

**Master's Thesis**

**Link between Creating Shared Value and Social Enterprise in the  
Vietnamese Context: The Case Study of KOTO Vietnam**

by

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## **Declaration**

I, NGUYEN, Thi Van Anh (Student ID 52117604) declare hereby that the contents of this Master's Thesis are original and true, and have not been presented, in whole or in part for a degree or diploma to any other university or educational institution.

All data from other published or unpublished sources have been properly quoted and recognized.

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NGUYEN, Thi Van Anh  
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## **Abbreviations and Acronyms**

CSR	Corporate Social Responsibility
CSV	Creating Shared Value
SMEs	Small and Medium Enterprises
OECD	The Organization for Economic Co-Operation and Development
NGOs	Non-Profit Organization
CSIP	The Center For Community Initiatives Promotion
LIC	Lower-Income Communities
FDI	Foreign Direct Investment
CEO	Chief Executive Officer

## **Abstract**

This study aims to address the link between social enterprise and CSV in the Vietnamese context by the case study of KOTO Vietnam. The study is important for two specific reasons: (i) there is little scientific research in this emerging phenomenon in the Vietnamese context so that it provides empirical insights for Vietnamese society; and (ii) a unique social enterprise model of Vietnam is established as a prototype for future implementation for research and practice. In order to have an in-depth insight into how social enterprise in Vietnam can retain their operation and to investigate the factors which lead to their success, the researcher tends to address those factors and link it with CSV model to find out whether CSV helps social enterprises to achieve their success.

Pursuant to find answers to research questions, a qualitative research method is used in this study. In particular, in-depth interviews were conducted in March 2019 with six participants in KOTO Hanoi: CEO, Human Resource Manager, Director of Marketing and Partnerships Engagement, staff, a restaurant employer and trainee to get rich and detailed information in understanding people's experiences.

This research finds that the success of KOTO Vietnam can be attributed to both internal and external factors and CSV plays a small role in creating that success because the enterprise is still not aware of the benefits that CSV brings. However, the findings also illustrate some similarity and relevance when social enterprises optimize the aspects CSV suggested to create more shared values.



## **Chapter 1: Introduction**

Social enterprises are considered a sustainable way of solving social problems while creating shared value (CSV) has gained that much interest by practitioners because of integrating business and societal success/progress. This research focuses on analyzing the relevant between social enterprise and CSV by addressing the case study of a successful social enterprise in Vietnam, KOTO Vietnam. In particular, it explores the factors which lead to the success of KOTO Vietnam, in addition, it also studied the risk and benefit to achieve this outcome. Finally, the link between CSV concept and this social enterprise is analyzed to find a proper implication for further research and application.

### **1.1 Purpose of the research project**

Social enterprises are considered a sustainable way of solving social problems while creating shared value (CSV) has gained that much interest by practitioners because of integrating business and societal success/progress. Social entrepreneurship is a big trend in developing countries like Vietnam. Along with other business models, the social enterprise faces rapid changes in market mechanisms, integration, and globalization. The best way for businesses to survive and stand is to adapt quickly to the business environment and to constantly improve and innovate their products. In this context, corporate social responsibility (CSR) has long been a response for the community-based enterprise to these challenges. However, the newer approach is creating shared value (CSV), which offers a broader approach than the traditional CSR concept, integrating

social problems and challenges into the process of generating an economic value of the business.

The aim of this study is to address the link between social enterprise and CSV in the Vietnamese context by the case study of KOTO Vietnam. The study is important for two specific reasons: (i) there is little scientific research with regards to this emerging phenomenon in the Vietnamese context so that it provides empirical insights for Vietnamese society; and (ii) a unique social enterprise model of Vietnam is established as a prototype for future implementation for research and practice.

## 1.2 Main theories and research questions

This study provides a more up-to-date view of the concepts that scholars made about two objects, CSV and social enterprise, thereby drawing the framework linking these two issues as a solution to future implementation for practice. Dees (2001) provides a definition for social entrepreneurship with the connotation that social entrepreneurs shall carry out the agent's role in the revolution of social departments. Furthermore, enterprises with clear social aims are able to generate social values (Moizer and Tracey, 2010). In the Vietnamese context, social enterprises are increasingly demonstrating their role in solving problems for society. However, one of the significant challenges for social enterprises in Vietnam is the limited business model and lack of efficient development strategies (Nguyen, 2012).

CSV has recently been considered as a new direction for businesses on sustainable development. Enterprises that have successfully applied this model in Vietnam are mainly large and foreign enterprises. These companies have put CSV in the core business for a

long time and achieved some success in the world (Van, 2015). While CSV can balance between the corporate strategy of social responsibility and CSV delivering significant impact on business sustainability, this study is carried out to identify the key factors of CSV can be considered as a suitable solution to help enterprises achieve their core objectives and bring shared values to the stakeholders.

In order to have an in-depth insight into how social enterprise in Vietnam can retain their operation and to investigate the factors which lead to their success, the researcher tends to address those factors and link it with CSV model to find out whether CSV helps social enterprises to achieve their success. To find the answers to the objective, the following two research questions have been formulated.

***RQ1 - What are the internal and external factors that help the social enterprise in Vietnam applied CSV successfully?***

***RQ2 – What kind of benefits and risks of the CSV approach to the outcomes of social enterprises?***

### 1.3 Main findings

This research finds that the success of KOTO Vietnam is the result of both internal and external factors. Among the standards CSV suggests that it will bring benefits to businesses, the perception of core value, social factors (community awareness, targeted market based on societal needs, and business community interaction) are considered to be the most influential. In addition, CSV plays a small role in creating that success because the enterprise is still not aware of the benefits that CSV brings.

From the findings, the researcher creates a suggested framework for successful social enterprises. This framework illustrates that companies wishing to succeed should

clearly identify the core value they are aiming for, by recognizing this and understanding the social environment in which they operate, they will create social value as a result. At the same time, they can optimize the strategies offered by the CSV to provide businesses with competitiveness.

#### 1.4 Main expected contribution

Social enterprise and CSV are becoming increasingly urgent issues. On one hand, social enterprises are gradually asserting their position in solving social problems and at the same time breaking out of the mere commitment of the mission to create social value. On the other hand, CSV also promises a sustainable future for businesses to optimize their available resources.

Since there is little scientific research in this phenomenon in the Vietnamese context so that it provides empirical insights for Vietnamese society; and (ii) a unique social enterprise model of Vietnam is established as a prototype for future implementation for research and practice.

