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Dr. Hoang Duc Long is the President of the University of Finance-Marketing. He previously worked at the Academy of Finance before transferring to the Ministry of Finance. While working there, he took the post of the head of the Training Office (under the Personnel and Organization Department), and was promoted to the Deputy Director of Personnel and Organization Department the chairman of the Board of Trustees, formally known as the Board of Directors, of the University of Finance-Marketing. Then, he was assigned to run this university in January 2016. Seven months later, he was officially appointed as the President of the university and has been in this position up to now. During his term here, he was the co-author of the two ministry-level research projects which have been evaluated and implemented. Before that, he had completed numerous ministry-level research projects during his service at the Ministry of Finance and advised the leaders of this ministry on issuing many important legal documents of the Vietnamese finance sector. To recognize his contribution and merits, he was awarded the third class Labor Order in 2011 by the State of Vietnam.

ASSOCIATE PROFESSOR NGUYEN TRONG CO PRESIDENT OF THE ACADEMY OF FINANCE



Assoc. Prof. Nguyen Trong Co is the President of the Academy of Finance. He has been working for the Academy of Finance since he was young and played different roles as Lecturer, Head of Financial Analysis Department, Deputy Head of Human Resources Department before becoming Vice President of the Academy of Finance. He was nominated as the President of Academy of Finance in 2014 and has been in that position so far.

He is the Editor of the Journal of Finance and Accounting Research and serves the Scientific Board of Finance Research Sector as Vice President and a member of Scientific Board of Banking Research Sector.

He was also nominated as honor member of FCPA Australia.

Assoc. Prof. Nguyen Trong Co is the author/coauthor of more than 21 valuable textbooks and supplementary materials such as “Financial Analysis”, Finance Publishing House, 2017, “Auditing management and Usage of mineral resources for sustainable development in Vietnam”, Finance Publishing House, 2016 and etc...

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BUILDING EFFECTIVE RELATIONSHIP WITH THE ENVIRONMENT BY PRACTICALITY, CSR ACTIVITIES AND THE EQUITABLE REGULATORY OF THE GOVERNMENT: A THEORETICALLY RELATIONAL FRAMEWORK FOR CORPORATE PERFORMANCE

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Abstract: *For many decades, many social scientists and economists have tried to explore the relationship between business corporates and the environment or social resources. This paper would generalize the relationship of business corporates – the main actor of the private sector – with the environment in a model reaching towards more sustainable way, and find the factors that affect the effectiveness of the relationship, as well as the performance of firms in their activities towards the environment. The framework could be used for a more specific or quantitative research in the future. The research was conducted in 2020 by a two-step approach (preliminary model based on previous studies, and in-depth interview by meetings and by surveys with 5 Vietnamese managers in Ho Chi Minh city and in Singapore from various companies and organizations to revise the model). To be named companies including Toyota, Suntory-Pepsi, Bel, 1 local business promotion organization and 1 survey in Singapore. Findings include the moderative effects of equity and practicality to relationship of 3-parties model, the positive effect of firms' CSR activities to their performance, and the theoretically relational framework for 3 parties of the economy.*

Keywords: *CSR performance, relational framework of the economy, practicality, equity*

1. Introduction

For many decades, many social scientists and economists have tried to explore the relationship between business corporates and the environment or social resources. However, there are little doing research about factors that decide the effective performance of firms in terms of their relationship with the environment, as well as relationship between firms' activities with the environment and its performance. Besides, many indicated about the necessary of Corporate Social Responsibilities (CSR) for business corporates, but little tried to measure CSR effectiveness by criteria. In the present time, especially in those time of hardship and unpredictable circumstances, it is a necessary for firms to compete for scarer resources or smaller customers group, and to find their limited targets. Thus, firms must increase or enhance their capabilities or qualification, especially the effectiveness of activities, and must justify their relationship with related parties of the economy.

In the general view of society, whether the private sector contributed larger or more effective to the society is also a question.

