practices were implemented according to firms’ needs for ‘green’ factories. However, reactive practices were in place to ensure compliance with environmental policies promoted by the government. The findings indicate that current
practices aimed to reduce operational costs, avoid fines and ensure compliance with regulations. Moreover, active practices were due to the personal interest of owner-managers rather than assessment of economic benefits. In most cases, however, personal interest in environmental sustainability issues was only transferred to practices to a minimal degree (Masurel 2007). These findings are consistent with previous studies’ propositions that SMEs generally do not totally neglect environmental issues, and some express an environmental ethic in line with the idea of environmental stewardship through personal values (Gadenne, Kennedy & McKeiver’s 2009; Roberts, Lawson & Nicholls 2006; Williams & Schaefer 2013). This may be due to the increasing need to live in a harmonised environment to achieve better quality of life in the view of SME owner-managers. It may also be due to a result of being influenced by foreign partners and the spread of social media (Hoffman 2000; Sarkis, Gonzalez-Torre & Adenso-Diaz 2010; Sharma & Henriques 2005).

In terms of avoidance of environmental damages and risks, the results indicate that, in a comparison between manufacturing and services firms, manufacturing firms showed more evidence of environmental management exercises to improve surrounding natural environment than did services firms. To some extent, medium-sized manufacturing firms became more conscious of legal compliance, supply chain influence and potential benefits from environmental practices than did small firms. This finding is consistent with Uhlaner et al.’s (2012) proposition that, the larger the SME, the more likely it is to engage in environmental protection. It can also be suggested that the larger the firm, the more pressure from stakeholders, and also the greater availability of resources to encourage environmental performance.

From the perspective of sustainable entrepreneurship (Kuckertz & Wagner 2010; Schaltegger 2013), it is argued that Vietnamese SMEs have not yet achieved environmental sustainability. This is due to the lower level of efficiency of environmental practices in comparison with economic and social practices. The findings indicate inadequacy in firms’ focus on innovative activities to reduce environmental damage, apart from sparing or simple waste management actions. This would thus reduce their competitiveness and access to potential markets (Cohen & Winn 2007; Venkataraman 1997). Although there is evidence that informal practices inspired by
owner-managers were in place, these practices need strategic plans that integrate HR practices with firms’ performance to be able to transform them into sustainable entrepreneurs (Dunphy, Griffiths & Benn 2007). Given limited environmental exercises, at present SMEs are mostly in the phase of environmental compliance, which only makes them value conservers (Dunphy, Griffiths & Benn 2007).

According to the role of institutional factors affecting firms’ activities, such low levels of systematic practices among SMEs may be due to the shortage of government policies concerning sustainable firms (Baumol, Litan & Schramm 2009).

According to the limits-to-growth theory, reliance on informal environmental practices does not promote effective natural and environmental preservation (Masurel 2007; Scott & Willits 1994). Reduction in natural resources cuts the availability of raw materials for firm operations. Thus it may make businesses vulnerable and lead to decline in essential goods for human’s daily consumption.

Taking into account all available evidence from the interviews, documents and observations, the various environmental issues have some influence on the development of sustainable SMEs. Sub-proposition P3 is, therefore, little supported.

7.6.2 Discussion and Answer to Sub-Proposition P4

P4. Key success factors, including the government and other stakeholders, play a role in promoting sustainable SME development in Vietnam.

Sub-proposition P4 assumes that the Vietnamese government and other stakeholders, such as customers, owner-managers, networked partners and employees, play a role in promoting environmental sustainability.

The role of the government: The main role of the government is to make and implement policies on environmental practices in firms. These initiatives can include imposing environmental taxes, subsidising environmental businesses and encouraging firms to change their production technology, promoting decentralisation and
liberalisation of the market, collaborating with SMEs and supporting organisations in promoting environmental practices.

The results indicate that the government’s role relates mainly to waste disposal regulations and to taxes and fees. The perspective of the traditional role of the government has been intensively argued in the literature as a driving force and shaping environmental practices (Brammer, Hoejmose & Marchant 2012; Moffat & Auer 2006; Zeng et al. 2011). Given this role, it is argued that in transition economies the imposition of environmental penalties, fines and violation costs is important for setting the foundation for awareness of environmental protection. This also helps put pressure on firms to protect the natural environment. In addition, the government also needs to raise firm awareness, which assists policy effectiveness through firms’ voluntary actions.

The findings also reveal that the government has encouraged the incorporation of technology to enhance firms’ environmental protection but it has provided little support. Earlier literature indicates that government formal support for firms in their applying technology and R&D programs helps increase efficiency in the use of energy and inputs (Luiten, Van Lente & Blok 2006). Therefore the government needs to accelerate support for SMEs to facilitate improved environmental practices. Findings indicate that firms are attempting to apply new sources of energy for their operations but are at a limited stage due to constraints on finance resources. Only very recently did the government formalise encouragement and support that provided incentives and priority for funding access for firms that establish and invest in environmental protection projects (Government of Vietnam 2014b, 2014c, 2015a). This indicates the government has just started to become more involved in environmental practices in SMEs. In comparison with developed countries, which have been stimulated to find solutions to environmental crises that arose from the Industrial Revolution, developing countries are experiencing less pressure (Agusto & Castro 2009). Also, with an incomplete legal framework, support for SME environmental sustainability is not being emphasised.

**The role of other stakeholders:** The results indicate that stakeholders, such as networked partners, owner-managers and foreign clients, play a role in promoting environmental sustainability. The findings are consistent with the identified roles of
supply chain pressure and owner-managers as key tools to implementing firms’ environmental practices in other developing countries (Pastrana & Sriramesh 2014). The observed important role of owner-managers is consistent with studies in the literature which identify that owner-managers’ motivation affects decision-making in environmental practices (Aragon-Correa et al. 2008). This finding also supports the view that SME owner-managers’ style of decision making on environmental practices derives from a complex mixture of firm economic profits, their own education, the market environment, and attitudes and beliefs about their role in protecting the environment (Williamson, Lynch-Wood & Ramsay 2006). It is therefore argued that owner-manager mindset is very important for the realisation of innovation and HR practices for environmental protection. Given the idea of sustainable entrepreneurship, the ability to engage SME owner-managers with environmental practices can be a pathway for transformation into sustainable companies. In this situation, current firms’ performance remains insufficient, which requires more attention in enhancing owner-managers’ personal vision.

The finding identifies that employees were not voluntarily involved in firms’ environmental goals. This is consistent with Studer et al.’s study (2008) on SMEs in Hong Kong, arguing that employees have little contribution in improving their company’s environmental performance: weak participation was due to labour quality, represented through a generally low level of awareness and the absence of laws regulating firms and their stakeholders’ engagement with environmental issues.

From an institutional theory perspective (North 1990; Puffer, McCarthy & Boisot 2010), there are gaps that relate to formal institutions, shown in the absence of supporting policies and poor implementation, affecting environment-related business activities. Such voids create high transactions costs that prevent the emergence of markets that promote SME activities (Ananda & Herath 2003). Given such formal supporting institutional absence, SMEs will also find it difficult to improve HR practices concerning environmental issues because their limited resources and capabilities must be assigned to higher-priority business goals (Sarkis, Gonzalez-Torre & Adenso-Diaz 2010).
Overall, the findings indicate that Vietnamese SMEs have relied upon on informal institutions, including their own capabilities and networked partners, because of the weakness of formal institutions (Ahlstrom & Bruton 2002). Social norms, such as beliefs and cultures maintained by firms and their stakeholders, were not at a desirable level for accelerating environmental protection (Meek, Pacheco & York 2010). As entrepreneurship is a phenomenon that depends on context, such low influence of institutions results in a lesser likelihood of emergence of sustainable entrepreneurs (Davidsson 2003).

**The role of technological application** to reduce environmental damage from operation activities was considered but not highlighted as a strategic choice. The limits-to-growth concept considers that technology can relieve the constraint of natural damage (Meadows et al. 1974; Turner 2008). The findings identify that SMEs applied very modest technologies in waste management and recycling that would be less likely to make a substantial contribution to natural resource degradation and environmental protection (Fairoz, Hirobumi & Tanaka 2010; Klewitz & Hansen 2014; Tan & Tan 2005; Zorpas 2010). The government has just begun to promote environmental practices in recent laws and policies (Government of Vietnam 2014b, 2014c, 2015a). These policies regulate that SMEs that show their engagement with environmental practices and innovative technologies receive priority for funding access. The issue around this policy is how SMEs can afford to invest in innovative technologies, given their constraints on eligibility to enjoy such priority. Given this, efforts to use innovative technologies as a means to solve the problem of declining natural resources to maintain the growth curve are not in fact present.

Taking into account all available evidence from interviews, documents and observations, government and other stakeholders play a limited role in promoting environmental sustainability of SMEs. Sub-proposition P4 is therefore partially supported.
7.6.3 Discussion and Answer to Sub-Proposition P5

P5. There are challenges that have been hindering environmental sustainability of SMEs in Vietnam.

Sub-proposition P5 assumes that there are challenges hindering sustainable SME development in Vietnam. Key challenges found in this study were financial constraints, limited employee knowledge, government administrative practices and shortage of raw materials.

The results indicate that financial constraints have limited the implementation of environmental practices at firms in the case of the use of new technology and improved waste management. The findings are consistent with previous studies, that a shortage of financial resources is a deterrent to SME environmental sustainability (Biondi, Iraldo & Meredith 2002; Gerrans & Hutchinson 2000; Hillary 2004; Tilley 1999). It is argued that financial constraints present a challenge that needs to be addressed if SMEs are to deal with the costs of improved environmental practices.

Findings also indicate that only informal environmental management practices at SMEs were in place, due to limited knowledge and information. These practices were not systematic and strategic for environmental sustainability overall. It appears that SMEs had limited knowledge of current environmental legislation (Gerrans & Hutchinson 2000; Simpson, Taylor & Barker 2004), resulting in low levels of formal application. The lack of tangible action within the sector as a whole, however, does not always reflect the personal attitudes of SME owner-managers themselves. They may possess positive inclinations with regard to environmental initiatives, but they hold limited tools to implement anything more than informal ad hoc measures (Redmond, Walker & Wang 2008). Similarly, they may not have any methods by which to measure the impact of any changes on business performance. Without visible results, many SMEs may ignore, or abandon, the green imperative in favour of short-term survival.

The findings suggest a shortage of governmental capacity at the local level in that government was unable to provide specific guidelines for implementing environmental
protection in firm operations. The findings align with Jamali, Lund-Thomsen and Jeppesen’s (2015) proposition on the disparity between policies and realisation. It highlights that, due to bureaucracy and limited capacity of local officers, communication and collaboration were not effective between the government and SMEs.

Findings also disclose a noteworthy fact that shortage of accredited quality of materials caused difficulty in making ‘green’ products. This means that in the market there are not many suppliers of environmental-friendly materials. To improve this situation, it is necessary to increase the diversity of sources of material providers so that green product manufacturers are not affected by limited raw materials.

Institutional theory considers that formal institutions are an important support for firms’ entrepreneurial orientation (Bruton, Ahlstrom & Li 2010). Key challenges, such as limited access to financial support, government bureaucratic practices and shortage of raw materials, are the consequence of incomplete and weak formal institutions. Given the absence of strong formal institutions, the transformation of SMEs into sustainable and innovative entrepreneurs is likely to be very difficult.

Taking into account all available evidence from the interviews, documents and observations, there are challenges hindering environmental sustainability of SMEs. Sub-proposition P5 is therefore largely supported.

7.6.4 Discussion and Answer to Sub-Proposition P6

P6. The mechanisms used by both the government and SMEs need adjustment to mitigate the challenges.

Sub-proposition P6 assumes that the current mechanisms used by both the Vietnamese government and SMEs need adjustment to mitigate the challenges.

The results indicate that the government’s attempts to provide mechanisms to reduce the constraints of current challenges were not apparent to SMEs. The findings indicate that current laws and policies were more applicable to large enterprises and this suggests
that activist organisations and non-governmental organisations did not pay much attention to giving advice to policy making procedure (Aremu & Adeyemi 2011; Lewis & Cassells 2010; Vives 2006). It is argued that the current mechanisms need further adjustment in order to properly address environmental problems in SMEs, with emphasis on their constraints in technological adoption as an example (Ongori & Migiro 2010). Currently, it is argued that government institutional pressure often leads to environmental compliance that is reactive and less beneficial than active actions that follow from firms’ entrepreneurial willingness (Spence, Gherib & Biwole 2011). The findings suggest that environmental policies did not enlighten SMEs about the benefits of environmental practices. Rather, such attempts were perceived as burdensome and inappropriate. This finding is consistent with previous views in the literature that environmental practices regulated by policies appear as threats rather than opportunities (Williamson, Lynch-Wood & Ramsay 2006).

