

SECTION

ECONOMICS - SOCIOLOGY - EDUCATION

THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON ORGANIZATIONAL TRUST AND JOB SATISFACTION IN VIETNAM

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The objective of this study is to examine the impact of Corporate Social Responsibility (CSR) on organizational trust and job satisfaction of employees in enterprises. A total of 233 survey samples were collected from participants in Small and Medium Enterprises (SMEs) in Vietnam. The research data were analyzed using a Structural Equation model (SEM). The research result indicated that the four components of CSR used in this study include economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility. The results show that not all CSR components influence organizational trust. Specifically, legal responsibility, ethical responsibility, and philanthropic responsibility have a significant impact on organizational trust. Additionally, organizational trust plays a mediating role in promoting CSR, leading to employee job satisfaction.

Keywords: corporate Social Responsibility (CSR), organizational trust, job satisfaction, Small and Medium Enterprises (SMEs)

Received: 16/10/2024; Revised: 20/11/2024; Accepted: 10/01/2025

1. INTRODUCTION

Small and Medium Enterprises (SMEs) hold a special position and play a crucial role in economic growth in Vietnam (Numbers & Events, 2024). Annually, SMEs contribute approximately 40% of GDP, account for 30% of the state budget, contribute 33% to industrial output value, 30% of export goods value, and attract nearly 60% of the workforce (Vu Long, 2022). Vietnam has about 900,000 enterprises, with SMEs making up around 97% (Nguyen, 2024), and about 1.7 million Small and Micro Enterprises in Vietnam, with projections suggesting this

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number will rise to about 2.4 million by 2030 (Vu Khue, 2022). However, one of the most significant challenges facing SMEs in Vietnam, as well as in other countries, is the high turnover rate of labor, making it difficult to compete for quality human resources like larger enterprises (Tran & Nguyen, 2021). In recent years, about 59% of small and medium enterprises have faced challenges in retaining and rewarding key employees, while 46% of employees in SMEs feel dissatisfied with their salary and benefits policies (Faceworks, 2022). Furthermore, the voluntary turnover rate in 2022 was 22,1% in Vietnamese companies and 15,8% in foreign companies. In the first half of 2023, this figure dropped to 10,4% in Vietnamese companies and 6,5% in foreign companies, a decrease of 1,5% compared to the same period last year (Mercer, 2023). Enterprises lose at least 15% to 20% of salaries per year for positions that need to be filled due to employee turnover (Quang Quy, 2019).

Although many studies focus on the impact of Corporate Social Responsibility (CSR) on customers (e.g., Leiter et al., 1998; Yurchisin et al., 2010; Akuffo et al., 2021; Olayemi et al., 2023), there are few works on the impact of CSR on employees (except, e.g., Jeong & Cho, 2020; George et al., 2021). Hence, researching the impact of CSR on organizational trust and job satisfaction of employees in SMEs in Vietnam is essential to provide additional evidence of the benefits that CSR brings to various stakeholders. This study is based on the theoretical framework of Corporate Social Responsibility (CSR) by Carroll (1991) and related studies (e.g., Lee et al., 2012; Jeong & Cho, 2020; George et al., 2021; Olayemi et al., 2023), to better understand how CSR influences employees' perceptions, which in turn impacts organizational trust and job satisfaction, this research also provides a groundwork for business managers to develop essential policies in management, recruitment, and talent attraction. Furthermore, it aims to enhance employee satisfaction and retention, helping businesses implement effective long-term strategic policies for human resources.

2. LITERATURE REVIEW AND RESEARCH MODEL

Literature Review

The Pyramid model of Carroll (1991) states that Corporate Social Responsibility (CSR) is the expectation of society towards an organization at a given time, based on four aspects of CSR such as economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility. The economic aspect of CSR pertains to the company's financial responsibilities to stakeholders, (e.g., operational efficiency, competitiveness), while the legal aspect relates to the company's obligation to comply with rules and regulations established by lawmakers (Carroll, 1991). Besides, the ethical aspect pertains to the company's responsibility to make fair and just decisions and fulfill its duties

beyond legal requirements. The philanthropic aspect addresses the company's responsibility to engage in activities that promote human welfare or goodwill (Carroll, 1991). On the other hand, organizational trust is the expectation, assumption, or belief in the future actions of others that are beneficial, favorable, or at least not detrimental to one's interests (George et al., 2021). Job satisfaction is the feeling of happiness or positivity that an employee derives from evaluating their job or work experience (Lee et al., 2012).