This paper would generalize the relationship of business corporates – the main actor of the private sector – with the environment in a model reaching towards more sustainable way, and find the factors that affect the effectiveness of the relationship, as well as the performance of firms in their activities towards the environment. The framework could be used for a more specific or quantitative research in the future.

2. Literature review/ Theoretical Framework and methods

2.1. Methods

The research is a qualitative research, with the purposes of building a theoretical framework and collecting the ideas of recipients about the relationship between CSR, practicality and equity to the relationship of corporates with the environment, and to the performance of business entities, as well as some indications for better performance of corporates.

The reasons to choose qualitative methods include 2 explanation a) This research need to conduct initial explorations to develop theories and to generate and even test hypotheses; and moving toward explanations (Soaefer S, 1999); b) the qualitative approach helps to discover new thoughts and individual views (Corbin, J., & Strauss, A. (2008)).

The research was conducted in a 2-step process. All recipients are Vietnamese or Vietnamese origin, living in 3 locations (Viet Nam, Singapore, Australia).

Step 1: Literature review and completed the preliminary model

Step 2: Case study from semi-structured in-depth interview (including both direct interview in informal style, and interview by surveys/questionnaires) with 5 Vietnamese corporate and government managers and leaders from various types of business and organizations in Ho Chi Minh city, Singapore and Australia. To be named some companies including Toyota, Suntory-Pepsi, Bel, 1 local business promotion organization etc. Revised and completed the model.

Table 1. Lists of interview methods for recipients

Number	Company	Position	Method (semi-structured in-depth interview)	Results
1	Investment and Trade Promotion Center of HCMC	Division Manager	Interview by survey/questionnaires	Approved the effect of CSR, practicality in business performance. Indicated about fairness in HR policy as CSR criteria
2	Toyota Viet Nam	Former marketing department staff	Direct Interview (informal)	Approved the effect of CSR, practicality to business performance. Indicated about performance measure criteria such as brand love or brand related points
3	Suntory Beverage & Food Asia in Singapore	Marketing manager	Interview by survey/questionnaires	Approved the effect of equity and CSR to business performance

Number	Company	Position	Method (semi-structured in-depth interview)	Results
4	Suntory – Pepsi Viet Nam	Former marketing manager	Direct Interview (informal)	Approved the effect of CSR, practicality to business performance. Indicated about performance measure criteria such as brand love or brand related points
5	Proself Viet Nam	Leader	Interview by survey/ questionnaires	Approved the effect of CSR, practicality to business performance. Indicated about crisis to corporate unless be practical. Indicated about the necessary for the regulation of government to CSR activities. Emphasizing the utmost importance of CSR policy.
6	Bel Viet Nam	Former HR staff	Direct Interview (informal)	Approved the effect of CSR, practicality to business performance. Indicated about fairness in HR policy.
7	Martin and Pleasant Australia	Ecommerce specialist	Interview by survey/ questionnaires	Approved the effect of CSR, practicality to business performance. Indicated about the flexibility of SME as an effect of practicality. Some suggestions as solutions for CSR activities.

2.2. Business corporate and the role to the economy

a. Business corporate – main actor of private sector

The term “business corporate” used in this paper is acting business corporate of the private sector, including corporates having foreign capital. According to the Statistical numbers of GSO, business corporate was the strongest in value, hiring the most workers of Vietnamese economy.

Total acting business corporate (having business outcomes) until 31/12/2018 of Vietnamese private sector is more than 600.000 units, comprises of over 99% total business corporates (including the public sector), hiring nearly 14 million workers of various industries. This is far over 13.958 units of acting cooperatives but less than the number of more than 5 million non-farm individual business establishment.

However, in terms of labor-hiring, the acting business corporate hiring nearly 14 million workers, paying more than 1.500.000 billion VND for the workers as of 2018. This is far over the number of

workers in non-farm individual business establishment which is only more than 9 million people.