SMEs, limited by resources and knowledge, were diffident about finding a mechanism to overcome these constraints. The findings also further reveal that SMEs saw more economic opportunities in pressure from customers than from government, which was indeed supposed to encourage SMEs to see environmental practices as opportunities. In this regard, further consultation is needed for the government’s policymaking decision to provide more appropriate support for SMEs. Previous literature indicates that shortage of proper knowledge of environmental practices leads to low levels of commitment and application in SMEs (Govindan et al. 2014; Parker, Redmond & Simpson 2009). Given the fact that SMEs are strongly embedded in the local environment (De Clercq & Voronov 2011; Jenkins 2006; Lahdesmaki & Suutari 2012), it is suggested that focusing on green products for local consumption may be a strategy to adopt. In addition, given the results from this study that SMEs enjoy experience and support from their peers, it is recommended to use networking as one of the main means to expand environmental awareness by having several typical models of SMEs that have been successful in taking advantage of environmental practices for competitive advantage, locally and internationally (Bianchi & Noci 1998).
Taking into account all available evidence from the interviews, documents and observations, the mechanisms used by both government and SMEs need adjustment to mitigate the challenges. Sub-proposition P6 is therefore largely supported.

### 7.7 Chapter Summary

This chapter has presented key findings on SME natural and environmental sustainability and discussion in relation to the research sub-propositions. It is clear that SMEs were somewhat aware about environmental practices, including responsible use of natural resources, emission reduction in relation to discharge into the air and water and environmental impacts on local areas. However, the chapter shows also that any improved practices were adopted informally and were not considered priorities. The chief SME drivers for environmental practices were limited to energy cost savings and efficient use of raw materials. There was no notable concern about SME impact on the local environment.

The success factors of considerable importance included industrial clustering, owner-manager motivation and application of relevant technology. Industrial clusters in the form of traditional craft villages appeared helpful in spreading new types of technology in manufacturing in order to reduce environmental damage (Lund-Thomsen & Pillay 2012). Despite the positive role of technology, shortages of financial resources have led to only modest use of it. Also, despite having signs of being concerned about the environment, owner-manager deficit in knowledge about the benefits of environmental practices failed to inspire generation of formal plans. There was evidence that foreign clients’ orders for green products have made manufacturing SMEs more aware of the environment. Nonetheless, no SMEs have proactively considered applying these practices to invest to create greener products for domestic markets.

The role of the government was less effective in ensuring environmental sustainability than in economic and social initiatives. The market’s lack of pressure from the government and competitiveness for green and organic products did not promote SMEs’ activities in this area. This may be due to the government’s limited capability to deal simultaneously with all aspects of economic, social and environmental issues and the
immaturity of the market mechanism in which SMEs have struggled for survival. It may be also due to the lesser pressure on environmental issues in Vietnam compared to developed countries.

Overall, current awareness and practices have not been strong enough to transform SMEs into sustainable entrepreneurs. Innovation and entrepreneurial activity have been insufficient. Reduction of operational costs and modest improvements in waste management and recycling have not contributed enough to the relief of demand on natural resources and pressures towards environmental degradation, which have been highlighted as urgent by global experts.

The next chapter presents a conclusion to this study.
8.1 Overview of the Thesis

The concept of sustainable development, represented by the triple bottom line (TBL) approach, has been identified as an important approach for firms’ long-term performance. SMEs, because of their large number, have been considered as engines of economic growth and promoters of equitable development. Despite the significance of this field of study, there is a deficiency in research about sustainable SME development, especially in developing countries.

This research has contributed to filling this gap by investigating how Vietnamese SMEs are pursuing a sustainable development path. It utilised an embedded single-case study design to examine the case of the Vietnamese SME sector. It employed in-depth interviews, document review and observations as data collection techniques. In-depth interviews were conducted with 21 SME owner-managers, five policy makers and three industry representatives. It examined how Vietnamese SMEs, as a sector, were adopting TBL practices, including economic, social and environmental. It also identified success factors, including the role of the government and other stakeholders comprising owner-managers, employees, networked partners and customers. Further, it examined how SMEs faced typical challenges in an economy in transition, such as shortages of raw materials and government bureaucratic practices, and other constraints, such as size constraints, limited financial resources, limited knowledge on sustainability practices, and the like.

Chapter 1 presented a statement of the problem that underpinned the research. It highlighted the importance of research on sustainable development in the SME sector in the context of transitional economies. In so doing it highlighted also the need for research on sustainable SME development in Vietnam. A set of objectives was established to understand the current situation in the pursuit of sustainable development in the SME sector in Vietnam.
In Chapter 2, the historical points of the Vietnamese economy were reviewed, with a focus on the emergence of SMEs since Doi Moi – the Reform Policy in 1986 – to provide an insight into the research setting. In this chapter, the role of the government and the nature of the social structure in Vietnam were described in order to provide necessary understanding of the characteristics of a country in transition in South East Asia.

Chapter 3 discussed relevant literature on the historical evolution of the sustainable development concept and its application in businesses. The chapter also provided an analytical discussion of the recent literature on corporate sustainability, identifying a deficiency in studies on corporate sustainability in SMEs. In addition, the roles of governments and other stakeholders were also evaluated with respect to how they could assist sustainability practices at firm level. The key challenges faced by the SME sector identified from previous studies were also presented. Based on the reviewed literature and theories, the conceptual framework, research questions and research propositions were developed for data collection and analysis.

Chapter 4 presented the research design and methodology for the study. This chapter provided the justification for using a qualitative research approach and case study research design because these suited the exploratory nature of the research. The chapter also clarified the selection of interviewed participants and the process of data collection and analysis.

Chapters 5, 6 and 7 reported the results and analysis of the findings from the in-depth interviews, documents and observations across the three economic, social and environmental dimensions. In each chapter, the findings were discussed in relation to the research propositions. The findings were discussed also on the basis of literature on corporate sustainability and through the lens of entrepreneurship, institutional theories and other relevant theories.

The present chapter underlines the key research findings, support for the global research proposition and the response to the primary research question, the relevance to the conceptual framework, a comparative perspective, key contributions to the literature and
theory, policy implications and recommendations, limitations, future research and concluding remarks.

8.2 Key Findings of the Research

The results from the SMEs investigated provided an overview of the case of the SME sector with respect to sustainable SME development in Vietnam. The study results reveal that SMEs had some level of awareness and adoption of sustainability practices. Among the three aspects of sustainable development, economic sustainability was considered as the most important aspect which indicated that firms highly emphasised on their primary objective of business to create wealth and economic value (Ireland et al. 2001; Vandermerwe & Rada 1989). Social sustainability and environmental sustainability were considered second and third most important, respectively. The findings suggested that there were two sources of motivation for firms’ social and environmental practices, which were from firms’ economic benefits and from owner-managers’ personal values. The findings also disclose that, although the government has shown its determination to promote sustainable business development through continuous change in the legal system, the results in practice have not been as successful as expected. Instead, SMEs’ own entrepreneurial attempts appeared to have more impact on sustainability practices. Nonetheless, SMEs’ sustainability practices were informal. They lacked strategic plans to promote firms’ long-term performance.

Despite some awareness, current informal practices revealed in this study further suggest that SMEs’ contribution to the overall country’s sustainable development in terms of economic, social and environmental aspects has not yet proved significant. Although SME economic practices received most attention, firms have not developed strategic plans that focus both on sustainability and employment creation for the economy. Social practices were in place that aimed to increase economic wealth. Nonetheless, there was little evidence that showed development of strategic plans designed to make societal contributions at large. Similarly, informal environmental practices were in place to minimise firms’ operational costs; however, they neglected their role in protecting natural resources and the environment outside firms themselves.
These results were presented in detail in Chapters 5, 6 and 7. The key findings are summarised below.

### 8.2.1 Economic Sustainability

The findings reveal that SMEs were largely aware of the importance of economic issues, comprising financial benefits, long-term competitiveness and contribution to the national economy. Specifically, SMEs emphasised the importance of creating wealth through finding new contracts as their highest priorities. This finding is consistent with previous studies’ propositions indicating that the primary objective of business is to create wealth and economic value for firms’ long-term survival (Ireland et al. 2001; Vandermerwe & Rada 1989). Given the core role of business, it is expected that SMEs would enhance entrepreneurial practices to create a competent and competitive private business sector. Investment in machinery and warehousing were emphasised for increasing productivity. The results show that SMEs’ investment in machinery was to improve product current quality rather than R&D activities to create completely new and innovative products. It is also necessary to note the habit of using ‘cash’ in daily business activities among Vietnamese SMEs. This finding suggests that SMEs would benefit from introducing the use of bank transfers for business activities, which would be beneficial for financial management. Regarding the economic impact of SMEs, the findings indicate that SMEs were very aware of their responsibility to pay taxes and fees and provide reasonable product prices to customers. In these respects, SMEs recognised their responsibility to contribute to the overall development of the economy and to take the law seriously in managing their operations (Andreoni, Erard & Feinstein 1998; Hilson 2002; Stam & Verbeeten 2015). However, in order to create advantage for long-term performance, more attention needs to be given to R&D for innovative products. Trying only to increase the quantity of product sold and making minimal investment in improving product quality will not transform producers into sustainable firms (Dunphy, Griffiths & Benn 2007).

Sub-proposition P1, framed in Chapter 3, assumes that economic issues are likely to influence sustainable SME development in Vietnam. These economic issues included financial benefits, long-term competitiveness and economic contribution of SMEs.
Taking into account all available evidence from the interviews, documents and observations, these economic issues, have influenced the path towards sustainable development of Vietnamese SMEs. Sub-proposition P1 is therefore largely supported.

Research sub-question 1, framed in Chapter 3, asks how and to what extent economic issues influence sustainable SME development path in Vietnam. The research provides the answer that economic issues have extensively contributed to SMEs’ pursuit of corporate sustainability. The study results also reveal that economic sustainability was considered the most important aspect. However, in order to transform into sustainable SMEs, firms need formalised plans for innovation and participation in the supply chain to ensure long-term economic prosperity. The findings are discussed in detail in Chapter 5 and a summary of key findings is presented above.

8.2.2 Social Sustainability

The findings indicate that SMEs were noticeably conscious of social practices needed. These issues included equal opportunities between employees, internal social improvement and local social impact. SMEs were relatively active in implementing internal social practices, such as training, work safety and social insurance, to help engage employees with firm goals. One driver for such practices was a desire to maximise economic value from employees’ better skills and more constructive attitudes (Barney & Hansen 1994; Harrison, Bosse & Phillips 2010). Another was the personal motivation of owner-managers who wanted to promote a harmonious workplace (Pastrana & Sriramesh 2014). Nonetheless, these social practices were planned informally by SMEs and were not supported by appropriate regulatory policies designed to attract the social commitment of both firms and employees. Thus, it would benefit SMEs to have formal HR plans incorporating long-term goals. Without innovative HR practices, firms can only remain in the phase of ‘value conservers’ (Dunphy, Griffiths & Benn 2007, p. 17). The findings also reveal that SMEs contributed to cultural activities and fundraising in the local areas where they operated. However, these social practices were less emphasised than internal social practices that directly affected the business. Although community-based practices were limited, they may help SMEs to create a good impression with the local community and that can help gain trust and facilitate
their business operations (Azmat & Ha 2013; Freeman et al. 2010). Nonetheless, such limited practices have not contributed much to society.

Sub-proposition P2, framed in Chapter 3, assumes that social issues are likely to influence sustainable SME development. These social issues included firms’ equal opportunities between employees, internal social improvement and local social impact. Taking into account all available evidence from the interviews, documents and observations, these issues have to some extent influenced the development of sustainable SMEs. Sub-proposition P2 is therefore partially supported.

Research sub-question 2, framed in Chapter 3, asks how and to what extent social issues influence sustainable SME development in Vietnam. The research provides the answer that social issues have contributed somewhat to the pursuit of SMEs’ corporate sustainability with regard to maximising economic value and influencing owner-managers’ personal motivations. The practices were limited and need further formalised HR practices to transform SMEs into sustainable firms. The findings are discussed in detail in Chapter 6 and a summary of key findings is presented above.

8.2.3 Natural and Environmental Sustainability

The findings indicate that SMEs were somewhat aware about environmental practices. These issues included the responsible use of non-renewable and renewable resources, the reduction of emissions into the air and water resources and the avoidance of damage and risk in the local environment. SMEs, however, implemented environmental practices to reduce operational costs through simple application of waste management systems, but they also reactively complied with government’s environmental protection regulations. The personal interest of owner-managers, rather than expectation of financial gain, influenced tree planting in manufacturing operations in the interests of a green and healthy workplace, which is consistent with other studies (Gadenne, Kennedy & McKeiver’s 2009; Roberts, Lawson & Nicholls 2006; Williams & Schaefer 2013). This indicates that SMEs’ awareness was indeed evident in practice (Jabbour & Puppim-de-Oliveira 2012; Schaefer 2013). In most cases, however, personal interest in environmental sustainability issues was only transferred to practices to a minimal
degree. SMEs were thus mostly in the phase of environmental compliance, which only made them ‘value conservers’ (Dunphy, Griffiths & Benn 2007, p. 17). If SMEs are to transform themselves into value creators for long-term prosperity and to preserve the environment, their operations require a more strategic approach and higher technological applications in waste management systems. With limited practices, SMEs have not contributed much to the firms’ external environmental and natural preservation behaviour.

