

Corporate Philanthropy and Corporate Perceptions of Local NGOs in Vietnam



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CONTENTS

1. List of Abbreviations	5
2. Executive Summary.....	6
3. Introduction.....	9
4. Background	11
5. Corporate Giving in Vietnam	13
6. Corporate Perceptions of Vietnamese NGOs.....	29
7. Conclusions	41
8. Methodology	44
9. References	46

I. List of Abbreviations

CECODES:	Center for Community Support and Development Studies
CSR:	Corporate Social Responsibility
INGO:	International Non-Governmental Organization
NGO:	Non-Governmental Organization
SME:	Small and Medium-sized Enterprise
VCCI:	Vietnam Chamber of Commerce and Industry
VND:	Vietnamese Dong
VNGO:	Vietnamese Non-Governmental Organization

Exchange rate: 1 USD = 21,000 VND

2. Executive Summary

This study is a collaboration between The Asia Foundation, CECODES (Center for Community Support and Development Studies) and the Vietnam Chamber of Industry and Commerce (VCCI). The study aims to establish a baseline of corporate philanthropy in Vietnam based on a random sample of over 500 Vietnamese companies, complemented by a dozen in-depth interviews in Ha Noi, Da Nang and Ho Chi Minh City. Vietnam has reached middle-income status, and international donors are starting to move out. In the future the country's third sector will inevitably become more dependent on domestic resources. For NGOs to successfully transition their funding base, it is important to understand the scale, motivation, pattern and behavior of corporate philanthropy in Vietnam. The second issue addressed by the research is businesses' perception of and opinion about the role of NGOs, their motivation and integrity. These are important as they may influence corporate philanthropic behavior and their willingness to collaborate with NGOs. NGOs need to be aware of their image and perceptions of their behavior so that they can successfully engage with the business sector. Furthermore, the research seeks to establish a preliminary picture about the extent and forms of partnership between businesses and NGOs.

The extent of Vietnamese corporate philanthropy

Corporate philanthropy is generally considered to be a type of Corporate Social Responsibility (CSR) activity, one of the four categories of corporate responsibilities; economic, legal, ethical and philanthropic.¹ Among the more than 500 companies involved in the study, about three quarters engaged in some giving over the last year, making cash donations totaling 113 billion VND, together with in-kind contributions of 14 billion VND, as well as 19,500 hours of employee's working hours. 81% of companies in industry and manufacturing are philanthropically active, compared to only two thirds in agriculture, forestry and aquaculture. Size is another key driving factor. The biggest businesses are the biggest givers. 96% of business with more than 500 employees made contributions, averaging 1,275 millions VND each. This compares with only 46% of businesses with 10 staff or less. Those businesses on average donated only 60 million each.

Cash donation is by far the most popular form of giving, practiced by the majority of giving businesses. This was followed in popularity by in-kind contributions. Only around 10% of businesses practiced employee volunteering, although employee volunteering is a potentially excellent form of philanthropy, offering companies benefits in employee development as well as improving company reputation. Awareness about CSR and the concept of civil society makes a difference to giving behavior. Among the businesses who had heard of CSR and civil society, only 13% and 18% respectively did not practice giving. The rates of non-givers among those who had never heard of the terms were 26% and 35%.

The short-term trend (over the last two years) in volume of giving seems to be flat. According to businesses' forecasts this trend will probably continue for the next year. For

¹ Carroll, A.B. (1999). *Corporate social responsibility: evolution of a definitional construct*. *Business and Society*, 38, pp. 268–295.

many, giving is an ad-hoc, short-term activity. One third of respondents were not able to make any comment on their plan next year's cash giving, half could not indicate their plan for next year's in-kind contributions.

The focus of Vietnamese corporate philanthropy

The three themes that received most contributions are supporting people in need (e.g. war veterans, orphanages, etc.), disaster relief and poverty reduction. This suggests that giving is dominated by traditional, event-based giving based on cash donations with little time investment for more sophisticated engagement. This presents challenges for organizations working in areas such as the environment, health care, culture or policy advocacy, to persuade the business sector to give to their cause. A resulting recommendation is that engagement with businesses on CSR should focus on encouraging them to explore how to change their way of giving to address the problems which they themselves identify as key for the future, such as corruption, environmental issues and unemployment.

While in the West, corporate philanthropy is often seen as an activity to advance company's legitimacy and to bolster a firm's reputational capital, which in turn serves as a form of insurance², this thinking seems to be absent in Vietnam. Only 15% of firms that give said that they do so with the goal of enhancing the company's reputation and image. This contrasted with 58% who stated their giving had no business goal at all.