In terms of capital and turn over, these enterprises made up to 27.247 trillion annual average capitals, having more than 10.000 trillion dongs value of fixed assets and long-term investment. Net turn overs of them as of 2018 was more than 20.200 trillion VND, with the profit rate of about 3% - 5%. These number could be measured and calculated by official statistical organizations while the contributions of individual business establishment were hard to be estimated.

b. Theories about business relationship with the economy

Many neo-classic, Keynesian and New Keynesian economists indicated about the flow of goods and money and labor through the economy. This was modeled by the circular-flow diagram as was indicated in the book of Mankiw. In the diagram, firms, or business corporates play an important role in the economy, contributing directly to the flow of goods and service and market for factors of productions. These theories were so far considered the truth until these modern times.

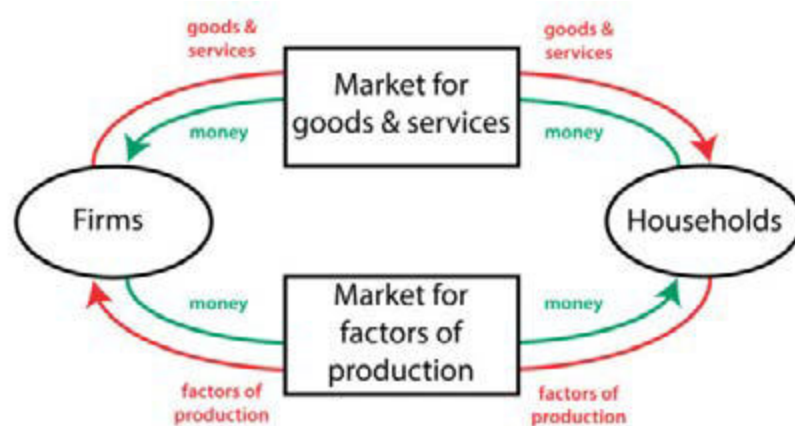


Diagram 1. Mankiw's circular flow diagram

c. Criteria to measure business corporate performance

In his famous book of all time in 1985, Michael Porter indicated the term “competitive advantages”, which is used until now to imply the success of a firm over its competitors. The competitive advantages of a firm were shaped by the success in overcome 5 forces that affect its activities: the bargaining power of suppliers, the threat of new entrants, the threat of substitute products or service, the bargaining power of suppliers and threats from industrial competitors.

Finance specialists used the financial indicators to measure success of corporate performance i.e. profit, ROE, ROA; and operational goals (maximization of consolidated after-tax income, minimization of the firm's effective global tax burden, correct positioning of the firm's income, cash flows, and available funds as to country and currency). Other specialists in corporate governance used many models to specify the measurement of corporate success which is reaching its goal: shareholder wealth maximization model (derived from agency theory), stakeholder capitalism model. (Eiteman et al., 2007).

Others insisted on the value of the firm to represent firm's success. They used the DCF methods or Damodaran methods to measure firm value or an investment (Damodaran 2002, 2012; Pratt & Niculita, 2008; Titman & Martin, 2015).

Modern specialists offer different criteria to measure performance of a firm. Marketers use the indicators of “brand love”. Small businesses were considered the target of business financial statement, customer satisfaction or new customers (Kappel, 2017).

In this paper, the effect of CSR activities to firm’s performance could be measured by the increase in brand-related points, because it is the most obvious bench marking that could be measured by specialists shortly after each CSR program. Other criteria are profit or turn over, number of new customers, retaining customers, which are easily to be measured and calculate by normal methods.

2.3. The importance of practicality to performance of business corporate and activities of the Government

On the way of creating and developing value, firms need to be very practical. In his book with many cases studies about success of entrepreneurs, Richard Pech (2009) implied the necessary of entrepreneurs to be practical in everything they have done, i.e. the case of Greg Stamboulidis. Others indicated about practicality as a necessary (Wu, 2020).

Moreover, it is a necessary which were proved by past experiences that social leaders need to be practical or keep their practicality. (Duong, 2017) Nguyen Thuy Duong (2017) lists the historical experiences of Communist Party of Viet Nam and shown that its strength lies in the practicality with could be enhanced by self-reform spirit.

However, many modern business professionals stated that on the way of creating and developing value, firms need to find a balance between practicality and creativity (John Shank, 1973; Richard Pech, 2009).