Sub-proposition P3, framed in Chapter 3, assumes that environmental issues are likely to influence sustainable SME development in Vietnam. These issues included the responsible use of non-renewable and renewable resources, the reduction of emissions into the air and water and the avoidance of damage and risk in the local environment. Taking into account all available evidence from the interviews, documents and observations, these environmental issues have some influence on the development of sustainable SMEs. Sub-proposition P3 is therefore partially supported.

Research sub-question 3, framed in Chapter 3, asks how and to what extent environmental issues influence to SME sustainable development path. The research provides the answer that natural and environmental issues have slightly contributed to the pursuit of SMEs’ corporate sustainability following cost reductions and firms’ willingness to operate in a green manufacturing site. Nonetheless, practices were limited and mainly implemented by manufacturing firms rather than services companies. Formalised plans for technological applications in waste management system are needed to transform SMEs into sustainable firms. The findings are discussed in detail in Chapter 7 and a summary of key findings is presented above.

8.2.4 Key Success Factors Influencing Sustainable SME Development

The findings indicate that the Vietnamese government and other stakeholders are key influencing factors in promoting sustainable SME development in Vietnam. However, improved use of technology and labour quality are required to accelerate the implementation of sustainability practices.
Specifically, the government has attempted to promote SME development with more focus on economic aspects than on social and environmental ones. Despite continuous changes in the legal system, the limited capacity and efficiency of the government have resulted in ineffectiveness in implementation, which is consistent with previous studies proposing that governments in developing countries are weak in policy enforcement and monitoring (Haque & Azmat 2015; Mair & Marti 2009; Puffer, McCarthy & Boisot 2010; Talmaciu 2012). The results suggest that possible improvement can start with simplifying administrative practices, including those for business licensing and registration, tax and customs procedures, and investment approvals. To promote social and environmental practices, tax and other related forms of incentives offered by the government were suggested as means to reduce SMEs’ financial constraints and improve firms’ skills and capabilities (Luiten, Van Lente & Blok 2006). The government has also sought to promote market institutions and participation in the global economy. However, due to the government’s limited support, SMEs have not been able to seize many opportunities in global markets.

While the role of the government remained problematic for SMEs, the role of stakeholders, including owner-managers, customers and networked partners, had greater impact. The findings indicate that owner-managers played a decisive role in firms, which is consistent with previous studies (Higgins & Mirza 2011). Firms’ successful performance in economic, social and environmental practices drew heavily on the knowledge and experience of owner-managers. Previous research has highlighted that SMEs are more advantageous in this respect in comparison to larger counterparts given the dynamic, entrepreneurial and leadership style of owner-managers (Bos-Brouwers 2010). Thus, the results suggest a need for increasing owner-managers’ entrepreneurial capabilities so that they can further promote implementation of a triple bottom line approach.

Employees, networked partners and customers were also important stakeholders. The findings highlight employees’ skills and capability as intangible assets that contribute to firms’ economic sustainability (Steenkamp & Kashyap 2010). In addition, employees’ engagement and enthusiasm in social and environmental practices can facilitate progress towards corporate sustainability. SMEs’ relations with networked partners have also
helped create advantage, especially in trade-credit and in sharing experience. Networked partners and customers played a role in shaping companies’ orientation in implementing social and environmental practices that meet society’s needs and expectations. The findings suggest that the path to sustainability of manufacturing SMEs and export-oriented SMEs is particularly influenced by the impact of globalisation and support from the government.

While technological application was not highlighted as important in achieving social sustainability, it was shown to be a potential important factor for economic and environmental aspects. The use of technology, nonetheless, was limited to low-tech machinery and implementing modest waste management systems and recycling, which were less likely to make a substantial contribution to natural resource conservation and environmental protection (Fairoz, Hirobumi & Tanaka 2010; Klewitz & Hansen 2014; Zorpas 2010). The findings support previous research that the majority of SMEs in developing countries only apply readymade technological innovation from more developed countries, rather than investing in R&D themselves (Bos-Brouwers 2010; Madrid-Guijarro, Garcia & Van Auken 2013; Tan & Tan 2005).

In terms of the advantage of availability of labour, SMEs did not derive much benefit because of the low quality of labour. The study reveals that employees’ disengagement with firms’ social and environmental practices appeared to be a deterrent to firms’ triple bottom line implementation. The findings thus suggest that the supply of a skilled workforce is needed for SMEs’ implementation of sustainability goals.

Sub-proposition P4, framed in Chapter 3, assumes that key success factors, including the government and other stakeholders such as owner-managers, networked partners and employees, play a role in promoting economic sustainability of SMEs in Vietnam. Taking into account all available evidence from the interviews, documents and observations, the government, stakeholders and technology have some degree of impact on economic, social and environmental practices. Sub-proposition P4 is therefore partially supported.
Research sub-question 4, framed in Chapter 3, asks what key success factors are, including the role of the government and other stakeholders, in promoting sustainable SME development. The research provides the answer that, in order to achieve sustainable development goals, there exist factors that facilitate this journey. The central government has shown its determination in having SMEs grow in a sustainable manner; nonetheless, the implementation of these initiatives has been limited. Therefore, SMEs have attempted to make the most of stakeholders’ roles, such as owner-managers, customers and employees, in order to facilitate their economic, social and environmental goals.

8.2.5 Key Challenges Hindering Sustainable SME Development

The findings indicate that SMEs have faced key challenges, comprising financial constraints, shortages of raw materials, government bureaucracy, the low level of employees’ engagement, market competition and firms’ limited knowledge in implementing triple bottom line practices.

Shortage of financial resources was considered a significant challenge to SMEs, hindering all types of activities, including economic, social and environmental practices. It hindered firms’ investment in R&D practices that can create innovative products in order to be competitive in the market. Limited access to financial support from government made firms hesitant in investing in environmentally friendly production lines (Biondi, Iraldo & Meredith 2002; Gerrans & Hutchinson 2000; Hillary 2004; Tilley 1999). In the SMEs investigated, limited finance inhibited them from engaging more with social practices in their local areas. Although the importance of social practices is relatively understood among SMEs, deficiency in financial resources and difficulty in access to financial support make it difficult for Vietnamese SMEs to implement programs of social responsibility (Santos 2011).

Shortage of raw materials was also a challenge that limited firms completing their operations in good time. These findings are consistent with previous research proposing that firms in developing countries face shortages of raw materials, hindering their sustainability practices (Aulakh & Kotabe 2008; Carter & Dresner 2001; Fforde 2007).
Specifically, due to shortages in raw materials, firms making handicraft products using natural raw materials found it difficult to maintain regular jobs for employees. This challenges firms’ commitment to ensuring ongoing employment for employees. Also, shortages of inputs of accredited quality lead to difficulty in making ‘green’ products, especially those that meet the requirements of foreign clients. SMEs also faced competition from low-priced products from China and from other local producers.

The study reveals that the low level of commitment of employees was a challenge to firms’ engagement with sustainability practices. Employee disengagement was represented by job changing and peer pressure encouraging employees to move to other cities and to explore new opportunities. In addition, in the SMEs investigated, there is evidence that employees were not interested in social insurance, despite it being in their immediate interest and mandated by law. A possible reason is that the low level of social benefits provided by social insurance law leads to employees’ refusal to participate in the social security system. Another possible reason is that gaps in policy enforcement and the burdens of compliance create incentives for employees and firms to bypass the law (Baden, Harwood & Woodward 2011). The low level of awareness about and reluctance of workers in saving energy and implementing proper waste management processes also make it difficult for firms to pursue environmental sustainability.

Firms’ limited knowledge affected their activeness in implementing social and environmental practices. Findings also indicate that only informal environmental management practices at SMEs were in place due to limited knowledge and information. These practices were not systematic and strategic for overall environmental sustainability. It appears that SMEs had limited knowledge of current environmental legislation (Gerrans & Hutchinson 2000; Simpson, Taylor & Barker 2004), resulting in low levels of formal application. They may not have any methods by which to measure the substantial impact of any changes on business performance when applying sustainability practices. Without visible results, many SMEs may ignore, or abandon, the green imperative in favour of short-term survival.

Bureaucratic administrative practice was a hindrance for firms in implementing sustainability practices. The findings indicate that government administrative practices
were considered burdens for SMEs in implementing their social responsibility (Ahlstrom & Bruton 2010; Nguyen, Alam & Prajogo 2008). Slow procedures, implementation officers lacking capacity and a lack of clarity led to negative perceptions of SMEs about government administrative practices. This has led to reactivity in the majority of firms when it comes to their approach to social and environmental regulations. The finding is consistent with Baden, Harwood and Woodward’s study (2011) which indicates that small business finds too much regulation a hindrance to complying with social practices. It is argued that this avoidance is due to the potentially high costs that arise from too much added paperwork.

Sub-proposition P5, framed in Chapter 3, assumes that there are challenges hindering the path toward sustainable SME development. Key challenges found in this study were financial constraints, the cost of technological application, shortages of raw materials, government bureaucracy, employee disengagement, market competition and firms’ limited knowledge. Taking into account all available evidence from interviews, documents and observations, many challenges have been hindering all aspects of economic, social and environmental practices. Sub-proposition P5 is therefore largely supported.

Research sub-question 5, framed in Chapter 3, asks what challenges have been hindering sustainable SME development in Vietnam. The research provides the answer that SMEs faced typical challenges in an economy in transition, such as shortages of raw materials and government bureaucratic practices. They also encountered other common challenges, such as limited financial resources, the cost of technological application, market competition, employee disengagement, and limited knowledge on the benefits of sustainability practices.

8.2.6 Current Mechanisms Used by the Government and SMEs to Overcome the Challenges

The findings indicate that current mechanisms used by both the government and SMEs need adjustments to mitigate the challenges. To reduce financial constraints, the government attempted to improve the legal system through passing the revised
Enterprise Law to facilitate firms’ access to finance and resources (Government of Vietnam 2014b). Nonetheless, the findings showed that delays and weaknesses in the implementation process in fact resulted in additional operational costs for SMEs, which was also supported by previous studies (Williamson, Lynch-Wood & Ramsay 2006). For example, the regulation for prioritised bank loan access to reduce SMEs’ financial constraints was not flexible and made SME access difficult.

To increase firms’ knowledge and engagement with social practices, the government sought to provide revision of laws emphasising more the commitment between employers and employees (Government of Vietnam 2012b; Hawken, Lovins & Lovins 1999; Luiten, Van Lente & Blok 2006). The findings indicate that employees still declined to participate in social insurance. This suggests that the law does not fully address the issue of benefits for employees that can encourage their involvement in the welfare system. Only recently, in order to facilitate firms’ social practices, the government issued a legal document that considered offering tax incentives for firms that mainly employed female workers (Government of Vietnam 2015d). However, the effectiveness of this decree is uncertain at present due to its recent inauguration.

The government’s current mechanism is limited to compelling SMEs to implement environmental practices but with a lack of economic incentives to encourage such practices. In addition, the findings also indicate that current environmental laws and policies are more applicable for large enterprises that enjoy abundant resources to deal with environmental issues. SMEs were only able to reactively comply rather than actively implement these practices according to their capabilities, which is consistent with previous research propositions (Spence, Gherib & Biwole 2011). Recently, the government provided a list of areas entitled to the prioritised assistance given to SMEs and in which SME environmental activities are considered one of five prioritised criteria (Government of Vietnam 2015a). However, because of the recent introduction, effectiveness of implementation is as yet little known.

In the SME sector, most current mechanisms have been implemented based on individual firms’ experience and capability but without formal strategies. An example
was the shortage of information and adequate knowledge of environmental practices that led to the low level of firms’ commitment (Govindan et al. 2014).

A possible adjustment for the government may be the enhancement of openness and transparency, such as intensive application of e-government, so that SMEs can easily access and provide comments on the work of government. For SMEs, making use of industry association consultation can be beneficial because more information on size characteristics and advantages can help them quickly adjust to change and seize opportunities.

Sub-proposition P6, framed in Chapter 3, assumes that the mechanisms used by both the government and SMEs need adjustments to mitigate the challenges. On the basis of the findings, the mechanisms used by both the government and SMEs need to take into account the country’s institutional arrangements, market economy rules, global economic trends and the size of SMEs in relation to appropriate strategies to overcome challenges. Thus, sub-proposition P6 is largely supported.