#### 1.5 Structure of the thesis

This research consists of five chapters. Chapter one describes the purpose of the research, theories and research questions, findings, and expected contribution. Chapter two reviews the literature relevant to the research topic. Chapter three describes the research methods including data collection, data analysis, and ethical issues. Chapter four presents the findings which answer research questions. Chapter five discuss the capable

framework, the implementation for literature and practice and the limitation of the research.

## **Chapter 2: Literature review**

The purpose of the current research is to provide an in-depth understanding of the opportunities and challenges faced by social enterprises in Vietnam and to examine the availability and quality of the business model which applied CSV to help overcome those challenges. To achieve those objectives, this section will provide a conceptual understanding of CSR, CSV and greater clarity about what defines social enterprises and the current status of this sector in Vietnam.

### **2.1 Corporate social responsibility (CSR)**

There are many different definitions on CSR, among which the discussion of Bowen (1953) is considered a pioneer in the social responsibility approach. He defines social responsibility as the obligation of entrepreneurs to pursue policies, perform decision-making activity as well as a series of socially-expected activities in terms of goals and values. However, Davis (1973) introduces a broader notion of CSR as a concern reaction by companies to problems beyond the compliance of law, economics, and technology. While, Carroll (1999) claims that CSR has a wider range which, at certain times, involves organizations' social, legal, ethical and philanthropic expectations. On the other hand, more and more businesses also argue that an organization cannot function well if it only focuses on maximizing its profits but also has obligations to its stakeholders and beyond. In order to improve profit, they need to use their resources and participate in multiple activities.

Matten and Moon (2004) refer to CSR as the cluster notion covering a wide variety of distinct ideas, such as company morality, corporate philanthropy, company citizenship,

and sustainability. It is a vibrant and challenging concept in each specific economic, political and social context. Crane (2010) argues a business organization that practices CSR would be able to grasp responsibility regarding its actions furthermore, through its activities that absolutely affect the environment, society, employees, customers' communities, and other stakeholders. Through CSR values, businesses create awareness of products for clients and stakeholder organizations, which could positively influence the company's reputation. (Husted, 2007). In addition, CSR reporting improves corporate reputation and financial performance, with the increasing ability to attract foreign investors, to attain greater customer satisfaction and to achieve employee commitment (Bayoud, Kavanagh, & Slaughter, 2012). Basically, the enterprise decides to apply CSR to their business strategy to create an impact on social activities, this impact directly affects the whole enterprise.

Similarly, CSR was explained that it is basically worried about a business organization's moral and social behavior to its stakeholders. On the other hand, CSR is seen as the connection between a business organization and the society it operates in (comprising of the organization's stakeholders). Some different researchers see CSR from the responsibility point of view, where it is outlined as the means through which an organization is held accountable for any of its activities that might leave any impact on its stakeholders. Moore (1991) illustrates that CSR is not limited to what a business organization does with its profits, however goes as far as how the profits are made, going past charities and compliance, to similarly as how the organization deals with its monetary, social, also, environmental influences, and their interactions in every significant extent of impact: the workplace, the marketplace, supply chain, community, and a public policy realm. Following this perspective of viewing CSR as a business organization's impact on

its society, CSR was conceptual as a business organization's commitment to the society it works in that transcends profit making to creating solutions to troublesome social and environmental issues (Dunne, 2007). Applying the CSR model brings long-term benefits mainly to the internal business, such as improving work relations, reducing staff turnover, and enhancing productivity at work (Tran, 2017). In order to implement CSR, businesses need to develop policies and governance processes that are able to integrate the various aspects of social, environmental, human rights, business ethics, and customer concerns, consumers into the core business and strategic business of the company, in the collaboration with the partners. In other words, CSR is a systematic approach that integrates non-financial factors into business decision-making based on sustainable development rather than erodes or destructs the economy, society, people and resources.

Regardless of the objective, it is expected that CSR eventually will enable the company to become more cost-effective, improve their productivity and expand its markets. (Smit, 2012). However, the traditional CSR approach restrains the positive impact that companies can make on the community. They still follow traditional philanthropy rather than research and use the resources that companies contribute to the development of a community. Although trading can help impoverished communities instead of aiding (Moyo, 2010), firms need to survive long and maintain their position in the context of increasingly fierce competition. How do a hybrid, social mission organizations vary from traditional businesses in terms of business models and stakeholder relations? How can these organizations develop while preserving their social missions ' integrity?

Since CSR takes advantage of the available resources of the business to carry out its mission when the business falls into crisis, especially the economic crisis, these



resources will be lost and then the role of CSR will be completely diminished. The argument that companies need to maximize profit rather than spending profit has arisen in the need for organizations to seek methods to combine two main objectives: profit maximization and social responsibility, has led to the shift from a concentrated CSR to creating shared value.

## 2.2 Creating shared value (CSV)

Fundamentally, CSR is taking resource from the business to invest in being a good corporate citizen: recycling, money for social causes, reporting on social and environmental effects, and employee participation in community activities. Therefore, CSR aims to those practices separate from the business. Porter and Kramer (2011) present CSV as the development of CSR. In this concept, a company should understand that CSV creates benefits to be shared more than just focusing solely on social responsibility alone. In addition, CSV integrates a social task in corporate culture, channeling resources towards innovation growth and addressing social problems (Pfitzer, 2013).

There are three levels of CSV, including: meet the needs of society through products, reach customers who have not been served or have not been served well; Re-defining "performance" in the value chain by using resources, suppliers, logistics and staff more effectively; Improve the local business environment by enhancing skills, providing background, legal environment and supporting the organizations in the business community (Porter & Kramer, 2011). In the effort to achieve economic success, it is the differentiation strategy. Each of these is part of the shared value virtual circle. Increasing value in one area creates opportunities in the other.

### 2.2.1 Reconceive products and markets

Porter and Kramer (2011) argue that the needs of the society are immersed, perhaps the most note-worthy neglected needs in the global economy today. Even though most firms are great at continuously identifying the needs of their customers, most of them are missing the most basic questions of all: are our products really good for the customers? By redesigning companies' goods and markets, entirely new avenues can be opened for innovation. From a society perspective, the benefits are even higher because companies are often much more efficient in terms of product marketing than governments and non-governmental organizations (NGO) (Porter & Kramer, 2011). This can often mean serving the need of disadvantaged communities and developing nations. This calls for the need that products are to be redesigned and a different method of distribution to be employed (Moon, 2011).