Research Model

Based on the theoretical foundation of pyramid model of Corporate Social Responsibility (CSR) by Carroll (1991), and related studies by Lee et al. (2012); Closon et al. (2015); Jeong & Cho (2020); George et al. (2021); Yan et al. (2022); Olayemi et al. (2023), authors proposed a research model about the impact of Corporate Social Responsibility (CSR) on organizational trust and employee job satisfaction in Vietnam, all conceptual components as shown in Figure 1.

Vlachos et al. (2010) identified a positive relationship between sales employees' perceptions of their company's Corporate Social Responsibility (CSR) activities and organizational trust. The study of Memo (2020) also demonstrated that internal CSR has a positive impact on employee engagement, and it identified the positive mediating role of organizational trust in the relationship between internal CSR and employee engagement. Besides, Lee et al. (2012) acknowledged that CSR has a positive impact on employees' trust in the organization. Meanwhile, Kim (2020); Jeong & Cho (2020) clearly demonstrated that when CSR includes Economic responsibility (ECR), Legal responsibility (LER), Ethical responsibility (ETR), and Philanthropic responsibility (PHR) which positively influences Organizational trust (ORT). Hence, regarding CSR in organizations in Vietnam, the hypotheses H1, H2, H3, and H4 are proposed as follows:

- *H1: Economic responsibility has a positive impact on organization trust.*
- *H2: Legal responsibility has a positive impact on organization trust.*
- *H3: Philanthropic responsibility has a positive impact on organization trust.*
- *H4: Ethical responsibility has a positive impact on organization trust.*

According to Gupta & Singla (2016), job satisfaction (JOS) arises as a result of the relationship between organizational change and organizational trust (ORT). Accordingly, organizational trust is one of the components that improve organizational performance, and if managers have an accurate perception of it, it will lead to job satisfaction and employee commitment (Fard & Karimi, 2015). Employees will begin to trust their managers and what they say, thanks to the reliable practices of managers within the organization, and organizational trust

will increase employees' job satisfaction and commitment to the organization (Artar & Erdil, 2017). Subsequently, as employees' perceptions of trust in the organization increase, their job satisfaction also rises and when employees' perceptions of trust in their managers and colleagues improve, their job satisfaction significantly increases (Gucer & Serif, 2014). Thus, regarding CSR in organizations in Vietnam, hypothesis H5 is proposed as follows:

- *H5: Organizational trust has a positive impact on job satisfaction.*

3. RESEARCH METHOD

Research Process

This study consists of two phases: (1) a preliminary qualitative study, and (2) a formal quantitative analysis. In the first phase, based on the theoretical foundation of the Pyramid model of Corporate Social Responsibility (CSR) by Carroll (1991) and related empirical studies by Lee et al. (2012); Closon (2015) to develop a preliminary measurement scale. Then, experts in CSR were interviewed to enhance the content validity of the draft measurement scale. In the second phase, the formal study utilized the revised scale as an official measurement tool, employing a 5-point Likert questionnaire. Data were collected through a convenience sampling survey, with questionnaires distributed to employees working in Small and Medium Enterprises (SMEs) in manufacturing in Vietnam. A total of 233 valid samples were collected, comprising 28 observed variables in the measurement scale. For model testing, the collected data were analyzed using Structural Equation Modeling (SEM) with SPSS and AMOS tools.

Descriptive Statistic

Gender: there is a significant difference, with males at 49,8%; females at 47,6%; and others at 2,6%. *Age:* the highest group is from 23 to 30 years, accounting for nearly 35,6%; the next group is from 31 to 40 years old at 33,9%, followed by from 41 to 50 years old at 18%; under 23 years old at 8,2%; and above 50 years old at 4,3%. *Education:* the highest proportion has a university degree at 42,5%, followed by vocational/college education at 39,9%; high school at 9%; and postgraduate at 8,6%. *Work Experience:* the largest group has between 6 to 10 years of experience at 34,8%, followed by 1 to 5 years at 29,6%; from 10 to 15 years at 18,9%; above 15 years at 10,3%; and under 1 year at 6,4%. *Job Position:* the majority are staff members at 52,4%, followed by team leaders at 24,9%; head/deputy head of department at 17,2%; others at 3,4%; and director/deputy director at 2,1%. *Monthly Income:* the largest income bracket is from 15 to under 25 million VND, making up 41,6%, followed by 5 to 15 million VND at 41,2%; above 25 million VND at 15%; and under 5 million VND at 2,1%. *Number of Employees:* the highest proportion is in organizations with more than

75 employees at 39,9%, followed by from 51 to 75 employees at 27%; from 26 to 50 employees at 17,2%; and from 11 to 25 employees at 10,7%. *Type of Organization*: the largest type is joint-stock companies at 32,6%, followed by 100% foreign-owned enterprises at 28,3%; limited companies at 16,3%; private enterprises at 15%; joint ventures at 6%; and others at 1,7%. *Organization Location*: the distribution from Southern Vietnam is 60%, Central Vietnam is 20%, and Northern Vietnam is 20%.