Because giving is not seen as part of doing business, with honorable exceptions, there is a profound lack of strategic philanthropy. This undermines the ability for business giving to create long-term, sustainable social benefits in tandem with improving corporate reputation and enhancing staff motivation. On the contrary, the findings show that most philanthropic activities don't follow strategic assessments nor align with companies' core competencies. Most companies conduct philanthropic activities in a piecemeal fashion, not evaluating the return of their contributions. There is little interest in measuring and maximizing social impact. Only 5% of businesses choose to give based on "best potential for social impact". Businesses need to be encouraged to think strategically about their philanthropic activities, aligning philanthropic contributions with their core competencies to achieve effective outputs and deliver long run benefits.

NGOs can be valuable partners to help businesses to envision, plan, exercise and evaluate their strategic philanthropic initiatives. However, only 9% of the businesses in our sample had collaborated with VNGOs in their giving. Even among those that had, the NGOs they have worked with were generally mass organizations or business-related organizations, such as the Young Entrepreneurs Association or VCCI.

Business perceptions of NGOs

Business perceptions of NGOs are not outright hostile. However, they can be characterized as unengaged and not particularly positive. When asked about the role of NGOs businesses' perceptions tend to be both traditional and narrow. 78% identify NGO's role as being in "poverty reduction". Other responses speak to business self-interest, with 41% saying that the role of NGOs is to "support businesses". A significant

² Chen, J.C., Patten, D.M. and Roberts, R. (2008). *Corporate charitable contributions: a corporate social performance or legitimacy strategy?* *Journal of Business Ethics*, 82, pp. 131–144.

proportion shows a complete lack of understanding, with 20% stating that NGOs “create products and services”. Only 36% of businesses believe that the work of VNGOs’ is important or very important for the country. For NGOs that are not focused on service delivery, to engage effectively with businesses they need to educate businesses on the legitimacy and value of other approaches that can be taken by NGOs such as policy advocacy.

Furthermore, there seems to be a trust issue in relation to VNGOs. While over 60% of surveyed businesses describe international organizations as trustworthy, only one third of businesses state that VNGOs are trustworthy. Businesses are also skeptical of the efficiency and professionalism of VNGOs. Almost 40% don’t agree that VNGOs “really create a positive impact for society” and over 50% don’t think that NGOs “work professionally”. Additionally, over 60% think that NGO staff work voluntarily for social causes, a view that probably contributes to the thinking that giving should not be used to fund NGOs’ operation.

These are serious challenges for NGOs seeking funding from businesses. To convince the private sector that they are trustworthy partners, local NGOs need to find ways to change the image that they are organizations working based on volunteerism, ineffectively and unprofessionally. A first step is assisting NGOs to understand business’ thinking so as to be able to make partnerships with them attractive for businesses.

3. Introduction

This report is the result of a collaboration between The Asia Foundation, CECODES (Center for Community Support and Development Studies) and the Vietnam Chamber of Industry and Commerce (VCCI)³. The study has two objectives:

First, to establish a baseline of corporate philanthropy in Vietnam based on a large, random sample of over 500 companies located in Ha Noi, Da Nang and Ho Chi Minh City. Vietnam has reached the middle-income status, and international donors are starting to move out. In the future the country's third sector will inevitably become more dependent on domestic resources. In this context, it is important to understand who in the business sector is giving, to what they give, how they give, what motivates them and what their giving pattern and behavior is.

Although there are some initial researches on corporate giving in Vietnam (see Chapter 4 Background for more information), they tend to be relatively small in scale, involving a few dozens respondents, and therefore limited in sketching a representative picture. This work is the first effort to systematically gather information on corporate philanthropy from the three geographical areas with the highest business concentration in Vietnam.

Second, a related objective, to understand what the perception of the business sector is in relation to local NGOs. As Vietnamese civil society is still young, knowledge about NGOs and their work in the public at large, and in the private sector is expected to be limited. This situation is not unique to Vietnam. In countries with emerging civil society, there is often misunderstanding and mistrust about civil society. However, given Vietnam's political history and context, it is expected that the situation will have characteristics unique to the country.

Business opinion about NGO's role, motivation and integrity is important as it can influence corporate philanthropic behavior and their willingness to collaborate with NGOs. A detailed understanding about businesses' attitudes towards NGOs is the first step in the process of improving it. NGOs need to be aware of challenges around their image and perceptions of their behavior in order to succeed in engaging with the business sector. Furthermore, we are interested to establish a preliminary picture about the extent to which businesses partner with NGOs when engaging in their philanthropic activities. Partnership between business and NGOs can be anything from the simplest form (donation), to sponsorship, to semi-strategic engagement or finally, in the most sophisticated form, a strategic partnership (a symbiotic value creation for both partners).