An example of reconceived products is Kirin Vietnam (Thu, 2017); the company focuses on introducing to the market healthy recipes such as Japanese Green Tea without sugar, Wonderfarm Squash less Sugar which cut the sugar to reduce the risk of overweight in teenagers or Ice+ fruit juice helps consumers supplement water more often. These types of beverage are now also rapidly growing in Vietnam and strongly compete with traditional brands or even Coca-Cola and Pepsi since they were only strong in carbonated beverages. Accordingly, businesses use their resources and capabilities to focus on addressing specific social issues in the most appropriate way to assert their competitive position and social development. This shows how it is not a one-way street but can trigger fundamental innovations of the products for their traditional markets (Porter & Kramer, 2011). Reconceiving products and markets is also a way for businesses to look back on

their own products and understand the needs of the market, in other words, to capture market trends and user psychology. Since then, businesses can make more right choices for their product development direction: to modify current products or launch a new product.

Reconceiving products and markets creates shared value in a variety of ways, for instance by extending the consumer base of the organization, enhancing the dietary supply of clients (and hence health) and having a positive impact upon productivity and acting as a powerful driver of innovation. (Euromonitor, 2011). The Lifebuoy soap story is an illustration of a business that generates common value by re-designing the crossroads between culture and business results. Established by William Lever in 1894 for the fight against malaria, Lifebuoy is the world's leading seller of sprouts-a winner for Unilever and for worldwide health. The distinctive formulation of the inexpensive soap enables to combat diseases in the developing world. Lifebuoy's handwashing behavior change programs, which covered 16 nations in 2013, promotes the advantages of handwashing to rural communities. Unilever has altered the habits of 130 million individuals so far (Unilever, 2015). By leveraging their resources and values, companies can improve the quality of their products or enhance their performance to meet the need of underserved customer while increasing brand awareness for their customers and gaining value in the community.

### 2.2.2 Redefine productivity in the value chain

Companies cannot exist and operate alone; it is made up of internalities and externalities called value chains. By redefining the value chain, companies can better access both internal and external factors, effectively utilize these elements to increase the

benefits to the company as well as its stakeholders, thus create shared value for all parties. The esteem chain of a company includes all activities that companies are associated with whereas conducting business. It affects and is affected by various distinctive types of societal issues, which can be viewed as opportunities to create shared value (Porter & Kramer, 2011). This is also an effective way of reviewing the management of internal resource and operation of the enterprise itself. The concept recognizes that businesses with abundant resources which are not used up create internal costs for firms and social harms, such as waste energy and raw material. Addressing this constraint by using new technologies, techniques of operation and management approaches do not necessarily increase company expenses, but therefore gives a beneficial dimension to society, increasing productivity and expanding the market.

One way to redefining value chains, for instance, is by moving manufacturing sites closer to clients (Euromonitor, 2011). Kirin has proved a key example of the CSV approach and its purported benefits (Kamei, 2015). Mercian, a member of the Kirin Group that makes wine, established the Mariko Vineyard in Ueda, Nagano Prefecture, in 2003 and launched its own grape cultivation with the aim to enhance the quality of home wine and to boost consumption. This project initiative allowed Mercian not only to expand the wine industry but to also enhance the value of its brand (Kamei, 2015). Another example of The Jollibee Fast Food chains in the Philippines has provided all the funds and technical assistance to farmers in two provinces in the Philippines to produce potato and chicken to supply this system worldwide instead of buying and importing (although the cost of imported raw materials from abroad is cheaper) (Van, 2015). After 2 years of investment, Jollibee has a source of materials that are 20-30% cheaper price and a fully active source of raw materials for processing. The approach encourages businesses to

create simultaneous solutions for business operation and social issues. Businesses will constantly be improving, encourage employees to innovate, boost their productivity and morale, and create value for the company.

### 2.2.3 Building supportive industry clusters at the company's locations

The last category of CSV is building and enabling supportive industry clusters around the company's location. The geographical concentration of other companies around the business affects productivity and innovation. These firms can, for example, be connected businesses, suppliers, service providers, and logistical infrastructure. No company is self-contained, and infrastructure and other businesses around it are affecting the achievement of its business. An example of an agricultural firm consults farmers on how to grow their crops, fertilizers, pesticides and overpriced if the product is better. Improved productivity and quality have helped increase farmer incomes, negatively impacted the environment, reduced supply for businesses, and improved product quality. Thus, "common values" are created. By creating these clusters, the shared value can be created and improve company productivity and innovation. Further, these clusters do not necessarily need to only contain other businesses but can be academic programs, trade fairs or public assets such as universities and schools (Porter & Kramer, 2011).

Another aspect of these clusters, affecting productivity and innovation, is competitiveness. Monopolized markets with lacking transparency results in the exploration of workers, suppliers receiving unfair prices and in general, suffering productivity. Therefore, competitiveness acts as a catalyst for innovation and productivity. By creating fair and open markets, suppliers are also given incentives to be more efficient and deliver better quality. One example of this can be seen at Nespresso, where they

created clusters around themselves in every coffee region they were active, which made their procurement much more efficient. Each region had surrounding clusters, including agricultural, logistical, financial and technical companies (Porter & Kramer, 2011).

Moon (2011) argues the most serious problem with Porter and Kramer's original cluster theory is that it does not consider an international dimension but limits down to a scope only including local and domestic clusters. An extension is suggested, including four more stages of linking to the domestic and local cluster. These are the regional cluster, regional linking cluster, international linking cluster, and global linking cluster. For instance, in businesses, many products and services are designed, produced, and marketed through global supply chains that seek the best quality talent at a lower cost. This can be evidenced by clusters of foreign direct investment (FDI). Those firms from developed countries investing in less developed countries can take advantage of technology and other resources which they cannot obtain from their home country. Thus, distant outsourcing is better than just confined within domestic.

There are various strategies that enable businesses to address company and social value simultaneously by either transforming themselves into efficient worldwide citizens or by discovering an innovative strategy to business solving social issues. These business value approaches include involving clients through new socially-oriented business modeling, motivating staff through socially aware corporate cultures, changing the competitive landscape of an enterprise in an advantageous manner, and restoring inner processes to implement accountable corporate policies. Meanwhile, CSV serves as a strategic tool for managers to attain the above goals.

In a competitive business, companies themselves keen to demonstrate their social and financial return at the same time. The hard dichotomy between social and economic

objectives disappears regardless of motive. New shared value models are emerging which generate economic and social value. The 'share value pioneers' in the notion of Porter and Kramer are social enterprises and social entrepreneurs. They look at the landscape of social problems and look for creative solutions to them. But while companies need social innovation, social enterprises need to be able to deliver the scale of corporations.