Research sub-question 6, framed in Chapter 3, asks what current mechanisms are used by both the government and SMEs to overcome these challenges. The research provides the answer that the government has improved its legal system with continuous change in policies and laws to promote entrepreneurship, with a focus on reduction of administrative procedure and increased access to financial support. The government work, nonetheless, still appeared not supportive enough to remediate firms’ constraints, evident, for example, in the absence of economic incentives. In the SME sector, entrepreneurial orientation has helped firms demonstrate a number of informal reactions to challenges. Nonetheless, these efforts have been fragmented and they revealed little support from industry organisations.
8.2.7 Support for the Global Research Proposition and Response to the Primary Research Question

Support for the Global Proposition: The global proposition in this research outlines the primary assumption that Vietnamese SMEs are pursuing a sustainable development path. In order to examine the global proposition, a set of sub-propositions (P1, P2, P3, P4, P5, and P6) has been answered in the discussion sections of Chapters 5, 6 and 7. Of three sub-propositions on the importance of SMEs’ sustainable practices, comprising economic issues (P1), social issues (P2) and environmental issues (P3), only P1 was largely supported by the majority of SMEs investigated. P2 was partially supported and P3 was little supported. In regard to the assumption that key success factors, including the role of government and other stakeholders, play a role in promoting sustainable SME development in Vietnam (P4), this was only partially supported, because the role of the government and SME stakeholders did not present optimum assistance for SMEs’ sustainable practices. P5, however, was largely supported because there were many challenges hindering SMEs’ sustainable practices. Similarly, P6 was largely supported, since the current mechanisms used by both the government and SMEs to overcome challenges were not efficient. Based on the evidence utilised to examine the sub-propositions, it can be concluded that the assumption of the global proposition can only be partially supported. (See Table 8.1 for the outcome of the research propositions).
### Table 8.1 Outcome of Research Propositions

<table>
<thead>
<tr>
<th>Research Propositions</th>
<th>Relevant Research Questions (RQ)</th>
<th>Extent of Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global P: Vietnamese SMEs are pursuing a sustainable development path.</td>
<td>Primary RQ</td>
<td>✓</td>
</tr>
<tr>
<td>P1: Economic issues are likely to influence sustainable SME development in Vietnam.</td>
<td>RQ1</td>
<td>✓</td>
</tr>
<tr>
<td>P2: Social issues are likely to influence sustainable SME development in Vietnam.</td>
<td>RQ2</td>
<td>✓</td>
</tr>
<tr>
<td>P3: Environmental issues are likely to influence sustainable SME development in Vietnam.</td>
<td>RQ3</td>
<td>✓</td>
</tr>
<tr>
<td>P4: Key success factors, including the government and other stakeholders, play a role in promoting sustainable SME development in Vietnam.</td>
<td>RQ4</td>
<td>✓</td>
</tr>
<tr>
<td>P5: There are challenges that have been hindering sustainable SME development in Vietnam.</td>
<td>RQ5</td>
<td>✓</td>
</tr>
<tr>
<td>P6: The mechanisms used by the government and SMEs need adjustments to mitigate the challenges.</td>
<td>RQ6</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Response to the Primary Research Question:** The primary research question enquires ‘How and to what extent are Vietnamese SMEs pursuing a sustainable development path?’ Based on the answers to the research sub-questions, it can be concluded that the Vietnamese SMEs show indications of a tendency to pursue a sustainable development path. Nonetheless, they are only at an initial stage. It can also be concluded that firms’ entrepreneurial orientation and institutional conditions influence SMEs’ adoption of economic, social and environmental practices.

The findings reveal that the SMEs considered economic sustainability as the most important goal. Acknowledging that economic sustainability, SMEs emphasised social practices to maintain economic outputs and productivity. As influenced by Asian culture, SMEs had a close relationship with employees and considered human values. The implementation of environmental practices generally aimed to comply with government’s policies, which made the SMEs reactive due to the complexity and
changes of policies. SMEs considered this dimension the least important of the three pillars. Active practices of firms presented as modestly aiming at reducing operation costs and having greener factory sites. Thus, their investment in R&D for product differentiation as source of competitiveness was not significant. In short, SMEs have already implemented a number of informal sustainability practices, but there is a lack of official and formalised plans likely to help bring their entrepreneurial orientation closer to the level of sustainable firms (Dunphy, Griffiths & Benn 2007; Fassin 2008).

The study also found that, although the government has declared its determination to promote SME sustainability, results have been limited. The implementation process for government policies was reported as weak and slow. It also emerged that the lack of government incentives for firms’ implementation of social and environmental issues did not encourage firms’ motivation to intensively apply these practices as a means of competitiveness. The inadequacy of government support was also presented through the low level of technological application, the lack of R&D at SMEs and the low quality of the labour force, all of which are critical for SMEs’ transformation into sustainable firms (North, Smallbone & Vickers 2001).

### 8.3 Relevance to the Conceptual Framework

The conceptual framework (Figure 3.3) indicates that, on the way to achieve corporate sustainability, Vietnamese SMEs must be able to implement appropriate practices that address the triple bottom line dimensions through the facilitation of success factors and addressing the hindrance of challenges.

It illustrates the equal importance of the three dimensions of economic, social and environmental corporate sustainability. The findings show that, in the SMEs investigated, the three dimensions were not considered equally important. Of the three aspects, economic sustainability, including profits, long-term competitiveness and economic impacts, was perceived to be the most important dimension. Social sustainability, comprising the practices of equality, internal social improvement and external social improvement, was the second most important dimension. Environmental sustainability, comprising the efficient use of natural resources and the reduction of
waste and air emissions, was the third important dimension. These current practices show that firms are at the initial stage of becoming sustainable enterprises. Formal and strategic plans are needed by both SMEs and the government to contribute to firms’ success in following a sustainable development path.

The results are generally consistent with the conceptual framework that key success factors, including the role of government and other stakeholders and challenges, have had an impact on firms’ sustainability practices. The findings also suggest that the different degrees of influence and the involvement of these factors have depended on each dimension of sustainability. For example, the role of the government was more in play in firm economic sustainability than in natural and environmental sustainability.

8.4 Comparative Perspective

The study has been conducted in a single country setting. The results suggest that the SME sector has a certain level of understanding and practices about the triple bottom line. This was caused by the nature of firms in sizes, by economic activities and by the shape of Vietnam’s institutions.

In terms of firm size differences, firms’ size levels had slightly different impacts on the application of the triple bottom line. In particular, larger-size enterprises had generally a higher level of awareness. They had more concern about proper financial management than did small and newly established ones. Medium-sized companies were more interested in investment in machinery and the needs for ‘green’ and health-friendly manufacturing. They also had generally more activities in local areas, such as donations. In small-size companies, social activities were only organised when the company’s income was good. Larger-size companies paid more attention to employee quality and training. They also enjoyed more opportunities from economic integration by having more customers in the foreign markets.

In terms of industry differences, including the manufacturing and service sectors, manufacturing companies were more concerned about social and environmental issues. Notably, a service company had also considered the need to involve coffee farmers
directly in order to provide stable product quality. The study also revealed that manufacturing companies had greater impact on the environment compared with service companies. Similarly, as in all matters of size, in both manufacturing and service sectors, owner-managers also played an important role. Financial constraints and product competition were challenges for both manufacturing and service companies. In addition, the shortage of input materials was more critical to manufacturing firms than to service ones. Export-oriented companies revealed their concern in creating good working conditions for employees in order to attract their clients. Exporting firms also showed a higher level of awareness in social practices due to their being more exposed to social responsibility practices imposed in the supply chain.

### 8.5 Key Contributions to the Literature and Theory

First, in terms of the contributions to the literature on corporate sustainability, this research has addressed the deficiency in the literature by providing an insight into this phenomenon with a focus on a single-country setting of Vietnam. It highlights the level of importance of the three dimensions of the triple bottom line, and the success factors and challenges needing to be considered to understand the possible path towards corporate sustainability of SMEs. The study indicates that the triple bottom line applied in Vietnamese SMEs shares a range of similarities with other countries studied, such as limited knowledge on sustainability practices, financial constraints and limited support from the government. It reveals typical characteristics of a country in transition like Vietnam, such as market competition with ‘fake’ products, shortage of skilled workers and government administrative bureaucracy – this requires a mechanism such as informal networked relations to tackle hindrances of this kind. The study also identifies that personal values of owner-managers and culture affect firms’ behaviours in sustainability practices. This shows the need to establish a link between regulation and innovation promotion in the SMEs, highlighting visible benefits and competitiveness (Porter & Van der Linde 1995).

Second, this research has contributed to the literature on the incorporation of entrepreneurship theories (Schumpeter 1964; Spence, Gherib & Biwole 2008) and
institutional theories (Golenkova & Igitkhanian 2008; North 1990; Peng, Wang & Jiang 2008; Puffer, McCarthy & Boisot 2010; Scott 2005) in understanding the pursuit of corporate sustainability. Through the lens of entrepreneurship theories (Schumpeter 1964; Spence, Gherib & Biwol 2008), the research findings provide useful insights into the entrepreneurial roles of the SME sector in Vietnam in pursuing sustainability. It is argued that, there is evidence showing willingness to become involved in social activities and pay attention to environmental issues. However, these activities do not occur by way of systematic plans nor in all the cases are they investigated. There are ideas about implementing new process operations for new products, but opportunity recognition and innovation are less to be found. According to sustainable entrepreneurship (Pacheco, Dean & Payne 2010; Schaltegger 2013), there is a likelihood that Vietnamese SMEs can transform into sustainable entrepreneurs, if they continue to emphasise long-term economic performance and social and environmental value in relation to their business with an emphasis on innovation. For the time being, Vietnamese SMEs have not yet been able to take advantage of the triple bottom line concept as opportunities to create competitive products.

On the perspective of market economy mechanism and the call for reducing government intervention in the economy, the research contributes to the concept of the entrepreneurial role of the government in a transition economy, with evidence of the Vietnamese government’s attempt to improve policies that address economic, social and environmental protection issues (Nguyen et al. 2008). In addition, the determination of the government in joining many high-quality and strict-commitment FTAs, despite its currently lower capabilities compared with other member countries, shows its entrepreneurial behaviour, identified as seizing opportunities to create competitive goods and services on an international scale. However, the results of this study argue that, despite central determination, the speed of reducing bureaucracy remains low, which shows in the low level of collaboration between government, firms and business associations. In this regard, the entrepreneurial role of government needs to increase in order to further liberalise the private sector and create an effective government system.

Institutional theories (Golenkova & Igitkhanian 2008; North 1990; Peng, Wang & Jiang 2008; Puffer, McCarthy & Boisot 2010; Scott 2005) help explain the development of
sustainable SMEs in Vietnam. Accordingly, formal and informal institutions together construct a sustainable development path for SMEs. This study demonstrates the role of formal institutions, but informal institutions play a more important role. In Vietnam, formal institutions such as policies and legal framework have received attention for improvement at the policy making level. Nonetheless, the implementation stage remains inefficient. There need to be greater efforts in enforcement in realising the government’s initiatives for market liberalisation, diversity of inputs supply and more available information sharing portals. It is the informal institutions, including firms’ networking and owner-manager experience, that help reduce costs and risks. Given that formal institutions are fundamental, it is argued that sustainable SME development cannot solely rely on informal institutions. It is argued that formal institutions need continuous improvement in terms of policy making and implementation in order to facilitate SMEs’ long-term performance.

The study also contributes to the literature on stakeholder theories. The study indicates that the relationships between firms and key stakeholders, such as employees and community, are connected to financial performance (Berman et al. 1999; Delery & Doty 1996). The findings contribute to Freeman and co-authors’ (2010) proposition that stakeholder theory is compatible with Friedman’s (1962) maximising of shareholder value, since the only way to maximise value sustainably is to satisfy stakeholders. Accordingly, motivated employees are needed to improve firm performance. The welfare of employees was often cited as a major concern, showing a positive engagement by SMEs with social improvement. In addition, maximising cooperation with the community is necessary to grow the business successfully (Dunham, Freeman & Liedtka 2006). However, the finding does not indicate a clear relationship between social activities in the local area and firms’ competitiveness. Further studies that consider these issues would therefore be useful to explore the relationship.

The study indicates that, despite signs of willingness to adopt sustainability practices, current attempts by SMEs have not contributed much to any deceleration of natural and environmental degradation. The findings suggest that SMEs’ reliance on informal environmental practices does not promote effective natural and environmental preservation. Currently, only reduction of operational costs and modest improvements
in waste management and recycling are considered. The limits-to-growth concept considers that technology can relieve the constraint of natural damage (Meadows et al. 1974; Turner 2008). The findings identify that SMEs applied very modest technologies in waste management and recycling and the government has only just only begun to promote environmental practices in a recent legal document (Government of Vietnam 2015a). Thus, this may make Vietnamese businesses vulnerable and lead to a decline in essential goods for human daily consumption in the future if proper attention is not paid intensively to technological and innovative operation systems in order to efficiently use natural resources and reduce damage to the environment.

8.6 Policy Implications and Recommendations

Given the findings of the study that sustainability practices in Vietnamese SMEs are informally implemented, there are implications and recommendations suggested for public policy makers and SME owner-managers.