The study focuses on Vietnamese companies, an under-researched population, excluding foreign-invested companies and joint ventures in Vietnam. It is based on a quantitative survey of over 500 companies in Ha Noi, Da Nang and Ho Chi Minh City, with a sampling

³ The authors would like to thank Kim Ngoc Bao Ninh, Will Taylor and Nguyen Thu Hang from The Asia Foundation, and Đâu Anh Tuấn, Phạm Ngọc Thạch, Lê Thanh Hà, Nguyễn Lê Hà, Bùi Linh Chi, Nguyễn Hồng Vương, Dương Hương Ly from Vietnam Chamber of Commerce and Industry for their constructive comments on the concept, the design of the questionnaires and the review of the report, as well as for the organization of the survey and in-depth interviews.

composition reflecting the sectoral structure of the private sector in these cities. Based on the experiences of a number of previous surveys with the business sector in Vietnam, mailed-out questionnaires were used for the survey. The responses were broken down to over 100 in Da Nang, and 200 in Ha Noi and Ho Chi Minh City each. For more information on the methodology, see the Annex. In addition to the quantitative survey, about a dozen in-depth interviews were conducted with firms of different sizes and levels of philanthropic activities to get more nuances about their behavior, their thinking about and their partnership with NGOs.

4. Background

Definition of corporate philanthropy Corporate philanthropy⁴ is generally considered to be a type of CSR activity. Literature on CSR often uses a four-part definition of the term, which identifies four categories of corporate responsibility: economic, legal, ethical and philanthropic. Companies' economic and legal responsibilities are required, their ethical responsibilities are expected, and their philanthropic responsibilities are desired. While the economic and legal responsibilities reflect the old, classical social contract between businesses and society, the ethical and philanthropic responsibilities are relatively new and reflect companies' broader social contract with the society.⁵

Corporate philanthropic activities are not a one-way road. Corporate philanthropy, accompanied by long-term commitment to targeted social problems, may not yield direct, tangible results to the companies, but are strategic investments yielding significant returns in the long run. The underlying context is the interdependency of business and society. Companies, in order to thrive, need a healthy society. Therefore, they need to invest in the society, to develop the environment within it they do business, for the sake of their own survival.

Corporate philanthropic activities may be in the form of donation of cash or products, of the use of facilities, property, or services. Companies may also have employees doing voluntary work on company time. Companies may handle corporate giving directly, or through a company foundation. They may or may not collaborate with external partners such as NGOs or local governments to reach optimal social outcomes for their giving.

According to researchers Bruch and Walter, philanthropy can be classified into four types⁶: (i) Dispersed philanthropy, which is mostly uncoordinated, consisting of disjointed activities without clear criteria for decision-making. (ii) Peripheral philanthropy, which is driven by external demand and expectations, and not linking to company's core competencies. (iii) Constricted philanthropy, which is based on company's core competencies, but neglecting the needs and expectation of stake holders, and finally (iv) Strategic philanthropy, the most effective kind, which integrates company's core competencies with concern of external stake holders and social impact.

⁴ In this study, the terms corporate philanthropy and corporate giving are used interchangeably.

⁵ Carroll, A.B. (1999). *Corporate social responsibility: evolution of a definitional construct*. *Business and Society*, 38, pp. 268–295.

⁶ Bruch, H. and Walter, F. "The keys to rethinking corporate philanthropy". *MIT Sloan Management Review*, 47, pp. 48–56, 2005

**Literature
on corporate
giving in
Vietnam**

As Vietnam becomes more integrated into the world economy, the concepts of CSR and corporate philanthropy are becoming more well known in the business community. Nevertheless, literature on corporate giving in Vietnam is sparse and comprehensive information on pattern and trends are not available.

One of the early works on the topic is a 1996 article in the Yale Southeast Asia Studies Vietnam Forum, presenting early data on new corporate giving in Vietnam, observing increased levels of long-term investment as a stimulus for companies, mainly foreign invested ones, to involve building up the communities in which they do business.⁷

In 2009, the LIN Center for Community Development conducted a small-scale qualitative study, interviewing 44 companies on the status of corporate giving. The companies were located around Ho Chi Minh City and a large group were international companies or joint ventures.⁸

In 2010, The Asia Foundation and Vietnam Asia Pacific Economic Center (VAPEC) undertook another study on the scale, pattern, motivation and challenges of giving among both individuals and businesses. The business sample covered 16 large corporations and 100 small and medium sized enterprises (SMEs) in Ha Noi and Ho Chi Minh City. The bigger companies were largely in Ho Chi Minh City, and the SMEs were mostly in Ha Noi. The population survey covered rural and urban areas in Ha Noi and Ho Chi Minh City, as well as Thai Binh and Long An provinces. In total, 100 rural households and 100 urban households were interviewed.⁹ References to these two works, where appropriate, are made throughout the report as it discusses the findings.