### 2.3 Social Enterprise

In the 1990s, the dominant view of the social enterprise was a non-profit organization, like charities, however it limited its dependent on fundraising by generating earned income from its business activities. The Organization for Economic Co-operation and Development (OECD) (1999) describes social enterprise as an entrepreneurial activity in the interest of the public, with the primary aim, however, not to optimize profits but to achieve certain financial and social objectives and capable of finding creative alternatives to the issues of social exclusion and unemployment. These firms are able to create highly competitive solutions to address the specific needs of society and attract investment from social impact investors.

Dees (2001) defines social enterprise and believes that social entrepreneurs are the actors in the revolution of the social services. Mair and Marti (2006) describe social enterprise as a program consisting of the use and combination of innovation resources in search of possibilities for social reform and for a solution to social needs. Zahra (2009) believes that social entrepreneurship is an action and a program, through new companies and thoughts by new organizations, to find, identify and use possibilities and to strengthen social assets. In summary, social entrepreneurship is described as the channel for

entrepreneurs to develop social values through alternatives to social issues by implement creative activities and programs.

Social entrepreneurs consider the social mission to be one of the important criteria in the process of perceiving and evaluating opportunities. Social entrepreneurship is designed to resolve or ease social issues and its resources are primarily based on business activities on the market. The distinction between the emphases on common enterprises ' social obligations is that the activities of the social obligations of many businesses are inefficient. Instead, business activities with clear social objectives allow organizations to create social values (Moizer and Tracey, 2010). Thus far, the concept of social enterprises varies in many aspects, as there are a variety of distinct fields, disciplines, and organization types are associated with social entrepreneurship, ranging from profitable enterprises to hybrid models that combine the charitable job with enterprises and company operations to a non-profit, voluntary and non-governmental organization, social entrepreneurship. They advocate for building themselves as enterprises with the mission to encourage significant changes in society or environmental protection. Their main purpose is not to maximize shareholders' financial income, but to achieve social or environmental objectives which have common values between all shareholders.

Elkington and Hartigan (2007) propose the following classification of social enterprises:

- **Leveraged non-profit (model 1):** Identify groups at the bottom of the wealth pyramid, which lacks access to the products or services and resources needed to develop the feasibility of the industry, followed by a fundraising approach and philanthropy.
- **Hybrid non-profit (model 2):** As with the first model, the delivery of



products or services to communities excluded or under-served by mainstream markets. Enterprise can recover its costs partly by selling goods and services to new goals, but it also organizes business activities which create economic value to finance social programs but whose primary motivation is to carry out its task as defined by the mandate of the stakeholders.

- **Social business venture (model 3):** It is established from the outset as a profit-making business, although its specific mission is to drive social and/or environmental change in transformation. Profits are produced, but these profit is re-invested to further social enterprise and the resulting social advantages instead of returning these profits to investors such as business enterprises. In the category of social enterprise, two different business models are distinguishable: the social business model (Yunus, 2010) and the inclusive business model (UNDP, 2008).

Accordingly, business model 1 and model 2 will enhance their social status towards low revenues who own the produced profit, even if the enterprise is profit-based or not dividend-driven. The purpose of Model 3 is to help alleviate poverty by incorporating low-income communities (LICs) into their value chain while not losing sight of the ultimate business goal of profit-making (WBCSD, 2008). This social enterprise also comprises the inclusive business model that supplies the products and services needed by low-income individuals at a lower price or underpayment level; it helps low-income individuals in the value chain as partners, suppliers or retailers. On the one hand, if businesses involve in the inclusive business model to provide goods and services to low-income individuals, they will have access to a broad market that has not been fully exploited. This is a highly competitive market, promising opportunities for businesses to

increase sales and profits, implement breakthrough innovations, and increase brand value and affirm their position. Meanwhile, the low-income community can buy quality goods and services at lower prices, thereby improving the quality of life while improving working productivity and efficiency. On the other hand, when businesses facilitate low-income people to participate in value chains as partners, suppliers, distributors, their benefits include a clear supply of raw materials, easy quality control, lower transaction costs, leverage on the knowledge and networking of low-income local people and their communities.

Social enterprises put shared value into their core (David, 2015). Their products and services are intended to contribute to resolving a local issue, whether or not they benefit and aim at a wider and continuous effect on society, viable and socially acceptable manufacturing procedures and profit contributions or a responsive investment in them. Social entrepreneurship is an effective solution to balance and better integrate economic and social purposes and strategies. For example, in the case of KOTO Vietnam, from the early 1990s, Mr. Jimmy Pham (KOTO founder) provided accommodation to a group of street children in Ho Chi Minh City. However, with a desire to create sustainable livelihoods for kids, as a Vietnamese proverb says, "do not give them a fish, but teach them fishing", he established a company in the restaurant business for providing vocational training for children with special conditions. The restaurant also offered them an opportunity to exercise and generated extra revenues to complement training resources (students were backed in full by the sponsorships of the business). In fact, the two characteristics that serve business and social purposes are of the greatest importance to social enterprises. Therefore, social companies can be lucrative and even profit-making is vital to their social objectives, but not for the benefit of "the society" ("for society").

Since social enterprises are businesses, they also face constant changes in the market. If the market changes or an idea does not work out, they may fail. Besides, they have double responsibility as compare with other businesses because they must create profits and at the same time have a mission for society. However, it can be difficult to set up a social enterprise that both makes money and has an equal impact on the community. Furthermore, their products are often less diverse due to limited resources (labor, capital, technology).

## 2.4 Vietnamese context

From 2010, as Vietnam entering the middle-income status, a new development opportunity has opened. That implies that Vietnam has better and active capital capacities, but that also led to political modifications in Vietnam's humanitarian and social assistance. In that context, The Center for Community Initiatives Promotion (CSIP) with partners such as the British Council and Spark Centre, is actively promoting and introducing the new alternative organizational model, which fits into the present social and economic context. The strength of social enterprises is to be able to apply a business model based on market values and requests to tackle market and social issues. In other words, social enterprises can address social as well as financial goals with important social objectives. Attaining economic objectives is the tool to sustainably attain large-scale social aims. (Nguyen, 2012).