An interview with 5 corporate leaders and managers from various industries and sector from 2019–2020 shown that practicality is a necessary to business leaders and managers, especially in the condition of chaos and unstable, unpredictable circumstances.

A case study of a Vietnamese local governmental business support unit in 2010–2017 show that practicality help them to perform better on their tasks at the same time gain more profit. For example, when changing from a high-reachable, unpredicted targets to a more specific, acceptable targets with the consensus of the majority and using their build-in know-how and social capital, they gain more profit and perform better on their jobs.

This paper indicate practicality as one of the most effective factors for firm’s performance. However, a more detailed research about the balance point between practicality and creativity is also needed in the future.

2.4. The importance of Corporate Social Responsibility to the effective performance of business corporate

a. From previous theoretical and empirical studies

According to WBCSD, Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Corporate Social Responsibilities (CSR) of one business corporate could be generalized in to 4 groups of

social responsibilities, ethical responsibilities, legal responsibilities, and economic responsibility. CSR could also be understood as a mechanism in which firms step in to handle the responsibilities of stakeholders to their business activities (Ha and Mai, 2013).

Most authors agreed CSR could have good effect on performance of business. Stakeholder theory opposes this perspective of CSR and promotes the ability of CSR to deliver firm benefits by aligning and connecting with stakeholders to enhance satisfaction and loyalty, produce positive identification with the firm, and produce a favorable firm image (Brown & Dacin, 1997; Friedman, 1970; Jensen & Meckling, 1976; Luo & Bhattacharya, 2006). Many previous works suggest unanimously that a firm's engagement in CSR activities decreases firm risk (McGuire et al. 1988; Feldman et al. 1997; Orlitzky and Benjamin 2001; Godfrey 2005; Husted 2005; Godfrey et al. 2009; Salama et al. 2011; Jo and Na 2012; Oikonomou et al. 2012; Kim et al. 2014). Attig et al. (2014) argue that prolific Wall Street coverage of high CSR firms attracts greater investor and media attention.

Some ideas, however, questions both CSR and CSI effect to business corporate. CSI, understood to describe firm actions which reasonable stakeholders consider to be irresponsible behavior, is concerned with whether firms engage in harmful activities that benefit a few but cause substantive net harm when considering all stakeholders (Armstrong & Green, 2013). A research of Joseph Price and Wenbin Sun (2017) shown that CSI incidents have a longer enduring (bad) effect than CSR initiatives (good effect) and those firms doing little CSR and little CSI perform better than firms engaging in high levels of both.

Thus, the fact that CSR have good effect on performance on firms were proven by many. But there are differences in the endurance time and level of effects as well as the methods to measure the effects that need to be put into research.

b. Criteria to measure CSR activities

There are many criteria to measure activities. An example is the KLD framework (Price J.M and Sun W (2017), see table 2 below).

In this studies, CSR activities of a company would be measured by the contributes of business corporate or organizers to the community (by good quality products or by charity/CSR events), or the good and fair HR policy. And the effect would be measured by increases in Brand-related points.

Table 2. KLD criteria to measure CSR activities

KLD strengths and concerns.

Category	Strength	Concern
Community	Charitable Giving, Innovative Giving	Investment Controversies
	Non-U.S. Charitable Giving	Negative Economic Impact
	Support for Housing	Indigenous Peoples Relations (2000 – 2001)
	Support for Education	Tax Disputes (new 2005)
	Indigenous Peoples Relations (moved 2002)	Other Concern
Corporate governance	Volunteer Programs (new 2005)	
	Other Strength	
	Limited Compensation	High Compensation
	Ownership	Ownership
	Transparency (new 2005)	Accounting (new 2005)
Diversity	Political Accountability (new 2005)	Transparency (new 2005)
	Other Strength	Political Accountability (new 2005)
	CEO	Other Concern
	Promotion	Controversies
	Board of Directors	Non-Representation
Employee relations	Work/Life Benefits	Other Concern
	Women & Minority Contracting	
	Employment of the Disabled	
	Gay & Lesbian Policies	
	Other Strength	
Environment	Union Relations	Union Relations
	Cash Profit Sharing	Health and Safety
	Employee Involvement	Workforce Reductions
	Retirement Benefits	Retirement Benefits
	Health and Safety	Other Concern
Human rights	Other Strength	
	Beneficial Products and Services	Hazardous Waste
	Pollution Prevention	Regulatory Problems
	Recycling	Ozone Depleting Chemicals
	Clean Energy	Substantial Emissions
Product	Communications	Agricultural Chemicals
	Management Systems	Climate Change
	Other Strength	Other Concern
	Indigenous Peoples Relations (new 2002)	Buma
	Labor Rights Strength (added 2002)	Mexico (Only 1995–2002)
Product	Other Strength	Labor Rights
	Quality	Indigenous Peoples Relations
	R & D Innovation	Other Concern
	Benefits to Economically Disadvantaged	Product Safety
	Other Strength	Marketing Contracting
		Antitrust
		Other Concern