7 Sidel, Mark, "Corporate Philanthropy in Vietnam: Initial Data and Initial Problems", Vietnam Forum 15, editor: Dan Duffy, 1996.

8 LIN, "Corporate Philanthropy In Ho Chi Minh City, An Update on the Status of Corporate Giving in Vietnam Based on Interviews with 44 Companies", December 2009

9 Vietnam Asia Pacific Economic Center (VAPEC) and The Asia Foundation. "Philanthropy in Vietnam", Ha Noi, 2011.

5. Corporate Giving in Vietnam

Overview Of 516 companies responding to our survey, over the last 12 month, **396** reported practicing giving of one form or another (in cash, in-kind, or in form of employee’s working time). **120** firms, or almost a quarter, did not engage in any form of giving (Figure 1).

Figure 1: Share of companies engaged in some form of giving in the last 12 months¹⁰¹¹



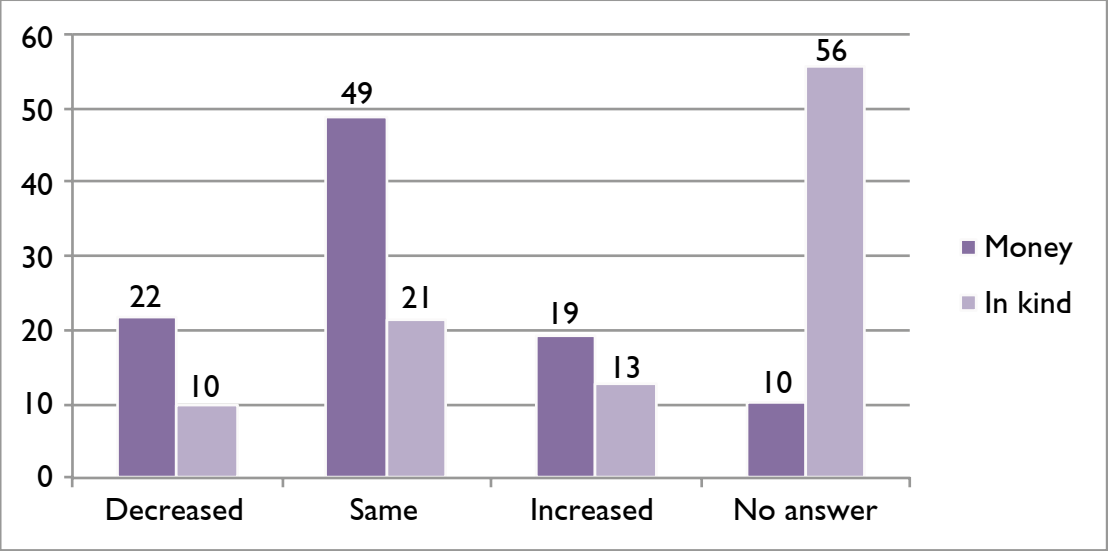
The total value of the cash giving of these 396 companies amounted to **113 billion VND**, while the in-kind giving totals are equivalent to **14 billion VND**, or about 12% of the cash amount.¹⁰ Furthermore, companies reported contributing about **19,500 hours** of their employees’ time, a figure that is difficult to translate into a financial value.

Because of the lack of earlier comparable research, no long-term or medium-term trend can be established¹¹. However, some insights on short-term trends can be ascertained. Asked to compare their level of cash contributions over the last 12 months with those of the year before, almost half of businesses stated they were the same, 22% said they decreased, while 19% said the amount increased. Regarding in kind contributions, the picture is similar, although here 56% declined to answer. Regarding contributions of employee time, information is even scarcer, with over 80% of businesses unable to make a comparison. The data does not appear to be recorded by the companies.

¹⁰ While it would be useful to see these numbers in the context of companies’ profits, it was not possible as the majority did not want to reveal their financial numbers.

¹¹ See Chapter Background for more details on the previous research on the topic.