Social enterprise model in Vietnam is quite new although the significant role of social enterprises in socioeconomic growth has been confirmed with the law of Social Enterprises in Vietnam Enterprise Law 2014 (2015). One of the challenges for social

enterprises in Vietnam is the limited business model and lack of efficient development strategies (Nguyen, 2012). Successful social enterprises in Vietnam are still active mainly in the following models: vocational training and effective education for street children in Vietnam (KOTO Vietnam), or Mai Vietnam Handicrafts Company, which helps to enhance poor women's quality of life by providing a fair trade model of traditional craftsmanship in Vietnam. These also due to the limitation of enterprises when they first formed the need to attract investment capital, build prestige and feasibility of enterprises for investors and partners in domestic and abroad. Vietnam is in the process of developing a market economy, which poses a few social challenges, infrastructure development, productivity improvement of small households, and training of human resources. Meanwhile, social enterprises are increasingly developed and potential with the aim of meeting and addressing the needs of society.

However, the problem of maintaining efficiency and developing business activities remains a difficulty for social enterprises in Vietnam. For instance, most social enterprises employ workers who are disadvantaged and disabled, thereby the operation takes more time and investment costs because of the skills training for this group; labor quality is also lower, lack of stability and low productivity due to cognitive and health constraints. The output is also difficult because the service is simple, does not use much technology, and does not take advantage of resources, so the price is higher than the same products. Although service organizations, training support, advising private enterprises and NGOs have formed, there are scarce suppliers of services designed specifically for the needs of social enterprise.

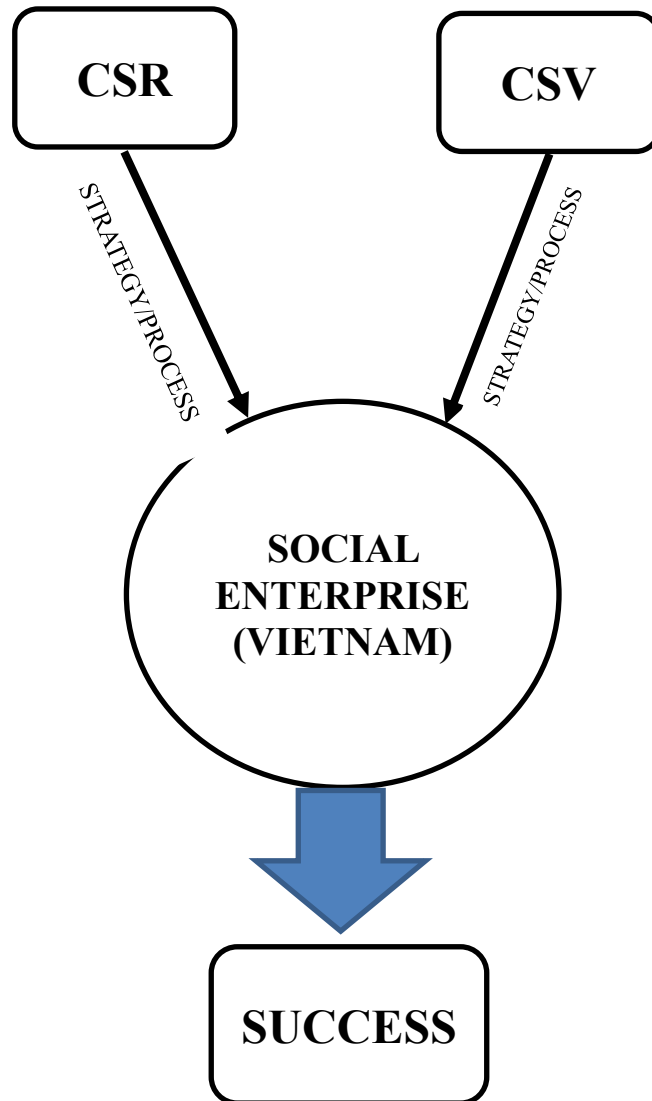
Up to now, enterprises have applied the CSV model in Vietnam are mainly foreign companies or large-scale enterprises, which reputed in corporate social responsibility

such as Kirin, Nestle, FrieslandCampina, etc. These companies have put CSV in the core business for a long time and achieved some success in the world (Van, 2015). However, challenges in branding of multinational corporations are still the localization factor. In fact, business activities in Vietnam demonstrate that the achievement of the brand on the market can only be achieved through the provision of goods adapted to the requirements, preference and traditions of local customers (Nestle, 2011). While CSV can balance between the corporate strategy of social responsibility and CSV delivering significant impact on business sustainability, this study is done to identify the key factors of CSV can be considered as a suitable solution to help enterprises achieve their core objectives and bring shared values to the stakeholders.

## 2.5 Synthesis and Research Questions

Although the idea of CSV has been introduced for more than seven years, the main applied subjects are still large companies in developing markets. The reason is that infrastructure, products, and distribution systems in developing markets are often poorer and companies must think about how to overcome the limitations of the environment to stimulate their business. In other words, there are very few social enterprises that apply CSV to their model, although the essence of the two concepts is quite similar: they produce the same outcomes (i.e. creating societal value). Especially for a developing country like Vietnam, where both concepts are quite new, social enterprises have little understanding of the CSV approach, and there are very few CSV-related events, the development of this research topic becomes more urgent to help businesses gain insights into this approach to the business model, effectively utilizing their resources to create

efficiencies in operation. There is a theoretical flow in this research project as presented in figure 1.



***Figure 1: The theoretical flow of the research project***

To maintain the social goals of the business, the most important thing is to maintain the business activities of the business in the most effective way against the challenge of the market economy and sustainable development. In this theoretical flow, the approach of CSR and CSV are introduced as a strategic process for social enterprises in Vietnam to optimize their business activities. This study will address the issue of how social enterprise can apply the model of CSV to their business to create a sustainable

development; develop a framework for CSV campaigns and strategy analysis; apply the framework to determine whether and how these campaigns and strategies can provide the enterprise with shared value for its stakeholders. The research will specify the gains and losses of the old approach (CSR) and the advantages and risks when transforming to CSV.

## **Chapter 3: Methodology**

This chapter covers the data collection method used and explains the data analysis. It outlines the data collection process and selection, and the procedure to analyze the data. Furthermore, it describes how research questions will be answered and also discusses the ethical issue during the implementation of the research.

### **3.1 Data collection**

Pursuant to answer research questions of how social enterprise can apply the model of CSV effectively, two main methods are used in this study: the qualitative approach and the case study of KOTO Vietnam. In general, the case study provides an in-depth illustration of phenomenon and context of interest (Bromley, 1986), whereas qualitative research methods provide not only the views of participants but also contextual knowledge, for instance, the conduct, values, and convictions of respondents. (Bryaman, 2011). In this research, the researcher uses a qualitative research approach of interviewing to obtain evidence of the case study. This method enables the researcher either investigate a new field of study or intends to ascertain and theorize prominent issues (Corbin, 2008).