4. RESEARCH RESULT

Exploratory Factor Analysis and Confirmatory Factor Analysis

The Exploratory Factor Analysis (EFA) initially revealed that one observed variable in the measurement did not meet the requirements (EFA factor loading coefficient less than 0.50) and was thus excluded. In the second EFA analysis, two additional observed variables that continued to fail to meet the requirements were also removed. Consequently, the results of the EFA, after eliminating unsuitable variables, identified six factors measured by 25 observed variables, including (1) Economic responsibility (ECR) is measured by 4 observed variables; (2) Legal responsibility (LER) is measured by 5 observed variables; (3) Ethical responsibility (ETR) is measured by 4 observed variables; (4) Philanthropic responsibility (PHR) is measured by 4 observed variables; (5) Organizational trust (ORT) is measured by 4 observed variables; (6) Job satisfaction (JOS) is measured by 4 observed variables.

The Confirmatory Factor Analysis (CFA), in results with the measurement model with the indexes as $CMIN/df = 1.532$ (less than 2) and $p\text{-value} = 0.000$, $TLI = 0.969$ (greater than 0.9); $CFI = 0.973$ (greater than 0.9); $GFI = 0.985$ (greater than 0.9), and $RMSEA = 0.040$ (less than 0.05). Hence, it can be said that the model meets the standards with market data. The Composite Reliability (CR) coefficient has values from 0.875 to 0.945 (greater than 0.8). The CFA factor loading coefficient of the scale has values from 0.633 to 0.960 (greater than 0.6). The Average Variance Extracted (AVE) has values from 0.586 to 0.812 (greater than 0.5). Thus, the measurement scales for all constructs are satisfactory. Besides, the value of AVE for each element is larger than the square correlation coefficient (r^2) respectively, as detailed in Table 1. Hence, the measurement scales for all constructs are satisfactory.

Table 1. Data and Correlation Coefficient Results

	CR	AVE	ECR	LER	ETR	PHR	ORT	JOS
ECR	0.918	0.698	0.836					
LER	0.875	0.586	0.256	0.765				

ETR	0.922	0.753	0.156	0.424	0.868			
PHR	0.938	0.792	0.171	0.463	0.542	0.890		
ORT	0.945	0.812	0.169	0.412	0.497	0.563	0.901	
JOS	0.920	0.699	0.190	0.477	0.490	0.574	0.646	0.836

CR: Composite Reliability; AVE: Average Variance Extracted

Structural Equation Modeling

The Structural Equation Modeling (SEM) with the estimation of Maximum Likelihood (ML), in results with model scale indexes as CMIN/dF = 1.483 (less than 2) and p-value = 0.000, TLI = 0.942 (greater than 0.9); GFI = 0.969 (greater than 0.9); CFI = 0.975 (greater than 0.9), and RMSEA = 0.046 (less than 0.05). Hence, the model is sufficient to fit with the research data. The results of the SEM analysis indicate that economic responsibility (ECR) is not supported the relationship with organizational Trust (ORT), with a coefficient γ for hypothesis H1 is 0.045 (p-value = 0.475 greater than 0.05), so this hypothesis is not supported due to a lack of statistical significance. Meanwhile, legal responsibility (LER), philanthropic responsibility (PHR), and ethical responsibility (ETR) have a positive impact on organizational trust (ORT), with coefficients γ for hypotheses H2, H3, and H4 respectively are 0.255 (p-value = 0.028 less than 0.05), 0.232, and 0.375 (p-value less than 0.001), so these hypotheses are supported. In particular, organizational trust (ORT) has a positive impact on job satisfaction (JSR), with a coefficient γ for hypothesis H6 being 0.436 (p-value less than 0.001), so this hypothesis is supported. The estimation results are shown in Table 2, including the structural model results and hypothesis testing.