8.6.1 Implications for Public Policy Makers

Available evidence in this study indicates that Vietnamese SMEs have employed a number of practices in achieving corporate sustainability. Nonetheless, these practices are informally implemented. Better information on the cost benefits of sustainability will enable SMES to begin considering formal practices that help reduce costs and enhance productivity and competitiveness. The government can provide support by opening more information portals, and providing training programs for SMEs to enhance their vision on sustainable development and workshops disseminating information on future government policies and laws. These initiatives need to be supported through consultation with SME industry associations in order to address practical and focused needs, such as business opportunities and challenges in traditional international markets like the EU, the US, Australia and Japan and potential international markets in countries in Africa that have international free trade agreement with Vietnam. Considering that awareness affects attitude and leads to behaviours, only by giving high quality and helpful information will SMEs consider developing formal plans for sustainable operations.
In addition, evidence from this study indicates that financial constraints strongly hinder sustainable SME development. Procedures providing financial support for SMEs must be simplified and made specific to sub-sectors and size categories of SMEs. Given the evidence from this study that smaller entrepreneurs need more information on sustainability issues, and manufacturing firms are more concerned with environmental and social issues, each form of assistance should be organised and designed so as to fit the needs of each group. Furthermore, financial loans provided for SMEs should be awarded on the basis of performance and growth, not only on the basis of their fixed assets. In addressing other difficulties, such as access to financial support and market competition, it is necessary to relax bank loan mechanisms and conditions. Increasing tax incentives can be a way of accelerating firms’ engagement with social and environmental activities. Currently this initiative has not been substantially emphasised.

Another implication from the research is the need for further reform and improvement of the regulatory framework to reduce the involvement of government institutions and promote market institutions. As the Vietnamese government has sought to transform the economy from a planned and centralised one into a market economy, it is essential to promote market institutions so that they play their role. Importantly, being competitive and innovative is the decisive agent for firms’ long-term existence in the global market. This will motivate competitiveness, given fairer allocation of resources to the private sector. In policy implementation, the government needs to closely monitor the implementation process in order to ensure outcomes and provide timely adjustments to support sustainability practices in the various industrial sectors and local areas.

The Vietnamese government also needs to promote the role of intermediate agencies such as business associations in order to increase the effectiveness of policy implementation. The role of business associations is especially important in terms of providing consultation and networking for SMEs in the same industry so that together they identify specific difficulties of the industry and directions for production. Both government and SMEs benefit from collaborating to enhance the quality of policy making and implementation.
The media and formal education on entrepreneurial activities are essential. Given the needs of entrepreneurial activities in the Vietnamese economy and the increased importance of the triple bottom line in the business sector, it is necessary to encourage an entrepreneurial culture in society through the media and education. One way to do this is to make use of the media to broaden awareness about the importance of the elements of triple bottom line. Another important way is for the government to encourage the establishment of university courses on entrepreneurship and sustainable entrepreneurship, as happens in developed countries, where entrepreneurship courses are very helpful for nurturing the business culture.

8.6.2 Implications for SME Owner-Managers

First, SME owner-managers need to be aware of their critical role in their firms’ existence and development directions. They should be proactive in learning and studying the needs of sustainability practices that can create business opportunities. In addition, owner-managers also need to know the challenges they face in order to seek appropriate sources of support. At present, attempts to improve product quality are not sufficient to bring them to a higher level of development. Instead, becoming aware that only creative and innovative products can create competitive advantage is important for owner-managers. In order to achieve this, there are available sources of information and assistance through government information portals and business associations. It is SMEs that need to become proactively involved so that supporting agencies can provide appropriate support.

The evidence in this study strongly supports networking among SMEs as a factor that helps sustainable SME development. Thus, SME owner-managers need to be proactive in learning from their peers and in applying suitable solutions for their own company conditions. Knowing that technology and innovation play important roles in the sustainable development of firms, through networking, SME owner-managers can learn and transfer technological knowledge, which can contribute to their innovation processes.
As the findings highlight the importance of employees in contributing to sustainable development of firms, it is necessary that owner-managers pay attention to this group of stakeholders so as to make the most of firm resources. At present, owner-managers deal with this issue by way of their own experience and beliefs. However, when it comes to long-term performance, it is necessary that owner-managers also have formal knowledge about HRM practices. In this way, companies can maintain employee loyalty and commitment to firm goals.

It is also necessary that SMEs choose to take risks by investing in R&D to ensure product innovation and improvement. Little evidence in the study shows that Vietnamese SMEs are willing to invest in R&D, and it is therefore suggested that product and operation innovation to provide sustainable products should be taken into consideration as part of strategic plans for competitiveness. There should be encouragement for SMEs to start with small projects on R&D, such as trialling the use of environmental friendly materials and green product design, because the call for sustainability across the globe greatly affects customer purchasing behaviours. Therefore, opting for green products can help SMEs to find their market niche and be competitive.

8.7 Limitations and Future Research

While the thesis has made several contributions to the literature, it has recognised limitations. Using case study research design helps deepen the understanding of the research phenomenon. Nevertheless, broad generalisation to a larger number of SMEs needs careful consideration. As this study was based on single country, caution is merited before generalising findings in a different context. The sampling of cases was conducted in Hanoi, the capital and second largest city of Vietnam, where the enforcement of policies is emphasised as the model. This may mean that the outcome of the study differs compared with other regional cities with a lower level of development. Since the findings reveal, that institutional conditions affect SME adoption of sustainability practices, future research can utilise case study design with cross-country studies to capture the differences. It is recommended that more research be undertaken
in other transition economies because different countries may enjoy different cultures and social structures.

As the study focuses only on Vietnamese non-state-owned SMEs, the results may not be generalised to other types of firms that do not share similar characteristics. For example, the characteristics of state-owned enterprises and FDI enterprises do not share organisational structure and capabilities similar to those in non-state-owned enterprises. It is also recommended the future research focus on the adoption of sustainability practices in a specific industry, such as export-oriented manufacturing companies, because they were revealed as more exposed to these issues.

Furthermore, only formal entrepreneurs who are legally recognised by official registration and under regulation of government policies have been investigated. This neglects a number of emergent informal entrepreneurs in the Vietnamese economy, who may or may not consider the pursuit of corporate sustainability in their practices. Further research can thus study how informal entrepreneurs are adopting the TBL to obtain sustainability, because this may otherwise be potentially understudied.

The 2030 UN Sustainable Development Agenda which contains 17 Sustainable Development Goals (SDGs) aiming to further reduce all forms of poverty and tackle climate change has recently come into force on January 2016 (UN 2016). Governments and business are expected to take the leading role in achieving these 17 goals by 2030. As this is a very recent agenda and it was not included in the literature review of this thesis, it can be helpful to review the document in future research on sustainable practices.

8.8 Concluding Remarks

The research has contributed to filling a gap in the literature on SME pursuit of sustainable development in transitional economies. The research has examined the path towards sustainable development in the Vietnamese SME sector. It acknowledges that Vietnamese SMEs have considered economic sustainability and wealth creation as their primary goal. Social practices have been implemented to assist economic activities and
to satisfy firms’ social values. Although several environmental practices have been implemented, they did not receive as much attention as economic and social practices. The inadequate attention paid to environmental practices has thus hindered the transformation of SMEs into sustainable firms and to relieving environmental degradation.

The research shows that the government has demonstrated its determination to promote sustainable business development through repeated changes in the legal system. However, the results were not as successful as expected. Instead, entrepreneurial activities by SMEs have appeared to be more effective in promoting sustainability practices. The immaturity of free market mechanisms and gaps in government capabilities still constrain SMEs’ ability to contribute to a sustainable economy. Further institutional reforms and support policies are needed to facilitate private sector development, with an emphasis on economic and tax incentives, use of technology, development of human capital and improved access to input materials and resources.

The research also offers practical contributions about the government’s policymaking procedures and strategic planning by SMEs. The research ends at a time when two important events have taken place that are expected to demand more engagement by SMEs in Vietnam with sustainability. In late 2015 the UN introduced The 2030 Agenda, which focused on sustainable development goals to be achieved by 2030 and came into force in early 2016. The Agenda is designed to stimulate global action, balancing the three dimensions of sustainable development – economic, social and environmental – over the next 15 years. In addition, the Trans Pacific Partnership (TPP) agreement, formally signed by 12 member countries including Vietnam in early February 2016, mandates environmental protection and labour standards in trade activities. In the agreement, a separate chapter regarding SMEs (Chapter 24) indicates the importance of this sector. Under the TPP, SMEs can increase their product exports in both quantity and quality through cooperation between producers, traders and consumers.

This increasing pressure from international initiatives provides incentives for Vietnam to accelerate sustainability practices. As shown here, the Vietnamese SME sector has been less competitive in comparison with counterparts in developed countries because
of a less effective level of government support and lesser business experience, conditions that occur in operations in a transitional economy. Further, a shortfall in awareness by SMEs about the benefits of sustainability practices has made them reluctant to accelerate adoption of such practices. Thus, more effective government policy, higher awareness by SMEs of the benefits of sustainable practices, and improved business management in SMEs are critically needed to achieve the sustainability that is declared in the 2030 Agenda and for SMEs to become competitive in global markets.
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APPENDIX 1
CONTRIBUTION TO GDP BY ECONOMIC SECTORS BETWEEN 1991 AND 2009

Structure of GDP by ownership (per cent)

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<tbody>
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<td>1</td>
<td>State-owned sector</td>
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<td>39.9</td>
<td>39</td>
<td>37.4</td>
<td>35.9</td>
<td>34.3</td>
<td>33.2</td>
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<td>2</td>
<td>Non state-owned sector</td>
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<td>52.7</td>
<td>47.7</td>
<td>45.6</td>
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<td>47</td>
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<tr>
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<td>FDI sector</td>
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<td>7.4</td>
<td>13.3</td>
<td>17</td>
<td>18</td>
<td>18.7</td>
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Structure of GDP by economic sectors (per cent)

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<tbody>
<tr>
<td>1</td>
<td>Agriculture, Forestry &amp; Fishing</td>
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<td>27.8</td>
<td>24.5</td>
<td>20.4</td>
<td>20.3</td>
<td>22.1</td>
<td>20.7</td>
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<td>Industry-Construction</td>
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<td>29.7</td>
<td>36.7</td>
<td>41.5</td>
<td>41.5</td>
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<td>42.5</td>
<td>38.8</td>
<td>38.1</td>
<td>38.2</td>
<td>38.2</td>
<td>39.1</td>
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<td></td>
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</tbody>
</table>

Source: GSO 2011
## APPENDIX 2
**KEY VIETNAMESE GOVERNMENT POLICIES ON SMES’ TBL PRACTICES**

<table>
<thead>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1) Maintaining rapid &amp; sustainable economic growth</td>
<td>- Release SMEs’ initiatives and creativity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2) Transforming production &amp; consumption patterns towards environmentally friendly direction</td>
<td>- Improve SMEs’ managerial capacities</td>
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<tr>
<td></td>
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<td>3) Implementing clean industrialisation</td>
<td>- Develop SMEs’ science and technology, human resources</td>
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<td>4) Agriculture &amp; rural development</td>
<td>- Expand SMEs’ linkages with other types of enterprises</td>
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<tr>
<td></td>
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<td>5) Development of regions and localities</td>
<td>- Increase business efficiency and competitiveness</td>
</tr>
<tr>
<td></td>
<td>Economic</td>
<td></td>
<td>- Development the production and business</td>
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<tr>
<td></td>
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<td></td>
<td>- Establishment of SME Development Council, Credit Guarantee fund, Capital Development Fund;</td>
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<td></td>
<td>- Establishment of Business Development Services branches;</td>
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<td></td>
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<td></td>
<td>- Innovation, technological support;</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>- Promoting market expansion;</td>
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<tr>
<td></td>
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<td></td>
<td>- Emphasizing on information and advice;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Human resources support</td>
</tr>
<tr>
<td></td>
<td>Social</td>
<td>6) Eliminating hunger, poverty and speeding up social equity</td>
<td>- Create more jobs and improve living standards for labours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7) Creating jobs and reducing population growth</td>
<td>- Create more jobs and improve living standards for labours</td>
</tr>
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<td></td>
<td></td>
<td>8) Orienting urbanisation and population migration</td>
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<td></td>
<td></td>
<td>9) Improving education quality</td>
<td></td>
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<td>10) Developing health care services, working condition</td>
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</tr>
<tr>
<td></td>
<td>Environment</td>
<td>11) Prevention of land degradation and effective use of resource</td>
<td>- Encouragement of effective land use;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12) Sustainable utilisation of water resource</td>
<td>- Encouragement of moving production out of inner city to ensure landscape environment</td>
</tr>
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<td></td>
<td></td>
<td>13) Appropriate exploitation of mineral resources</td>
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<td></td>
<td></td>
<td>14) Protection of marine coastal</td>
<td></td>
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<td></td>
<td></td>
<td>15) Protection of forest</td>
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<td></td>
<td></td>
<td>16) Air pollution control</td>
<td></td>
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<td></td>
<td>17) Solid and toxic waste management</td>
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<td></td>
<td></td>
<td>18) Biodiversity conservation</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>19) Measure for mitigating climate change and natural disasters</td>
<td></td>
</tr>
</tbody>
</table>

Source: Government of Vietnam 2004a, 2009
APPENDIX 3
INTERVIEW QUESTIONNAIRE

PART ONE: ABOUT THE PARTICIPANT
1. Name (optional):
2. Organisation: SMEs/Government departments/Industry support organisations
3. Position: Owner-manager/Policy maker/Industry representative
4. Length of holding this position:
5. Gender:
6. Age group:

PART TWO: ABOUT THE ORGANISATION
7. Economic Cluster: Manufacturing / Services
8. Total number of employees:
9. Key organisational activities: Domestic Consumption/
    Domestic Consumption and Export/
    Export only

PART THREE: ECONOMIC ISSUES

10. Can you tell me in what ways do SMEs foster economic sustainability? For example, they emphasis on financial benefits, long-term competitiveness and economic impact. These issues can include effective cash flow management, debt payment plan, profitability, investment plan, tax payment, prices to customers and wages to employees.