Source: Price J.M and Sun W (2017)

c. The case study of Toyota and Suntory-Pepsi in Viet Nam

Toyota: “Tomorrow must be better than today” is a philosophy Toyota Vietnam has been pursuing for 25 years since its inception in Vietnam. As one of leading automakers in the Vietnamese market, Toyota not only focuses on developing high-quality products and enhancing services to meet the demand of customers, but it also attaches importance to the country’s sustainable development by rolling out various corporate social responsibility (CSR) programs. “Besides business and production activities, Toyota Vietnam regards CSR as a mission and has put social responsibilities on the front burner. With the hope to bring great values to the community, Toyota Vietnam has been launching a wide range of community programs in collaboration with State agencies and organizations, schools and locals”, says a representative from Toyota Vietnam’s board of directors¹. Its programs include scholarship to excellent students, environmental protection, and contributor to traffic safety education for children.

Suntory-Pepsi: Following Suntory’s philosophy of “Giving back to society”, SPVB has conducted a series of CSR programs to support the youth and education including “Green Summer Volunteers”, “Support Students in University Entrance Exam”, and “Dynamic—the Future Entrepreneurs”. The “Mizuiku—I love clean water” program has been expanded nationwide, providing training to teachers of 30 elementary schools. Fourteen of these elementary schools implemented teaching classes for students in Bac Ninh province, Hanoi, Ho Chi Minh City, and Ben Tre province. The tireless efforts of SPVB were recognized by multiple corporate awards including the Top 3 Most Trustworthy Beverage Companies in Vietnam of 2017; Top 10 Sustainable Businesses by Vietnam Business Council for Sustainable Development (VBCSD), Vietnam Chamber of Commerce and Industry (VCCI); Amcham CSR Awards 2017 by American Chamber of Commerce Hanoi, Vietnam High-Quality Goods Award, and more. ² Some main CSR activities of the firm focused on celebrate events or music nights for students, providing clean water for needed locals.

An interview with some managers of Toyota and PepsiCo (conducted by the research team) has shown that good effects of CSR programs are obvious but could not be measured in short time. In short time, however, there is a 5 point plus for some indicators of brand criteria after each CSR programs or events.

2.5. The importance of equity to the regulatory activities of the Government to performance of business corporate

Equity in this article could be different with equality. Before the law, equity is equality which means people could be treated the same before the law regardless of their difference in genders, ages, social status, and positions. However, in the economy, it is not necessary for all people to be treated the same because of differences in opportunities, capabilities, and efforts. Sometimes it is equity for a person to be richer than his peers.

Keynes (1936) insisted on the role of the government to facilitate the economy. Keynes’ main thesis was that unemployment during the Great Depression was the result of the decrease in effective demand. Therefore, to achieve full employment, it was necessary to revive the economic system through public investment. Thus, many succeeded economists also indicated and recognized the importance of the Government as the facilitator of the economy.