Table 2. Structural Equation Modeling and Testing Results

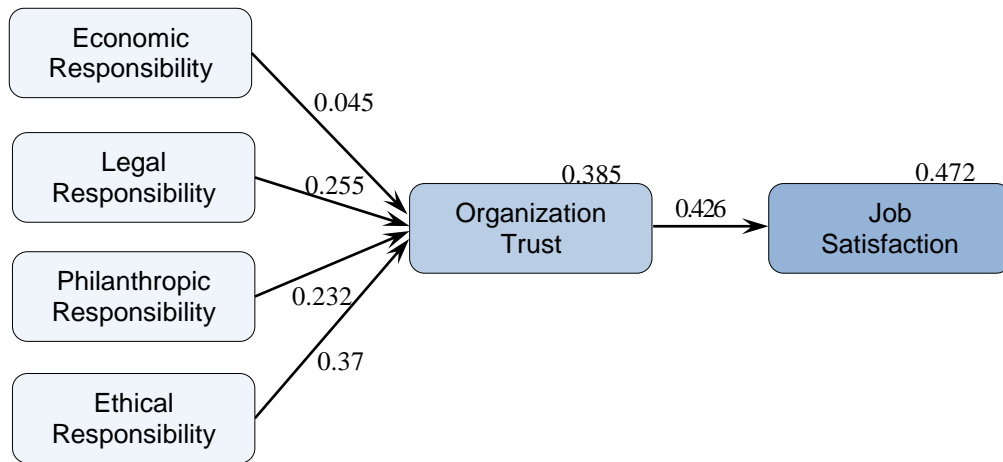
H	Path	Estimate	SE	CR	p-value	Result
H1	ORT \leftarrow ECR	0.045	0.063	0.715	0.475	Not supported
H2	ORT \leftarrow LER	0.255	0.116	2.202	0.028	Supported
H3	ORT \leftarrow PHR	0.232	0.069	3.361	***	Supported
H4	ORT \leftarrow ETR	0.375	0.078	4.809	***	Supported
H5	JOS \leftarrow ORT	0.426	0.065	6.581	***	Supported

SE: Standard Error; CR: Critical Ratios; ***: $p < 0.001$

In addition, the results of the Structural Equation Modeling (SEM) analysis indicate that the four components of Corporate Social Responsibility (CSR) are economic responsibility (ECR), legal responsibility (LER), philanthropic responsibility (PHR), and ethical responsibility (ETR) can explain 38,5% ($R^2 = 0.385$) of the variance in organizational trust (ORT), and component of organizational trust (ORT) can explain 47,2% ($R^2 = 0.472$) of the variance in job

satisfaction (JOS) in organization. The research model and the results of the model testing are presented in Figure 1.

Figure 1. Research Model and Testing Results



Discussion

In this study, the results demonstrated that Corporate Social Responsibility (CSR) accounted for 31%, 14,2%, and 32,4% ($R^2 = 0.310$, 0.142 , and 0.324) of organizational trust, surpassing the findings of Memo (2020); Nguyen et al. (2020); and Dhiman & Sharma (2021) respectively. Moreover, the research result of Lee et al. (2012) indicated that CSR explained about 71,8% ($R^2 = 0.718$) of organizational trust, which is better than the results of this study. Reasonably, the data in this study did not support more explanation in the context in Vietnam. Meanwhile, the findings of this study are also better than the research results of Fard & Karimi (2015); Gupta & Singla (2016); and Artar & Erdil (2017) respectively when organizational trust explained about 15%; 11,2%; and 41,2% ($R^2 = 0.150$; 0.112 ; and 0.412) of job satisfaction in organization. Hence, the explanatory power of the model in this study is significantly meaningful in the context of CSR in Vietnam.

5. CONCLUSION

The main purpose of this study is to examine the impact of the components of Corporate Social Responsibility (CSR) on organizational trust and employee job satisfaction in Small and Medium Enterprises (SMEs) in Vietnam. Based on the research model, quantitative analysis, and hypothesis testing, the results indicated that legal responsibility, ethical responsibility, and philanthropic responsibility have a positive impact on organizational trust, while economic responsibility did not support the relationship with organizational trust. Furthermore, organizational trust plays a positive mediating role in leading to employee job satisfaction through the implementation of CSR. For SMEs in

Vietnam, it is essential to develop CSR activities that focus on enhancing legal responsibilities, such as complying with laws and regulations regarding personnel, fostering dialogue with employees, avoiding discrimination, and promoting workplace diversity. Ethical responsibilities should include having a comprehensive code of conduct, adhering to professional standards, and being reliable and fair in evaluations. Philanthropic responsibilities may include helping those in need, contributing to the betterment of local communities, fulfilling social obligations, and improving the organization's reputation. These efforts aim to build greater organizational trust and job satisfaction among employees. □

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