<table>
<thead>
<tr>
<th>Economic issues</th>
<th>Degree of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Significant</td>
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<tr>
<td></td>
<td>Some impact</td>
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<td></td>
<td>No impact</td>
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<td></td>
<td>Not aware</td>
</tr>
<tr>
<td>1. Financial benefits: cash flow, debt payment plan</td>
<td>□</td>
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<td>□</td>
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<td>More details:------------------------------------------</td>
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<tr>
<td>2. Long-term competitiveness: Profitability,</td>
<td>□</td>
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<tr>
<td>Investment plan</td>
<td>□</td>
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<tr>
<td></td>
<td>□</td>
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<td>□</td>
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<td>More details:------------------------------------------</td>
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</tr>
</tbody>
</table>
3. Economic impact: Tax payment, Adequate prices to customers, Wages to employees.

More details: ........................................

Any comments:

11. Can you please tell me what the success factors are and how they facilitate SME economic sustainability? They can include government supporting policies, labour capacity, clustering and networking, economic integration, managerial capability, recruiting and training, technology and innovation.

<table>
<thead>
<tr>
<th>Success factors</th>
<th>Degree of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting policies</td>
<td></td>
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<tr>
<td>Labour capacity</td>
<td></td>
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<tr>
<td>Clustering and networking</td>
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<tr>
<td>Economic integration</td>
<td></td>
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<tr>
<td>Managerial capability</td>
<td></td>
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<tr>
<td>Recruiting and training</td>
<td></td>
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<tr>
<td>Technology and innovation</td>
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</tr>
</tbody>
</table>

Any comments:

12. Can you please tell me what the challenges are and how they hinder SME economic sustainability? For example, market competition, shortage of raw inputs, limited access to financial support, costs of technologies, government administrative practices, employee disengagement.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Degree of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market competition</td>
<td></td>
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<tr>
<td>Shortage of raw inputs</td>
<td></td>
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<tr>
<td>Limited access to finance</td>
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</tbody>
</table>

Any comments:
PART FOUR: SOCIAL ISSUES

15. Can you tell me in what ways SMEs enhance firms’ social sustainability? The practices can include equal opportunities in recruitment, any gender consideration, work safety, fundraising or training for local community.

<table>
<thead>
<tr>
<th>Social issues</th>
<th>Degree of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Equity: equal opportunities, gender issues</td>
<td></td>
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<tr>
<td>More details: .....................</td>
<td></td>
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<tr>
<td>2. Internal social improvement: social insurance, training, work safety</td>
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<tr>
<td>More details: .....................</td>
<td></td>
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<tr>
<td>3. Social impact: fund raising, training</td>
<td></td>
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<tr>
<td>More details: .....................</td>
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</tbody>
</table>

Any comments:

16. Can you please tell me what the success factors are and how they facilitate SME social sustainability? For example, government supporting policies, labour capacity, clustering and networking, economic integration, managerial capability, recruiting and training, technology and innovation.
### Success factors

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Degree of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Supporting policies</td>
<td></td>
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<tr>
<td>More details:</td>
<td></td>
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<tr>
<td>2. Labour capacity</td>
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<td>More details:</td>
<td></td>
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<tr>
<td>3. Clustering and networking</td>
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<td>More details:</td>
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<tr>
<td>4. Economic integration</td>
<td></td>
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<td>More details:</td>
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<tr>
<td>5. Managerial capability</td>
<td></td>
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<td>More details:</td>
<td></td>
</tr>
<tr>
<td>6. Recruiting and training</td>
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<td>More details:</td>
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<tr>
<td>7. Technology and innovation</td>
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<tr>
<td>More details:</td>
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</tr>
</tbody>
</table>

Any comments:

17. Can you please tell me what the challenges are and how they hinder SME social sustainability in Vietnam? For example, market competition, shortage of raw inputs, limited access to financial support, limited knowledge and information, government administrative practices, employee disengagement.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Degree of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market competition</td>
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<tr>
<td>More details:</td>
<td></td>
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<tr>
<td>2. Shortage of raw inputs</td>
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<td>More details:</td>
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<tr>
<td>3. Limited access to finance</td>
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<td>More details:</td>
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<tr>
<td>4. Limited knowledge and information</td>
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<tr>
<td>More details:</td>
<td></td>
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<tr>
<td>5. Government administrative practices</td>
<td></td>
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<td>More details:</td>
<td></td>
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<tr>
<td>6. Employee disengagement</td>
<td></td>
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<tr>
<td>More details:</td>
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</tr>
</tbody>
</table>

Any comments:

18. Can you please tell me what mechanisms are used to overcome these challenges? For example, would you seek for assistance from government or do you solve
the issues yourself? If yes, could you please clarify what kind of support do you normally seek for?

19. Do you have any other comments?

PART FIVE: ENVIRONMENTAL ISSUES

20. Can you tell me in what ways do SMEs contribute to minimise negative effect on natural resources and the environment? For example, using responsibly resources such as energy and input materials, reducing emissions and reducing local environmental damages and risks.

<table>
<thead>
<tr>
<th>Environmental issues</th>
<th>Degree of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Responsible use of resources: energy and raw materials</td>
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<tr>
<td>More details: .................................................</td>
<td></td>
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<tr>
<td>2. Reducing emissions into water and air</td>
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<tr>
<td>More details: .................................................</td>
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<tr>
<td>3. Reducing local environmental damages &amp; risks</td>
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<tr>
<td>More details: .................................................</td>
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</tbody>
</table>

Any comments:

21. Can you please tell me what the success factors are and how they facilitate SME environmental sustainability? For example, government supporting policies, labour capacity, clustering and networking, economic integration, managerial capability, recruiting and training, technology and innovation.

<table>
<thead>
<tr>
<th>Success factors</th>
<th>Degree of importance</th>
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<tbody>
<tr>
<td>1. Supporting policies</td>
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<td>More details: .....................</td>
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<tr>
<td>2. Labour capacity</td>
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<td>More details: .....................</td>
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<tr>
<td>3. Clustering and networking</td>
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<td>More details: .....................</td>
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</tbody>
</table>
4. Economic integration
More details: ..............................

5. Managerial capability
More details: ..............................

6. Recruiting and training
More details: ..............................

7. Technology and innovation
More details: ..............................

Any comments:

22. Can you please tell me what the challenges are and how they hinder SME environmental sustainability in Vietnam? For example, market competition, shortage of raw inputs, limited access to financial support, limited knowledge and information, government administrative practices, employee disengagement.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Significant</th>
<th>Some impact</th>
<th>No impact</th>
<th>Not aware</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market competition</td>
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<tr>
<td>More details: .................................</td>
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<tr>
<td>2. Shortage of raw inputs</td>
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<td>More details: .................................</td>
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<tr>
<td>3. Limited access to finance</td>
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<td>More details: .................................</td>
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<td>4. Limited knowledge and information</td>
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<td>5. Government administrative practices</td>
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<td>More details: .................................</td>
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<td>6. Employee disengagement</td>
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<td>More details: .................................</td>
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</table>

Any comments:

23. Can you please tell me what mechanisms are used to overcome these challenges? For example, would you seek for assistance from government or do you solve the issues yourself? If yes, could you please clarify what kind of support do you normally seek for?

24. Do you have any other comments?

25. Do you want to add any further comments about sustainable development in relation to your organisation?

Thank you for your participation.
BÀNG CÂU HỎI PHÍM VĂN

PHẦN MỘT: THÔNG TIN CHUNG VỀ NGƯỜI THAM GIA

1. Họ tên:
2. Tố chức: DNNVV / Cơ quan nhà nước / Các hiệp hội
3. Vị trí: Chủ sở hữu-quản lý / Cán bộ xây dựng chính sách / Đại diện của hiệp hội
4. Thời gian làm việc tại vị trí này:
5. Giới tính:
6. Độ tuổi:

PHẦN HAI: THÔNG TIN VỀ CÔNG TY (ĐÀNH CHO DNNVV)

7. Công ty của Ông/bà thuộc nhóm ngành công nghiệp: Sản xuất / Dịch vụ
8. Tổng số lao động:
9. Các sản phẩm của công ty nhằm vào:
   Tiêu thụ trong nước/
   Tiêu thụ trong nước và xuất khẩu/
   Xuất khẩu

PHẦN BA: CÁC VẤN ĐỀ KINH TẾ

10. Ông/Bà có thể cho biết các DNNVV đã làm những gì để gia tăng giá trị kinh tế và các hoạt động này quan trọng thế nào đối với sự phát triển bền vững của công ty? Ví dụ như doanh nghiệp chủ trong vấn đề quản lý tài chính, khả năng cạnh tranh dựa vào đầu tư vào công nghệ hay các đóng góp cho nền kinh tế thông qua việc nộp thuế, tạo thêm việc làm hay sản phẩm rek hơn so với các công ty khác.
Các vấn đề kinh tế | Rất ảnh hưởng | Khá ảnh hưởng | Không ảnh hưởng | Không biệt
---|---|---|---|---
1. Lợi ích tài chính: ví dụ như quan lý dòng tiền, kế hoạch trả nợ | ☐ | ☐ | ☐ | ☐
Xin giải thích thêm:…………………………
2. Khả năng cạnh tranh lâu dài nhờ vào kế hoạch đầu tư sản xuất, công nghệ | ☐ | ☐ | ☐ | ☐
Xin giải thích thêm:…………………………
3. Ảnh hưởng lên nền kinh tế: nộp thuế, giá sản phẩm, trả lương công nhân | ☐ | ☐ | ☐ | ☐
Xin giải thích thêm:…………………………

Các nội dung Ông/Bà muốn cung cấp thêm:

11. Xin Ông/Bà có thể cho biết tạm quan trọng của các yếu tố giúp cho sự phát triển bền vững về mặt kinh tế của DNNVV? Ví dụ như các chính sách hỗ trợ của nhà nước, thị trường lao động, các mối quan hệ hỗ trợ, hội nhập kinh tế, khả năng quản lý của doanh nghiệp, tuyển dụng và đào tạo, áp dụng khoa học công nghệ vào đối mới sản xuất.

Các yếu tố thuận lợi | Rất ảnh hưởng | Khá ảnh hưởng | Không ảnh hưởng | Không biệt
---|---|---|---|---
1. Chính sách hỗ trợ | ☐ | ☐ | ☐ | ☐
Xin giải thích thêm:…………………………
2. Thị trường lao động | ☐ | ☐ | ☐ | ☐
Xin giải thích thêm:…………………………
3. Khu công nghiệp và các mối quan hệ | ☐ | ☐ | ☐ | ☐
Xin giải thích thêm:…………………………
4. Hội nhập kinh tế | ☐ | ☐ | ☐ | ☐
More details: ……………………………
5. Khả năng quản lý của doanh nghiệp | ☐ | ☐ | ☐ | ☐
Xin giải thích thêm:…………………………
6. Tuyển dụng và đào tạo | ☐ | ☐ | ☐ | ☐
Xin giải thích thêm:…………………………
7. Công nghệ và đối mới sản xuất | ☐ | ☐ | ☐ | ☐
Xin giải thích thêm:…………………………

Các nội dung Ông/Bà muốn cung cấp thêm:

12. Xin Ông/Bà có thể cho biết về mức độ ảnh hưởng của những khó khăn cần trở sự phát triển bền vững về mặt kinh tế của DNNVV? Ví dụ như cạnh tranh sành sản phẩm, thiếu nguồn nguyên liệu, khó tiếp cận hỗ trợ tài chính, chi phí áp dụng công nghệ, thiếu tặc hành chính, thiếu gân kết của công nhân.
<table>
<thead>
<tr>
<th>Các khó khăn</th>
<th>Rất ảnh hưởng</th>
<th>Khá ảnh hưởng</th>
<th>Không ảnh hưởng</th>
<th>Không biệt</th>
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</thead>
<tbody>
<tr>
<td>1. Cạnh tranh trên thị trường</td>
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<td>☐</td>
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<tr>
<td>2. Thiếu nguồn nguyên liệu</td>
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<tr>
<td>3. Khó tiếp cận hỗ trợ tài chính</td>
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<td>6. Thiếu gân kết của công nhân</td>
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Các nội dung Ông/Bà muốn cung cấp thêm:

13. Xin Ông/Bà có thể cho biết thêm về các cơ chế mà các DNNVV cũng như chính phủ đang thực hiện để giảm bớt những khó khăn nêu trên cho doanh nghiệp? Ví dụ như công ty Ông/Bà chủ động đúng nguồn lực của công ty hay tìm kiếm sự hỗ trợ của chính phủ? Chính phủ đã có những biện pháp gì?

14. Ông/Bà có thông tin bổ sung gì liên quan đến việc đẩy mạnh phát triển kinh tế bên vũng của DNNVV, xin cho biết thêm?