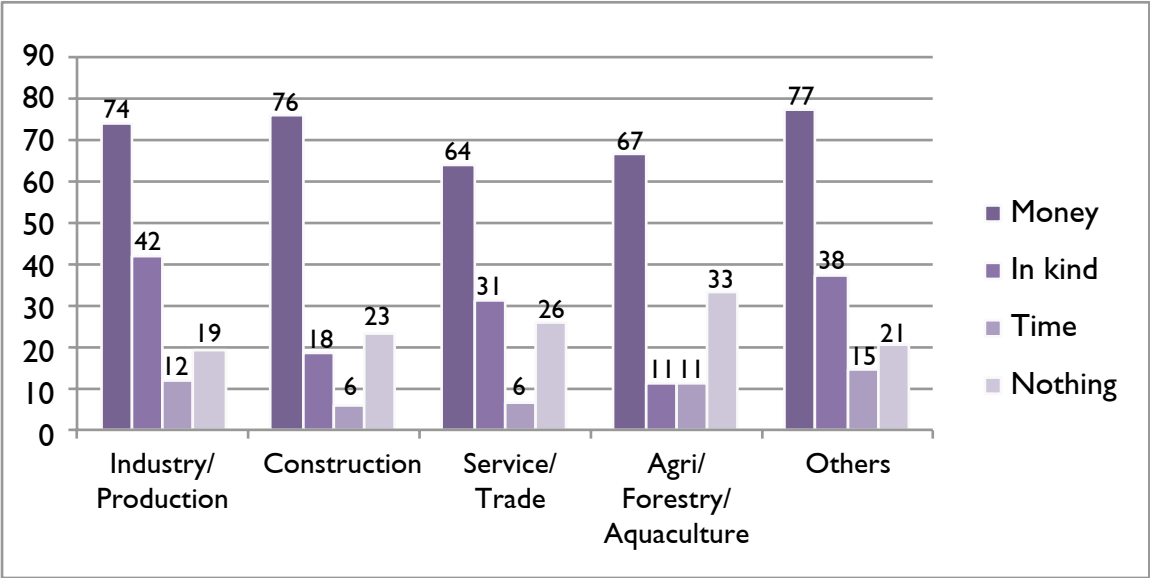
Figure 2: Comparison between levels of contributions over the last 12 months and the year before (% of businesses)



Forms of giving across business areas

Giving money is the most popular form of corporate giving. Within the last year, 64% of companies operating in service and trade made cash donations, compared to 67% of companies in agriculture, forestry and aquaculture. Companies in industry / production and construction are more active in giving cash; 74% and 76% respectively. In-kind giving has a much greater variation, from 11% among businesses in agriculture-aquaculture to 42% among companies in industry and production. In general, employee time as a form of philanthropic giving seems to be greatly underutilized. Only between 6% and 15% of businesses use this approach, depending on the sector. 19% of companies in industry and production do not give anything last year. 33% of companies in agriculture, forestry and aquaculture, a much larger proportion, do not practice giving (see Figure 3). This variation might be explained by the fact that most businesses in agriculture, forestry and aquaculture are smaller, and smaller businesses, as seen later in the report, are less philanthropically active.

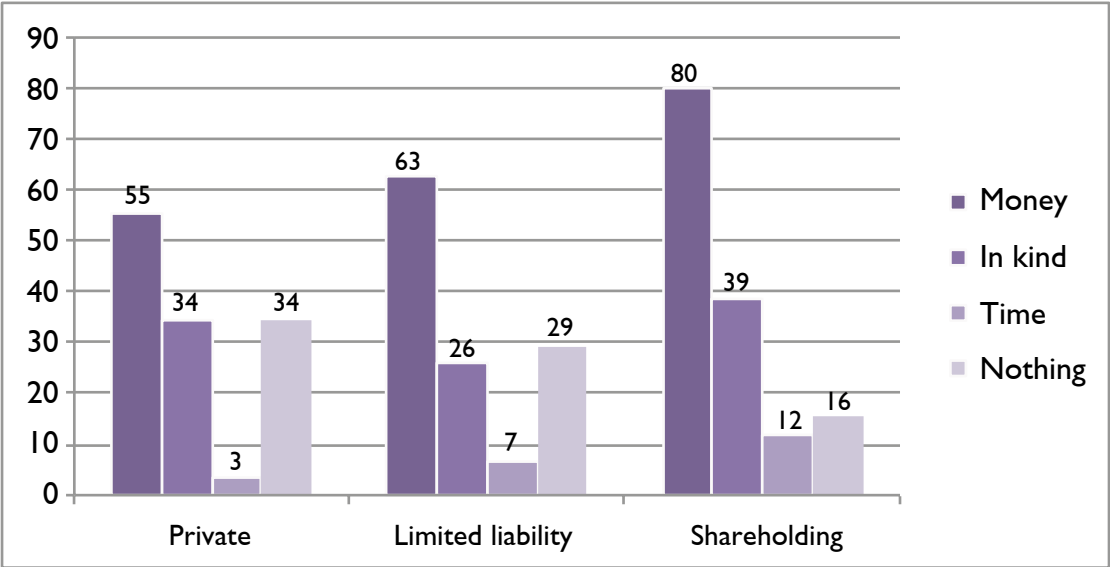
Figure 3: Forms of corporate giving across business areas (% of businesses)