In particular, the pilot interviews are conducted with six participants in KOTO Hanoi: CEO, Human Resource Manager, Director of Marketing and Partnerships Engagement, staff, restaurant employer and trainee to get rich and detailed information in understanding people's experiences. Due to the confidentiality agreement signed with KOTO, their names are undisclosed. First, open-ended questions were used since they encourage participants to indicate their ideas freely. Interviews were assembled individually at KOTO's restaurants and KOTO enterprises office for 2 weeks in March



2019 in both Vietnamese and English. Each interview was allotted from 30 to 40 minutes and was taken note and transcribed. Interview results were fully translated into English. At the same time, the researcher also attended KOTO social enterprise study tour to experience the opportunities and challenges faced by a not-for-profit social enterprise. Second, through the meeting and interviews, the researcher can observe the reaction of the participants to the research topic and interview questions which can be a source for rich data. Finally, to examine the consistency of different data sources but collected using the same method, data triangulation method (Patton, 1999) was utilized in this research to gain insight into the different viewpoint of interviewees regarding the implementation of CSV at their company, and their evaluation on the effectiveness of this strategy.

### 3.2 Data analysis

In order to identify the process and to analyze factors that have an impact on the outcomes of the enterprise, the researcher uses the narrative analysis method (Yin, 2014). First, the researcher based on the review of the literature and pick out the key research question related to social enterprise and CSV in the Vietnamese context. Second, the researcher analyzed the data collecting from 6 in-depth interviews in KOTO Vietnam. Finally, based on the theoretical framework and findings, the research will clarify the link between CSV and social enterprise in Vietnam and develop the implication to practice.

The analysis is conducted through the following steps (Yin, 2003):

- Categorize of data: the data collected is assigned differently and respectively according to the title of the interviewee, key elements of questions.
- Identify themes, patterns, and relationship: comparing the findings of

interview/observation results with the literature review findings and debating differences.

- Summary of the data: link research findings to research aims and objectives.

### 3.3 Ethical issues

Conducting social sciences research is subjected to ethical concerning since it's important to consider the proper activities that researchers do in order to obtain information, given that the research subjects are conscious of that research (Bryman, 2012). Before conducting the interview, the researcher signed a commitment agreement regarding Child Protection Policy and Confidentiality with KOTO Vietnam and well-informed the purpose and content of the interviews.

The purpose of the research is informed to all participants in advance and they are not subjected to harm. The researcher respects dignity and protects the privacy of all participants. All information collected from the interview is represented honestly and transparently without any misleading and bias evaluation. In addition, the data analysis is generated confidentially and transparently.

The research presented the method and process of collecting and processing information for the topic as above. Based on the reliability of the information collected, the researcher will proceed to filter, compare and make arguments on the results obtained from the research in the next section.

## **Chapter 4: Findings**

This chapter explains the research finding based on the result of the analysis of data collected from interviews. The factors influencing the performance of the business will be reviewed and compared with the criteria in the levels of the CSV model.

### **4.1 What are the internal and external factors that help the social enterprise in Vietnam applied CSV successfully?**

The initial of this research question is to explore the factors which led to the success of social enterprises by engaging triangulating various stakeholders' perspectives to establish cross-cutting themes.

- **Internal factors**

In fact, the enterprise has focused on product development right from the very beginning. As evidence, when enterprise started establishing, they had solid knowledge, a clear understanding of the market that the demand for well-trained hospitality professionals continues to grow while most of the at-risk and disadvantaged youth in Vietnam are in working age, and thereby created suitable products to the market as well as bring social value. First, KOTO trainees not only acquire technical skills relevant to working in the hospitality sector, but they also benefit from life skills classes, extracurricular activities, and a supportive, family-style living environment. Second, employers appreciate KOTO trainees for their positive attitude in particular. Third, by exposing trainees to diverse experiences, narratives, places, and people during their two years with KOTO and by providing them with an internationally accredited certificate in hospitality, the program broadens trainees' access to opportunities both within and outside

Vietnam after graduation. Finally, KOTO's reputation in Vietnam and overseas has been effectively leveraged, especially in its fundraising activities and ability.

Moizer (2010) was right to mention that entrepreneurial actions with clear social aims can enable organizations to create social values. Being aware of the hospitality industry, which is a highly developed field in the world in general and Vietnam in particular, is facing a shortage of manpower due to the lack of vocational training activities for young people. KOTO has embarked on building a training model for disadvantaged young people who are in working age. Thus, KOTO has applied business solutions to solve social problems, promotes both economic value (revenue from the restaurant chain) and social value (great impact on society from changing the lives of at-risk and disadvantaged youth).

On the organizational level, KOTO benefits from committed and enthusiastic employees, many of whom are alumni of the program. It also developed close relationships with major professionals and organizations, through continuous and frequent external communication with partners, while strong inner feedback loops concerning the performance of individual trainee further support the application of KOTO. The main focus of KOTO's long-term goal is to finance the operational overheads (Foundation) of the ' Business ' arm (Enterprise). Overall, the holistic vocational training program for hospitality provides KOTO with the required expertise, abilities and trust to meet the multi-factory requirements of trainees and employers for a prosperous career and to develop a better way of life.

*“KOTO is successful and can stand out because it always takes the human connection as the core factor for all activities.” – Jimmy Pham (Founder & Executive Chairman, Hanoi, 2019)*

The difference in KOTO's business philosophy is that they put people at the core factor. KOTO stands for "Know One, Teach One" and reflects the founder's philosophy of sharing and passing knowledge from one person to another. He believes everyone has an important role, contributing to perfecting and establishing KOTO social enterprise.

- External factors

Initially, the standpoint of Porter and Kramer (2011) coincides with the model that KOTO is implementing, which links and connects KOTO with other social enterprises in the community, to create shared values and also improve its position and brand image in the market. However, the results also show similarities in Moon's view (2011) and the way KOTO works that Porter and Kramer failed to not consider an international dimension but limits down to a scope only including local and domestic clusters. Findings indicate one of KOTO's significant successes is connecting its businesses with overseas organizations, which not only enable students and staff to expand their capabilities and opportunities but also attract investment and cooperation from abroad.

Although there is a similarity in expert opinions and the findings in this study which indicates the necessity of market assessment in helping enterprise plans effective business paths, the success of social enterprise has little effect from determining whether to apply CSV strategy specifically. On the contrary, CSV is fairly fuzzy in the perspective of business stakeholders.