PHẦN HAI: CÁC VẤN ĐỀ VỀ XÃ HỘI

15. Ông/Bà có thể cho biết các DNNVV đã thực hiện những hoạt động xã hội gì và những hoạt động này có ảnh hưởng như thế nào đối với sự phát triển bền vững của DNNVV? Ví dụ như đảm bảo quyền bình đẳng khi tuyển dụng, không phân biệt giới tính, đảm bảo an toàn lao động, có những đóng góp đôi với cộng đồng như ứng hộ gây quy cho các nhóm đối tượng dễ bị tổn thương.

<table>
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<tr>
<th>Các vấn đề xã hội</th>
<th>Rất ảnh hưởng</th>
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<th>Không ảnh hưởng</th>
<th>Không biệt</th>
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2. Cải thiện các hoạt động mang tính xã hội như tham gia bảo hiểm xã hội, đào tạo, an toàn lao động
Xin giải thích thêm: 

3. Đồng góp cho công đồng như gây quỹ, đào tạo tay nghề cho các thành phần tại công đồng nơi sản xuất
Xin giải thích thêm:

Các nội dung Ông/Bà muốn cung cấp thêm:

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<td>6. Tuyển dụng và đào tạo</td>
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Các nội dung Ông/Bà muốn cung cấp thêm:

16. Xin Ông/Bà có thể cho biết tầm quan trọng của việc các tác nhân giúp phát triển bền vững về mặt xã hội của DNNVV? Ví dụ như các chính sách hỗ trợ của nhà nước, thị trường lao động, các mối quan hệ hỗ trợ, hỗ trợ kinh tế, khả năng quản lý của doanh nghiệp, tuyển dụng và đào tạo, áp dụng khoa học công nghệ vào đổi mới sản xuất.

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Các nội dung Ông/Bà muốn cung cấp thêm:

17. Xin Ông/Bà có thể cho biết ảnh hưởng của những khó khăn cần trở sự phát triển bền vững về mặt xã hội của DNNVV? Ví dụ như cạnh tranh sản phẩm, thiếu nguồn nguyên liệu, khó tiếp cận hỗ trợ tài chính, giới hạn về thông tin và kiến thức, thủ tục hành chính, thiếu gắn kết của công nhân.
Các khó khăn

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<td>Giới hạn về thông tin và hiểu biết</td>
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Các nội dung Ông/Bà muốn cung cấp thêm:

18. Xin Ông/Bà có thể cho biết thêm về các cơ chế mà các DNNV cũng như chính phủ đang thực hiện để giảm bớt những khó khăn nêu trên cho doanh nghiệp? Ví dụ như công ty Ông/Bà chủ động dùng nguồn lực của công ty hay tìm kiếm sự hỗ trợ của chính phủ? Chính phủ đã có những biện pháp gì?

19. Ông/Bà có thông tin bổ sung gì liên quan đến việc đẩy mạnh phát triển bến vũng của DNNV ở góc độ các vấn đề xã hội, xin cho biết thêm?

PHẦN NĂM: CÁC VÁN ĐỂ VỀ MÔI TRƯỜNG

20. Ông/Bà có thể cho biết các DNNV đã làm những hoạt động gì để bảo vệ môi trường và những hoạt động này có ảnh hưởng như thế nào đối với sự phát triển bền vững của DNNV? Ví dụ như sử dụng cổ trách nhiệm các nguồn tài nguyên như năng lượng và nguyên liệu thô, giảm chất thải ra môi trường nước và không khí, giảm tiêu những nguy cơ gây hại cho môi trường xung quanh nơi doanh nghiệp sản xuất kinh doanh.
<table>
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<th>Các vấn đề môi trường</th>
<th>Mức độ quan trọng</th>
<th>Rất ảnh hưởng</th>
<th>Khá ảnh hưởng</th>
<th>Không ảnh hưởng</th>
<th>Không biết</th>
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Các nội dung Ông/Bà muốn cung cấp thêm:

21. Xin Ông/Bà có thể cho biết về tầm quan trọng của việc các yếu tố giúp cho việc phát triển bền vững về mặt môi trường tự nhiên của DNNVV? Ví dụ như các chính sách hỗ trợ của nhà nước, thị trường lao động, các môi quan hệ hỗ trợ, hỗ trợ phát triển kinh tế, khả năng quản lý của doanh nghiệp, tuyển dụng và đào tạo, áp dụng khoa học công nghệ vào đổi mới sản xuất.

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<th>Mức độ quan trọng</th>
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Các nội dung Ông/Bà muốn cung cấp thêm:

22. Xin Ông/Bà có thể cho biết ảnh hưởng của những khó khăn cần trợ sự phát triển bền vững về mặt môi trường tự nhiên của DNNVV? Ví dụ như cạnh tranh sản
phẩm, thiếu nguồn nguyên liệu, khó tiếp cận hỗ trợ tài chính, giới hạn về thông tin và kiến thức, thủ tục hành chính, thiếu giao kết của công nhân.

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Các nội dung Ông/Bà muốn cung cấp thêm:

23. Xin Ông/Bà có thể cho biết thêm về các cơ chế mà các DNNVV cũng như chính phủ đang thực hiện để giảm bớt những khó khăn trên trong doanh nghiệp? Ví dụ như công ty Ông/Bà chủ động dùng nguồn lực của công ty hay tìm kiếm sự hỗ trợ của chính phủ? Chính phủ đã có những biện pháp gì?

24. Ông/Bà có thông tin bổ sung gì liên quan đến việc đẩy mạnh phát triển bền vững của DNNVV ở góc độ bảo vệ môi trường, xin cho biết thêm?

25. Ông/Bà có thông tin muốn đóng góp gì về các vấn đề liên quan đến sự phát triển bền vững của DNNVV nói chung, xin vui lòng cung cấp?

Cảm ơn sự tham gia của Ông/Bà./.
APPENDIX 4
PARTICIPANT INFORMATION AND CONSENT FORM (PICF)

INVITATION TO PARTICIPATE IN A RESEARCH PROJECT
PARTICIPANT INFORMATION

Project Title: Small and Medium Enterprises (SMEs) and Sustainable Development: The Case of Vietnam.

Investigators:

1. Ms. Huong Nguyen, MSc (Management), PhD Candidate, School of Management, RMIT University.
   Contact: thithanhhuong.nguyen2@rmit.edu.au; +61 3 9925 5176
2. First Supervisor: Associate Professor Sharif As-Saber, PhD in International and Comparative Management, School of Management, RMIT University.
   Contact: sharif.as-saber@rmit.edu.au; +61 3 9925 5526
3. Second Supervisor: Professor George Cairns, PhD in Architectural History, School of Management, RMIT University.
   Contact: george.cairns@rmit.edu.au; +61 3 9925 5602

Dear Sir/Madam,

You are invited to participate in a research project being conducted by the School of Management, RMIT University. Please read this sheet carefully and be confident that you understand its contents before deciding whether to participate. If you have any questions about the project, please ask one of the investigators.

Who is involved in this research project? Why is it being conducted?
The investigator is a PhD student enrolled in the School of Management, RMIT University. The research project is being supervised by Associate Professor Sharif As-Saber and Professor George Cairns. Using a qualitative method, this research explores the current state of sustainable development of Vietnamese SMEs, the challenges it has been facing, and the possible ways to overcome these challenges. The research has been approved by the RMIT Human Research Ethics Committee.
Why have you been approached?
You have been approached to participate in this research because the researchers believe your expertise can provide valuable inputs in exploring the sustainable development process of Vietnamese SMEs. You have been individually and personally selected by the researcher and your contact details are obtained from the public domain (e.g. web pages, social networking sites, etc.). It is important to note, permission has been given by the Vietnamese Ministerial Board to interview government officials within the Ministry of Industry and Trade. Your participation is still voluntary and you may decide not to participate in this research.

What is the project about? What are the questions being addressed?
The research deliberates on the sustainable SME development in Vietnam. It aims to address three main questions, i.e., to what extent sustainable development concept is employed in SME sector in Vietnam, what are the challenges it has been facing, and what are the possible ways to overcome these challenges? Data will be collected from approximately 38 interviewees during the research process.

If I agree to participate, what will I be required to do?
If you agree to participate, you are requested to agree to be engaged in an approximately 60 minute interview with the researcher (Huong Nguyen) from any date between January 20th and May 1st, 2014 conducted in Vietnam. Please fill in the consent form (Appendix 1).

The interview will be in-depth with several open-ended questions in Vietnamese language, focusing on the extent to which SME sector of Vietnam is committed to sustainable development. Although the interviews will be audio recorded, it is not mandatory and you have the right and freedom to request that taping cease at any time during the interview process. An outline of the research questions for the interview is also provided in (Appendix 2).
What are the possible risks or disadvantages?
There are no risks associated with participation in this research project and any future publication stemming from this research will respect your right as agreed in the consent form.
“If you are unduly concerned about your responses to any of the interview questions or if you find participation in the project distressing, you should contact Associate Professor Sharif As-Saber (‘the chief investigator’) as soon as convenient. Sharif will discuss your concerns with you confidentially and suggest appropriate follow-up, if necessary.”

What are the benefits associated with participation?
The interview will take about an hour of your time. Please be assured that the research outcomes would be shared with you in due course. Your participation will provide important contribution to this research. The research may not be of any direct benefit to you. However, we assume that this research potentially can provide better understanding and insights about the sustainable SME development process in Vietnam, its implementation challenges and possible ways to overcome these challenges.

What will happen to the information I provide?
All information provided in the interview will be recorded (consent of the interviewee), transcribed and translated into English. The information will then be analysed. Your information will be treated with strictest confidence. The results of this interview will only be used for my research, in the form of a thesis, academic papers and conference papers. Coded data will be kept securely for a period of five years upon completion of the research before being destroyed by RMIT University and can only be accessed by my supervisors and me.
“Any information that you provide can be disclosed only if (1) it is to protect you or others from harm, (2) if specifically required or allowed by law, or (3) you provide the researchers with written permission.”

What are my rights as a participant?
As a participant you have:
✓ The right to withdraw from participation at any time

✓ The right to request that any recording cease

✓ The right to have any unprocessed data withdrawn and destroyed, provided it can be reliably identified, and provided that so doing does not increase the risk for the participant.

✓ The right to have any questions answered at any time.

**Whom should I contact if I have any questions?**

Associate Professor Sharif As-Saber, School of Management, RMIT University, Melbourne, VIC 3000.

Email: sharif.as-saber@rmit.edu.au; Phone: +61 3 9925 5526

**What other issues should I be aware of before deciding whether to participate?**

There are no other issues that you should be aware of as a participant.

Yours sincerely,

HUONG NGUYEN

PhD Candidate, School of Management, RMIT University

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If you have any concerns about your participation in this project, which you do not wish to discuss with the researchers, then you can contact the Ethics Officer, Research Integrity, Governance and Systems, RMIT University, GPO Box 2476V VIC 3001. Tel: (03) 9925 2251 or email human.ethics@rmit.edu.au
PARTICIPANT’S CONSENT FORM

1. I have had the project explained to me, and I have read the information sheet.
2. I agree to participate in the research project as described.
3. I agree:
   - to be interviewed in Vietnamese language
   - that my voice will be audio recorded  
     Yes  
     No
4. I acknowledge that:
   (a) I understand that my participation is voluntary and that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied (unless follow-up is needed for safety).
   (b) The project is for the purpose of research. It may not be of direct benefit to me.
   (c) The privacy of the personal information I provide will be safeguarded and only disclosed where I have consented to the disclosure or as required by law.
   (d) The security of the research data will be protected during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be provided to Huong Nguyen (the researcher). Any information which will identify me will not be used.

Participant’s Consent

Participant: ____________________________  Date: ____________________________

(Signature)

Participants should be given a photocopy of this PICF after it has been signed.
THƯ MỜI THAM DỰ NGHIÊN CỨU
THÔNG TIN THAM GIA
Tên đề tài: Doanh nghiệp nhỏ và vừa (DNNVV) và Phát triển Bên vững: Trường hợp của Việt Nam.

Người nghiên cứu:
1. Bà Nguyễn Thị Thanh Hương, Nghiên cứu sinh tiến sĩ, Đại học RMIT, Úc.
   Liên hệ: thithanthhuong.nguyen2@rmit.edu.au; +61 3 9925 5176
2. Giáo sư hướng dẫn chính: Phó Giáo sư Sharif As-Saber, Khoa Quản lý, Đại học RMIT, Úc
   Liên hệ: sharif.as-saber@rmit.edu.au; +61 3 9925 5526
3. Giáo sư hướng dẫn phụ: Giáo sư George Cairns, Khoa Quản lý, Đại học RMIT, Úc
   Liên hệ: george.cairns@rmit.edu.au; +61 3 9925 5602

Kính gửi Ông/Bà,

Ông/Bà được mời tham gia một dự án nghiên cứu được thực hiện bởi Trường Đại học RMIT. Xin vui lòng đọc kỹ những nội dung nêu trong thư mời này trước khi quyết định tham gia vào nghiên cứu này. Nếu Ông/Bà có bất kỳ câu hỏi về đề tài nghiên cứu, xin vui lòng yêu cầu một trong các nhà điều tra.