Forms of corporate giving across types of business

Forms of giving across different types of businesses show patterns similar to those of business sectors. Giving money, the most popular form of giving, is used by over half of private companies, almost two thirds of companies of limited liability, and up to 80% of shareholder companies. In-kind giving is used significantly less: only 26% of limited companies and 39% of shareholding companies use this form. Employee time is used for charitable activities in only between 3% and 12% of the companies. All in all, private companies are the group with the lowest rates of giving, followed by limited liability. The most active group is shareholding companies. Only 16% of this group did not give last year, while the number is close to 30% in the limited liability group and 34% in the group of private companies (Figure 4).¹²

Figure 4: Forms of corporate giving across types of businesses



¹² Companies may engage in giving using different forms at the same time, so the bars add up to over 100%.

**Impact of
business size
on giving**

The size of the business measured in revenue is an important factor impacting corporate giving. As seen in Figure 5, over 50% of businesses with revenue less than 1 billion VND do not contribute anything. The share of non-givers halves for the group with revenue between 10 and 50 billion VND. In the category of between 100 and 300 billion VND, only 8% do not engage in giving. 96% of businesses with more than 300 billion VND in revenue make a contribution in one or another form.

The situation is similar if one looks at how companies with different sizes of staff differ (Figure 6). Again, among the smallest companies, those with less than 10 employees, more than half do not make any contribution. In the next group up, of companies with between 10 and 50 staff, two thirds engage in corporate giving. Among the very big companies, the ones with over 500 employees, 96% practiced giving over the last 12 months.

As the Vietnamese economy consists of a large number of SMEs, with few employees and revenue below 5 billion VND, the potential for resources here is large, but the challenge will be how to motivate this group to be more active in philanthropic giving.

Figure 5: Share of businesses with no giving during last 12 months, according to revenue (% of businesses)

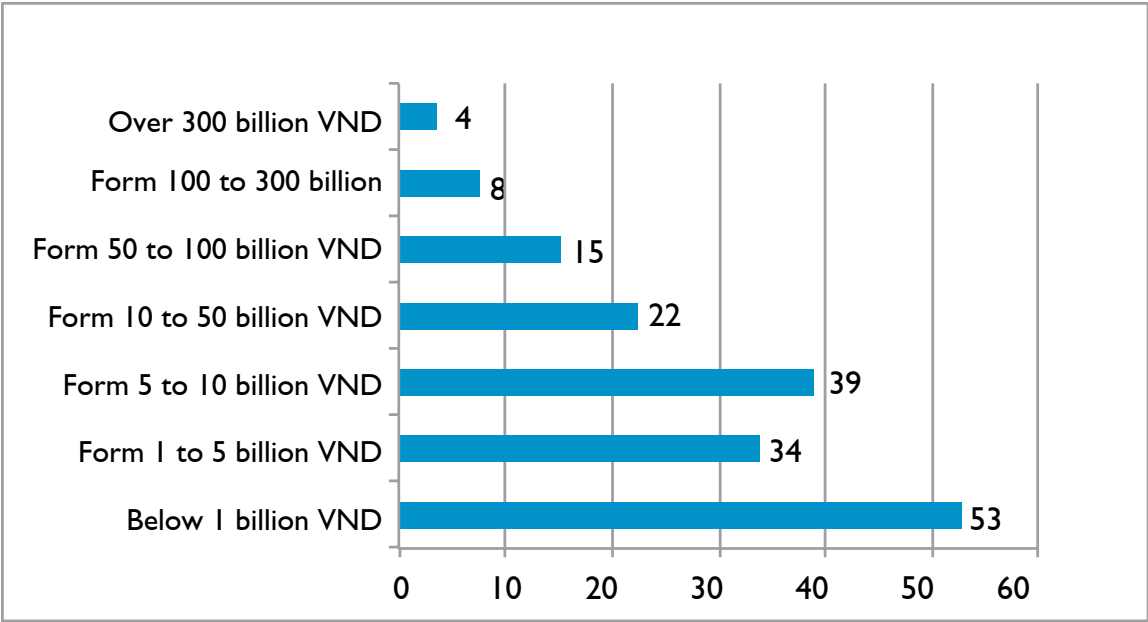
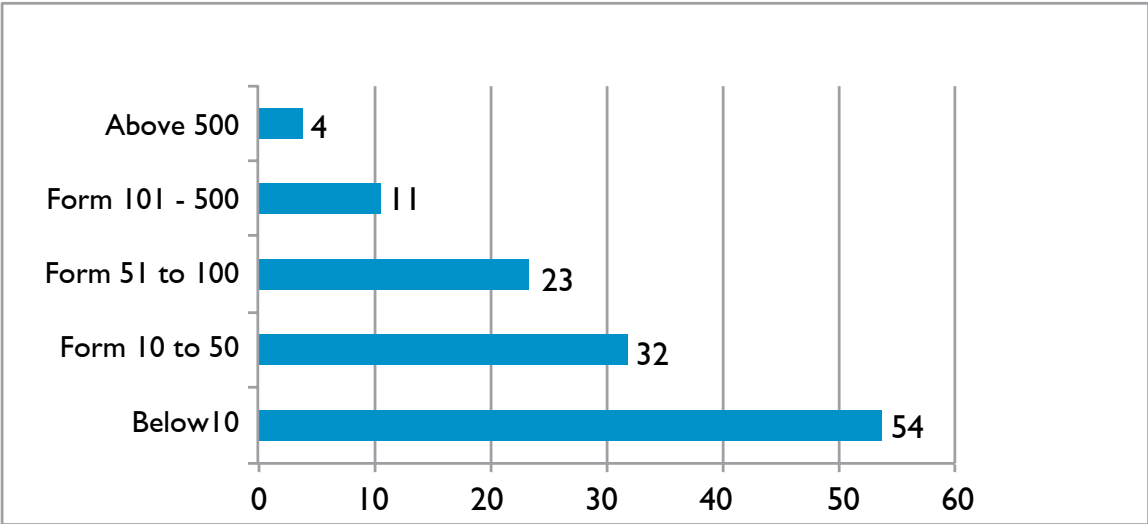