¹ Toyota Vietnam: social activities for a brighter tomorrow, Saigontimes 10/2020, accessed online at: <https://english.thesaigontimes.vn/78272/toyota-vietnam-social-activities-for-a-brighter-tomorrow.html>

² <https://www.suntory.vn/>

In its role as the facilitator, Government or the society leader needs to have equity in distributing and practicality in order to have clear and transparency rules or regulation as well as the consistent and equal coercive methods (Hai & Khoa, 2017). In the process of keeping the regulatory economy on track, it is necessary to have equity and transparency, fighting against corruption and greedy advocacy group or bad-intention alliances which can lead the economy to worsen status. (Thang, 2017)

3. Results and Discussions

3.1. The models for effective performance of private sector in relationship with the environment

3.1.1. Preliminary model (3 parties in a line)

The preliminary model was built before the interview with corporate managers and leaders, based on theory and desk research. In which, equity have positive effect on the activities of firms and the government, and practicality have positive effect on the CSR activities of firms and the regulatory and reallocate activities of the Government. In this diagram, Equity and Practicality are the moderate variables.

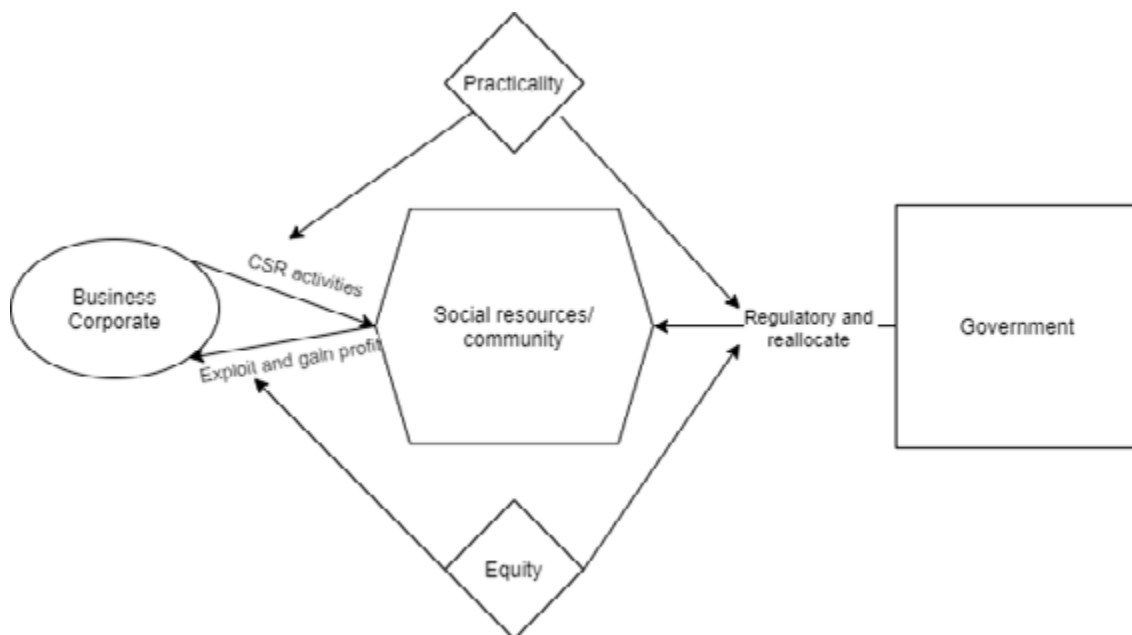


Diagram 2. Preliminary model

However, this model did not clearly illustrate the relationship between government, business corporate and the community or social resources, and the effect of equity to the activities of business corporates could not be explained by facts.

3.2.1. Revised 3-parties model (triangle shape)

After some interviews with many corporate leaders and managers, the framework for enhancing performance of business corporates or private sectors in terms of their relationship with social environment have been revised as shown in below diagrams.

Equity and Practicality was also 2 moderate variables.

However, the relationship between 3 parties were clarified by triangle-shape diagrams. And effects of equity are now focusing on the activities of the government to private sectors and the community.

Practicality are needed in both the relationship of private sectors with the government and the community, and the activities of the government to other parties. All relationships with the arrows are positive or negative depends on the effects of the moderators.