#### 4.2 What kind of benefits and risks of the CSV approach to the outcomes of social enterprises?

First of all, "reconceiving products and markets" (level 1 of CSV) is the ideal tool

to help KOTO identify the products that they need to aim at which suit the social situation as well as solve the urgent needs of at-risk children. This helps creating impactful changes of the young people that they have the privilege to support. Moreover, this result also helps them to stabilize the business situation and create a typical business model in the community.

*“Nearly 1,000 alumni have been changed by KOTO, the human capital is huge, and their family, community and industry have incredibly changed. The inspirations we have been able to spread to our social enterprise sector and its movements” – Huong Dang (Director of Marketing and Partnerships Engagement, Hanoi, 2019)*

Stakeholders highlighted KOTO's excellent reputation and its dedicated and passionate staff as key assets to the organization. However, there was also widespread recognition that staff is overstretched and more human capital is required. In addition, while KOTO appears to be maintaining good communication with partners and employers, the relationships between KOTO and some donors and sponsors, at times, felt lacking. Outside stakeholders also raised concerns about the transparency of the management structure and decision-making process within the organization.

For social enterprises like KOTO, social factors have both benefits and challenges in maintaining operations and scaling up. Firstly, in addition to the objectives or operational solutions, and government factors also affect the financial health of the business. The awareness of social enterprises is still not high, so the implementation of activities is still difficult due to not being trusted and supported by local people. Although effort of CSV measures is to seek the ability to generate profits for enterprise, this also means that the initial value of social enterprises can be doubted by other stakeholders. The Director of Marketing and Partnerships Engagement remarked:

*“We do not have local government funding and support, therefore our financial health is not like a commercial business where we can strategically plan for many years ahead. We have to rely on landlords for all of our premises that not only cost us money but the rent is not for the long term.” – Huong Dang (Director of Marketing and Partnerships Engagement, Hanoi, 2019)*

In this circumstance, the CSV model no longer plays a special role to help businesses bring more reputation, but rather the relationship between businesses and local authorities and people in the region. In addition, the viewpoint of Nguyen (2012) about the challenges for social enterprises in Vietnam is the limited business model and lack of efficient development strategies is not complete since it ignored the role of local government.

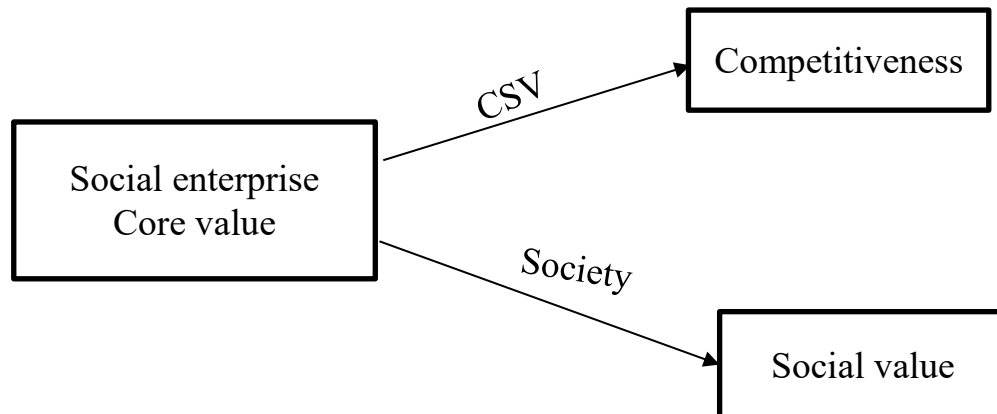
## **Chapter 5: Discussion and conclusion**

### **5.1 Gaps and suggested framework**

This research focuses on the possibility of CSV approach on social enterprises based on Porter and Kramer's (2011) concept in term of its potential as a business strategy in Vietnam. While in a certain level of CSV it could help the enterprise to address its target customers by point out the need of society, such as shortage human resource in the hospitality segment, CSV plays a slight role in the company's strategic. Porter and Kramer (Porter & Kramer, 2011) emphasize the supporting of the local cluster in an effort to increase efficiency, product quality, and sustainability, however, Moon (2011) believes that it is a limitation, and this study provides insight into the outcome of the international cluster of Vietnamese social enterprise.

Based on the initial theoretical flow (figure 1), the researcher tends to explore how social enterprises approach CSV and CSR as a strategy, especially in the context of Vietnam, thereby drawing out the factors create the success of these businesses and point out the challenges that businesses will face when applying this model in Vietnam. However, the findings have implicated the inconsistency of this framework. Among the standards CSV suggests it will bring benefits to businesses, the perception of core value, society factors (community awareness, targeted market based on the needs of society, and the interaction between the business communities) are considered to be the most influential. Therefore, the original theoretical framework can be revised as shown below.





***Figure 2: The suggested framework for successful social enterprises***

With the original figure, CSR and CSV are the motivation for businesses to achieve their goals. Figure 2 indicates that CSV simultaneously with social factors is leverage to help businesses achieve success. According to the framework suggested above, enterprises which desire for success should clearly identify the core value they directed, by recognizing this and understand the social environment where they operate, they will create social value as both sides expect. Simultaneously, they can optimize the strategies that the CSV offers to bring competitiveness to businesses. At this stage, the core value replaces the role of CSV as per figure 1, plays a key role in determining the direction as well as the mission of the enterprise. Core value can contribute to a business's identity and culture, these values function as norms in the company's decision making, functioning, problem-solving and customer service management. The social factors here is the communities, the institutions, and the interaction with partners to create shared values. Although CSV still plays a role as a strategy to help businesses achieve competitiveness, however, it needs to be accompanied by social factors to achieve social value as the initial goals of the business.

## 5.2 Implication to literature

Among external factors, the finding of this study shows that Porter and Kramer's original cluster theory which does not consider an international dimension but limits down to a scope only including local and domestic clusters is not properly. In the case of KOTO, its alliances with training organizations, scholarship funds, and sponsors (Box Hill Institute, Le Cordon Bleu tuition scholarship, etc.). This connection brings a lot of benefits to KOTO. First, KOTO's close partnership with the above organizations not only gives KOTO a reputation in both the country and abroad but also as a commitment to quality and support for students joining KOTO. Through this partnership, trainees obtain an internationally recognized hospitality accreditation upon graduating from the KOTO program. The more students succeed, the more effective the training program brings. As a result, KOTO proves its ability to bring social value through this success, gaining trust from society and organizations for further collaboration. Second, it gives students of KOTO the opportunity to access the abundant source of support that domestic organizations do not have. It is also an opportunity for them to develop skills and expand career opportunities overseas. Since KOTO still depends on funding and fundraising activities, if KOTO can get collaboration with large overseas organizations, the fund will be stable and the advanced development training for students will not be in trouble.