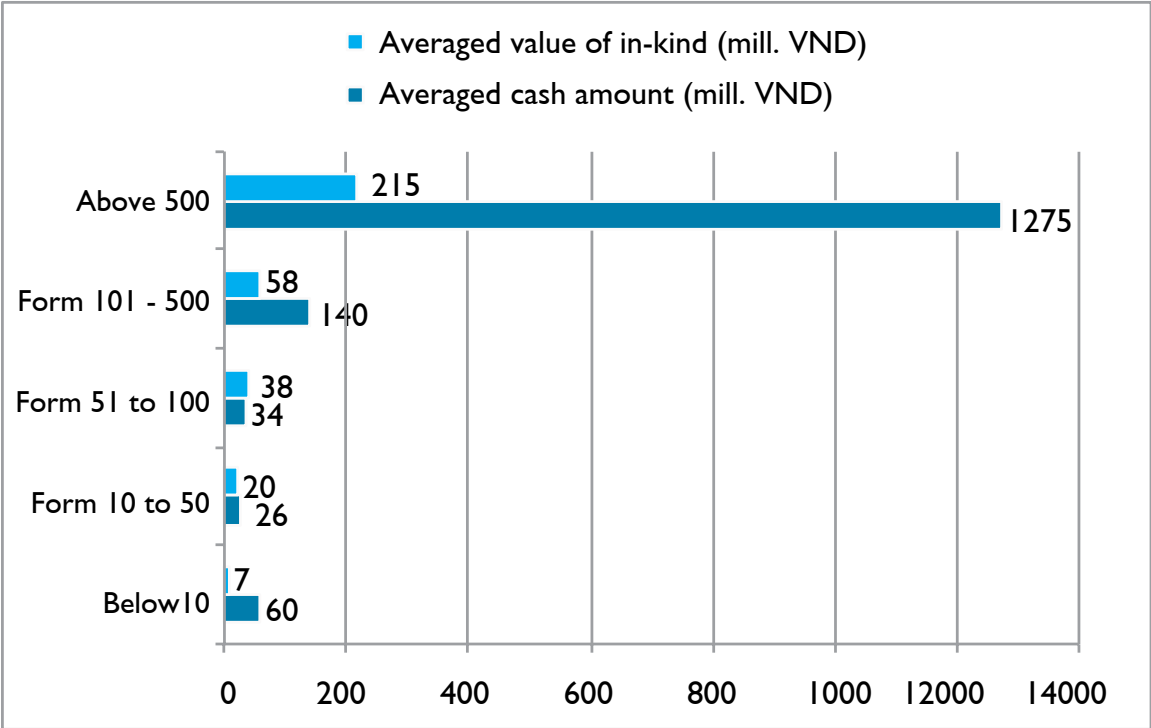
Figure 6: Share of businesses with no giving during last 12 months, according to number of employees (% of businesses)