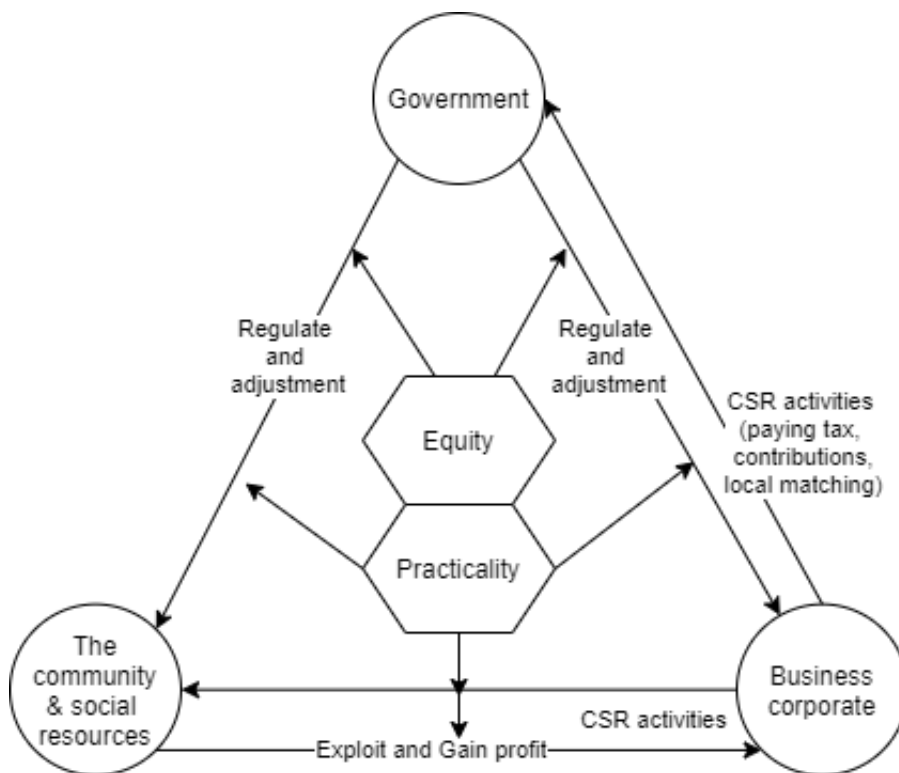


Diagram 3. Revised Model

3.2. Discussions

The diagram implied the necessary for being equitable and practical in every action towards the environment. Moreover, it could be seen from the model that firm's attitude towards the environment would shape the results of firm's actions. The relational diagram also indicated the need for the equitable regulatory of Government and CSR activities of firms in return, towards a more sustainable status of related parties.

However, some indicators or measurements of the relationship between CSR activities and firms' performance, as well as the level of relational effects needed to be clarified. Moreover, the balance point for creativity and practicality of firms could be a question for another research. Besides, the research is just merely a theoretical framework, which could be adjusted and illustrated in more details by further studies.

4. Conclusion and Policy Implications

The fact that Government need to be equitable in their regulatory activities enhance the belief for integrity, transparency of policy, and the fight against corruption and greedy advocacy group or

bad-intention alliances which can lead the economy to worsen status. In terms of CSR activities, it is needed to have a regulation framework for firms to act.

Besides, the need for practicality would call for Government's effort to upgrade social and local reflection or feedback channels and provide transparency for the multi-side information system. The policy as well as government officers should also act according to facts and should be practical and realistic.

For corporate managers and leaders, it is obvious to make decisions based on facts and truth, to do market research carefully before the launching of any program, and to contribute or do by themselves the CSR activities, in return to the exploitation of resources. They need to have responsible for not only their products but also with their staffs, workers and the environment including the social and natural environment. For example, one survey of a company in Australia suggests that to promote one product, firms can plan to change the images of their products to have reputations of recycled – recyclable – no paraben – cruelty free – vegan etc. products. Another suggestion is that managers should be fair in their payment and well-fare policy for their staff to be happy, and for good reputation of HR policy.

It is also a must for each party to be innovative or self-reform over times to meet with the demand of real life.

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