Người tham gia vào dự án nghiên cứu này? Tại sao nó được tiến hành?
Điều tra viên là một nghiên cứu sinh đang trong chương trình Tiến sĩ ngành Quản lý, trường Đại học RMIT được hướng dẫn bởi Phó giáo sư Sharif As-Saber, Khoa Quản lý, Đại học RMIT và Giáo sư George Cairns, Khoa Quản lý, Đại học RMIT.

Do vấn đề phát triển bền vững nói chung và vấn đề phát triển DNNVV nói riêng được coi là ưu tiên của sự phát triển của Việt Nam, nghiên cứu này được thực hiện để điều tra về mức độ mà khái niệm phát triển bền vững được lồng ghép vào việc phát triển DNNVV tại Việt Nam.
Nghiên cứu này đã được sự chấp thuận bởi Ủy ban Đạo đức Nghiên cứu con người, Đại học RMIT.

Lý do tại sao Ông/Bà đã được tiếp cận?
Ông/Bà được tiếp cận để tham gia vào nghiên cứu này bởi vì các nhà nghiên cứu tin rằng chuyên môn và hiểu biết của Ông/Bà có giá trị trong việc nghiên cứu hoạt động của DNNVV theo hướng bền vững. Thông tin liên hệ của Ông/Bà đã được các nhà nghiên cứu tìm trong trang web của tổ chức/công ty của Ông/Bà.

Nội dung của dự án là gì? Các câu hỏi được giải quyết là gì?
Câu hỏi chính của nghiên cứu là mức độ mà khái niệm phát triển bền vững được lồng ghép vào việc phát triển khu vực DNNVV tại Việt Nam. Cuộc phòng vấn sẽ được tiến hành để xem xét vai trò của chính phủ Việt Nam, các bên liên quan và DNNVV trong việc theo đuổi phát triển bền vững của khu vực DNNVV. Ngoài ra, các yêu tố thuận lợi và thách thức mà họ đang phải đối mặt và cơ chế đang được sử dụng để cho phép phát triển DNNVV bền vững cũng sẽ được giải quyết trong các cuộc phòng vấn. Khoảng 38 cuộc phòng vấn được dự kiến sẽ được tổ chức trong nghiên cứu này.

Nếu tôi đồng ý tham gia, những gì tôi sẽ phải làm gì?
Nếu Ông/Bà đồng ý tham gia, Ông/Bà được yêu cầu đồng ý tham gia trong một cuộc phòng vấn trong khoảng 60 phút với các nhà nghiên cứu (Nguyễn Thị Thanh Hương) trong khoảng thời gian từ 20/1/2014 đến 1/5/2014 được tiến hành tại Việt Nam. Xin vui lòng điện vào mẫu chấp thuận (Phụ lục 1).

Cuộc phòng vấn sẽ được thực hiện bằng tiếng Việt với một số câu hỏi mở, tập trung vào mức độ mà các DNVVN của Việt Nam đang thực hiện các biện pháp nhằm phát triển bền vững. Mặc dù các cuộc phòng vấn sẽ được ghi âm lại, điều này không phải bắt buộc, Ông/bà có quyền yêu cầu ngưng thu bất cứ lúc nào trong quá trình phòng vấn. Các câu hỏi mẫu của nghiên cứu được cung cấp kèm theo (Phụ lục 2).

Những rủi ro hoặc bất lợi có thể là gì?
Không có rủi ro khi tham gia dự án nghiên cứu này và bất kỳ công bố trong tương lai...
xuất phát từ nghiên cứu này sẽ tồn trong quyền của Ông/Bà theo thỏa thuận trong mẫu phiếu chấp thuận.

"Nếu Ông/Bà bán khoản về câu trả lời của Ông/Bà trong bất kỳ câu hỏi phòng vấn nào hoặc nếu Ông/Bà có vấn đề thắc mắc trong việc tham gia phòng vấn, Ông/Bà có thể liên hệ với Phó Giáo sư Sharif As-Saber (Phụ trách chính). Ông Sharif sẽ cùng thảo luận về những thắc mắc của Ông/Bà một cách bảo mật”.

**Các lợi ích gần liên với sự tham gia là gì?**

Cục phòng vấn sẽ kéo dài khoảng 60 phút. Buổi phòng vấn này không mang tới lợi ích trực tiếp cho Ông/Bà. Tuy nhiên, lợi ích liên quan đến tham gia trong nghiên cứu này là đóng góp chuyển mòn và kinh nghiệm của Ông/Bà để giúp các nhà nghiên cứu thực đẩy sự phát triển bên vững của khu vực DNNVV ở Việt Nam.

**Điều gì sẽ xảy ra với những thông tin tôi cung cấp?**

Tất cả các thông tin cung cấp trong buổi phòng vấn sẽ được ghi lại (dưới sự đồng ý của người được phòng vấn), phiên âm và dịch sang tiếng Anh. Thông tin của Ông/Bà sẽ được quản lý nghiêm ngặt. Kết quả của cuộc phòng vấn này sẽ chỉ được sử dụng cho nghiên cứu của tôi, dưới hình thức của một luận án, bài đăng báo học thuật và tham dự hội thảo. Dữ liệu mà ông sẽ được giữ an toàn trong thời gian năm năm sau khi nghiên cứu được hoàn thành trước khi bị phá hủy bởi trường đại học RMIT và chỉ có thể được truy cập bởi các giám sát viên của tôi và tôi.

"Bắt kỳ thông tin mà Ông/Bà cung cấp có thể được tiết lộ khi (1) là để báo về Ông/Bà hoặc những người khác khỏi bị hại, (2) nếu yêu cầu cụ thể hoặc pháp luật cho phép, hoặc (3) Ông/Bà cung cấp cho các nhà nghiên cứu với sự cho phép bằng văn bản."

**Quyền lợi của tôi nếu tham gia là gì?**

Là một thành viên tham gia, Ông/Bà có:

- Quyền rút tham gia bất cứ lúc nào.
- Quyền yêu cầu chăm dỗ ghi âm.
✓ Quyền thu hồi bất kỳ dữ liệu chưa qua ché biến và bị pha huy, với điều kiện có thể xác định được tính tin cậy, và với điều kiện là làm như vậy không làm tăng nguy cơ đối với người tham gia.

✓ Quyền được không bị xác định trong bất kỳ hình ảnh đánh cho công bố công khai, trước thời điểm công bố.

✓ Quyền được đặt câu hỏi bất cứ lúc nào.

Người mà tôi cần liên hệ nếu tôi có bất kỳ câu hỏi?
Phó Giáo sư Sharif As-Saber, Khoa Quản lý, Đại học RMIT, Melbourne, Úc.
Liên hệ: sharif.as-saber@rmit.edu.au; +61 3 9925 5526

Còn những vấn đề khác tôi nên biết trước khi quyết định có nên tham gia?
Không có vấn đề gì khác mà Ông/bà cần biết trước khi quyết định tham gia.

Trân trọng.

NGUYỄN THỊ THANH HƯƠNG
Nghiên cứu sinh, Khoa Quản lý, Đại học RMIT

Nếu Ông/bà có bất kỳ băn khoăn nào về việc tham gia vào nghiên cứu này, mà không muốn thảo luận với các nhà nghiên cứu, Ông/bà có thể liên hệ với các cán bộ đạo đức nghiên cứu, Quản trị và hệ thống, Đại học RMIT, GPO Box 2476 VIC 3001. Diện thoại: (03) 9925 2251 hoặc email: human.ethics@rmit.edu.au
MẪU CHẤP THUẬN THAM GIA

1. Tôi đã đọc kỹ thông tin được cung cấp về dự án nghiên cứu
2. Tôi đồng ý tham gia dự án nghiên cứu như đã nêu tại thư mời
3. Tôi đồng ý:
   ▪ Được phòng vấn và trả lời bằng tiếng Việt
   ▪ Câu trả lời của tôi được ghi âm  □Đồng ý □ Không đồng ý
4. Tôi xác nhận rằng:
   (a) Tôi hiểu rằng sự tham gia của tôi là tự nguyện và tôi có thể được rút khỏi dự án bất cứ lúc nào và rút bất kỳ thông tin cung cấp trước đây chưa qua xử lý (ngoại trừ việc xem xét cần thiết).
   (b) Dự án này là nhằm mục đích nghiên cứu. Nó có thể không mang lại lợi ích trực tiếp cho tôi.
   (c) Thông tin cá nhân tôi cung cấp sẽ được bảo mật và chỉ được tiết lộ những thông tin tôi đã đồng ý tiết lộ hoặc theo yêu cầu của pháp luật.
   (d) Dữ liệu nghiên cứu sẽ được bảo mật trong và sau khi hoàn thành nghiên cứu. Các dữ liệu thu thập được trong quá trình nghiên cứu có thể được xuất bản, báo cáo bởi bà Nguyễn Thị Thanh Hương (nha nghiên cứu). Các thông tin cá nhân của tôi sẽ không được tiết lộ.

Chấp thuận của người tham gia

Người tham gia:    ngày:

(Chữ ký)

Người tham dự được cung cấp một bản sao sau khi đã ký xác nhận.
APPENDIX 5: ETHICS APPROVAL FROM RMIT UNIVERSITY

Notice of Approval

Date: 19 December 2013

Project number: 15036

Project title: Small and Medium-Sized Enterprises (SMEs) and Sustainable Development: The Case of Vietnam

Risk classification: Low Risk

Principal Investigator: Professor Sharif As-Saber

Student Investigator: Mrs Thi Thanh Huong Nguyen

Other Investigators: Professor George Cairns

Project Approved: From 12 December 2013 To 16 July 2016

Terms of approval:

1. Responsibility of the principal investigator
   It is the responsibility of the principal investigator to ensure that all other investigators and staff on a project are aware of the terms of approval and to ensure that the project is conducted as approved by BCHEAN. Approval is only valid while the investigator holds a position at RMIT University.

2. Amendments
   Approval must be sought from BCHEAN to amend any aspect of a project including approved documents. To apply for an amendment submit a request for amendment form to the BCHEAN secretary. This form is available on the Human Research Ethics Committee (HREC) website. Amendments must not be implemented without first gaining approval from BCHEAN.

3. Adverse events
   You should notify BCHEAN immediately of any serious or unexpected adverse effects on participants or unforeseen events affecting the ethical acceptability of the project.

4. Participant information and consent form (PICF)
   The PICF must be distributed to all research participants, where relevant, and the consent form is to be retained and stored by the investigator. The PICF must contain the RMIT University logo and a complaint clause including the above project number.

5. Annual reports
   Continued approval of this project is dependent on the submission of an annual report.

6. Final report
   A final report must be provided at the conclusion of the project. BCHEAN must be notified if the project is discontinued before the expected date of completion.

7. Monitoring
   Projects may be subject to an audit or any other form of monitoring by BCHEAN at any time.

8. Retention and storage of data
   The investigator is responsible for the storage and retention of original data pertaining to a project for a minimum period of five years.

Regards,

RMIT BCHEAN
Notice of Project Amendment Approval

Date: 13 April 2016

Project number: 15935

Project title: Small and Medium-sized Enterprises (SMEs) and Sustainable Development: The case of Vietnam

Risk classification: Low Risk

Principal Investigator: AjProfessor Sharif As-Saber
Student Investigator: Ms Thi Thanh Huong Nguyen
Other Investigators: Dr Robert Ingram-Smith

Project Approved: From: 13 December 2013 To: 16 July 2016

Project Amendment Approved: From: 12 April 2016

Amendment Details: Change of second supervisor from Professor George Cairns to Dr Robert Ingram-Smith

Terms of approval:

Responsibilities of the principal investigator

It is the responsibility of the principal investigator to ensure that all other investigators and staff on the project are aware of the terms of approval and to ensure that the project is conducted as approved by BCHEAN. Approval is only valid while the investigator holds a position at RMIT University.

1. Amendments
   Approval must be sought from BCHEAN to amend any aspect of a project including approved documents. To apply for an amendment submit a request for amendment form to the BCHEAN secretary. This form is available on the Human Research Ethics Committee (HREC) website. Amendments must not be implemented without first gaining approval from BCHEAN.

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4. Annual reports
   Continued approval of this project is dependent on the submission of an annual report.

5. Final report
   A final report must be provided at the conclusion of the project. BCHEAN must be notified if the project is discontinued before the expected date of completion.

6. Monitoring
   Projects may be subject to an audit or any other form of monitoring by BCHEAN at any time.

7. Retention and storage of data
   The investigator is responsible for the storage and retention of original data pertaining to a project for a minimum period of five years.

Regards,

RMIT BCHEAN
APPENDIX 6: PICTURES OF COMPANIES INVESTIGATED

Cutting and sewing clothes
Appendices

Sorting completed garment products

Dining room for garment workers
Fire-escape map and personal storage box for workers

Making wooden chopsticks
Making home-interior products
Completed products
Companies’ memory notes in signing contracts

Operation chain of agricultural machines
Training for employees (photos provided by the company)

Giving gifts for children in rural areas (photos provided by the company)