Another aspect that Porter and Kramer have not mentioned is the ability to apply CSV to small and medium enterprises (SMEs) which is the main scale of social enterprises in Vietnam (Nguyen, 2012). Although the perception of CSV is still limited, enterprises like KOTO can apply the strategy of CSV at a certain level which appropriates

with the circumstances and conditions of the business. Although each enterprise has its own target and products orientation, they can all apply the reconceive of markets and products to find the best solution for the potential markets and suitable products for that market. Especially, the enterprise needs to develop a strategy that appropriates to its size so that to maintain its operations and can develop sustainably.

Last but not least, Porter and Kramer ignore social factors when it comes to businesses using CSV. In fact, this study identifies that social factors are always in parallel with business strategy because it greatly affects decision making. These factors are not just a matter of the social value they want social enterprises to create, it is also a problem around the community they exist.

### 5.3 Implication to practice

Although the findings do not show social enterprises in Vietnam consider CSV as their initial business strategy, the application of the theories of CSV implementation levels also has certain benefits for businesses. First, by re-evaluating the market and products, social enterprises can conveniently find out the target customers and market, especially in the context of limited resources and they have to compete with other for-profit businesses. Second, by the success in identifying business objects, for enterprises to ensure their position in the marketplace, they need to rethink about the business implementation in an effective way. At this time, the application of redefining productivity in the value chain is completely reasonable.

Furthermore, in accordance with business strategy, enterprises need to concern about the social factors in term of perception of the community, institutional and

regulations, and the interaction with them. The enterprises need to understand the social situation where they operate, communicate the vision and social mission that they bring to the locality. This will help enterprises create relationships with the locality and improve community awareness about the role of enterprises and the trust of the motivation of enterprise.

#### 5.4 Limitation of the study

The researcher has just studied one social enterprise as a Vietnamese case study so that the findings cannot be generally represented by all social companies. The amount of respondents is also rather low, preventing the company from being analyzed and understood in depth. The researcher was not in a situation where the interview with other KOTO stakeholders was carried out due to time limits. In the future, the outcome factors of KOTO should be examined with a view to diversifying and deepening knowledge from various stakeholders (investors, sponsors, staff, and alumni).

#### 5.5 Conclusion

This study attempts to clarify the skepticism of previous research about the relevance between social enterprise and CSV by assesses the case study of KOTO Vietnam. After conducting the data collection and analysis, the study has revealed that the success of KOTO Vietnam comes from both internal and external factors and CSV plays a small role in creating that success because the enterprise is still not aware of the benefits that CSV brings. However, the findings also illustrate some similarity and relevance when social enterprises take advantage of aspects CSV suggested to create more

shared values.

Social enterprises always try their best to find solutions to stabilize business operations, thereby developing their business scale further. Especially non-profit businesses, ensuring maintaining productivity as well as finding the output for products is the first priority.

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## APENDIX 1

### INTERVIEW GUIDELINES (ENGLISH VERSION)

<b>Name of Interviewee</b>	
<b>Company</b>	
<b>Title</b>	
<b>Date of Interview</b>	

#### **I – Internal factors:**

1. What is organizational structure of social enterprise like KOTO Vietnam? For example, number of departments which company have, people taking responsibility of department.
2. What products and services do you provide in the marketplace?
3. What are business strategies (vision, mission, marketing strategy, business tactics, etc) which company have used since the ‘seed stage’ until now? What are contributions of these strategies to company’s development?
4. By your own words, what are the unique points in your business and product (uniqueness of service and product/competitive advantage)?
5. Is there any shared value (resources, staffs, supply, environment, etc) concerned by KOTO? If yes, what is the role of that share value?
6. Have you ever experienced difficulties/failures under your business activities? How did you manage them?
7. How does the decision-making process work at KOTO?
8. What opportunities/challenges do you envision in the future for organizations?

#### **II – External factors**

9. What is the risk and benefit when establishing a social enterprise?
10. Please list the main social responsibility factors which impact your business?
11. How do you evaluate the effect of creating share value model to social enterprise?
12. What are the risks and benefits of applying that model?
13. What are the factors for social enterprise to apply that model successfully?



**APENDIX 2**  
**INTERVIEW GUIDELINES**  
**(VIETNAMESE VERSION)**  
**CÂU HỎI PHỎNG VẤN – KOTO VIỆT NAM**

<b>Người được phỏng vấn</b>	
<b>Công ty</b>	
<b>Chức vụ</b>	
<b>Ngày phỏng vấn</b>	

**I – Các nhân tố bên trong:**

1. Cơ cấu tổ chức của doanh nghiệp xã hội KOTO Việt Nam? Ví dụ: số lượng các phòng ban của công ty, người chịu trách nhiệm của từng phòng ban đó.
2. Công ty cung cấp loại hình dịch vụ hay sản phẩm gì trên thị trường?
3. Chiến lược kinh doanh của công ty kể từ khi mới thành lập đến nay là gì? (tầm nhìn, sứ mệnh, chiến lược marketing, chiến thuật kinh doanh...). Chiến lược này có đóng góp như thế nào cho sự phát triển của công ty hiện nay?
4. Xin cho biết ý kiến của ông/bà về đặc điểm vượt trội/lợi thế cạnh tranh của sản phẩm và mô hình kinh doanh của công ty?
5. Xin cho biết về giá trị chia sẻ mà KOTO mang lại (nguồn lực, nhân sự, môi trường, nhà cung cấp). Giá trị chia sẻ này đóng vai trò như thế nào đối với hoạt động kinh doanh của công ty?
6. Ông/bà đã gặp những khó khăn/thất bại nào trong quá trình triển khai hoạt động? Ông bà đã giải quyết như thế nào?
7. Quy trình đưa ra quyết định ở KOTO đã thành công như thế nào?
8. Ông/bà lường trước những cơ hội và thách thức nào mà KOTO sẽ phải đối mặt trong tương lai?

**II – Các nhân tố bên ngoài**

9. Có những lợi ích và rủi ro gì khi thành lập 1 doanh nghiệp xã hội?
10. Xin hãy kể ra những nhân tố trách nhiệm xã hội chính ảnh hưởng đến hoạt động kinh doanh của công ty?
11. Ông/bà đánh giá như thế nào về hiệu quả của mô hình “chia sẻ giá trị chung” đối với doanh nghiệp xã hội?
12. Lợi ích và rủi ro khi áp dụng mô hình này?
13. Nhân tố nào có thể giúp doanh nghiệp xã hội áp dụng thành công mô hình này?