The size of the business is also clearly a factor driving how much a company gives. As shown in Figure 7, in term of cash donation, companies with fewer than 100 employees contributed between 26 million and 60 million each (although the 60 million VND per firm contribution in the category below 10 staff seems to be an outlier). There is a significant jump to 140 million per firm in the group of companies with 100 – 500 employees. Firms with more than 500 staff give around 1,3 billion VND each, almost ten times the amount of the next largest group.

In terms of in-kind giving, the largest group (above 500 employees) give an average of 215 million VND each, a bit more than 15% of their cash donation, and three times more than the next largest group, which give 58 million VND in-kind each. The group with fewer than 10 staff make in-kind donations of only about 7 millions VND per firm, one third of the next bigger group, and one fifth of the amount of the businesses with 50 – 100 employees.

Figure 7: Averaged value of giving according to number of employees



**Impact of
business
performance
on giving**

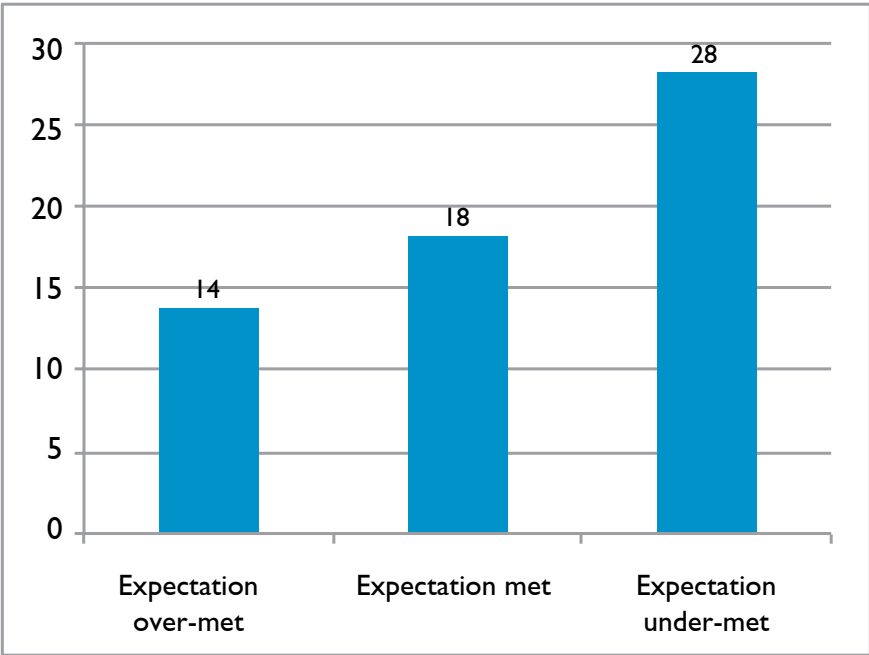
It should be noted that it’s common among firms in Vietnam, especially the larger ones who have a trade union, to mobilize their employees to donate from their individual pocket, or to agree to donate a day’s pay. This is commonly viewed by companies as part of corporate giving, although strictly taken it’s a form of individual donation, where the company only takes the role of coordinating, mobilizing and transferring the employee’s donation toward the intended beneficiaries. It contrasts with employee volunteering programs, where employees can use their time to work for social purposes, while still being on the company’s payroll.

As one might expect, corporate giving depends not only on sector and business size, but also very much on how well a company is doing. Figure 8 shows the share of non-givers across groups with different business performance. Among the group which have not been doing very well (“expectation under-met”), 28% do not give anything, twice the share of the group whose performance exceed expectation. Notably, even among businesses that meet their performance expectations, almost one fifth do not practice giving. While their economic performance is going according to plan, their awareness of the broader social contract as mentioned in Chapter 4 Background, is missing.

Interestingly, there is virtually no difference in the financial volume of contributions between companies that exceeded or failed to reach expectations, perhaps because each group is a mixture of businesses of different sizes, and, as we know above, size is the main driver of the volume of contributions.

The numbers do make a telling comment on the current economic situation. Of businesses participating in the survey, only 11% say they are exceeding performance expectations, 36% say they are meeting expectations, while 53% are failing to meet expectations.

Figure 8: Shares of businesses with no giving, according to business performance (% of businesses)



Areas of corporate giving

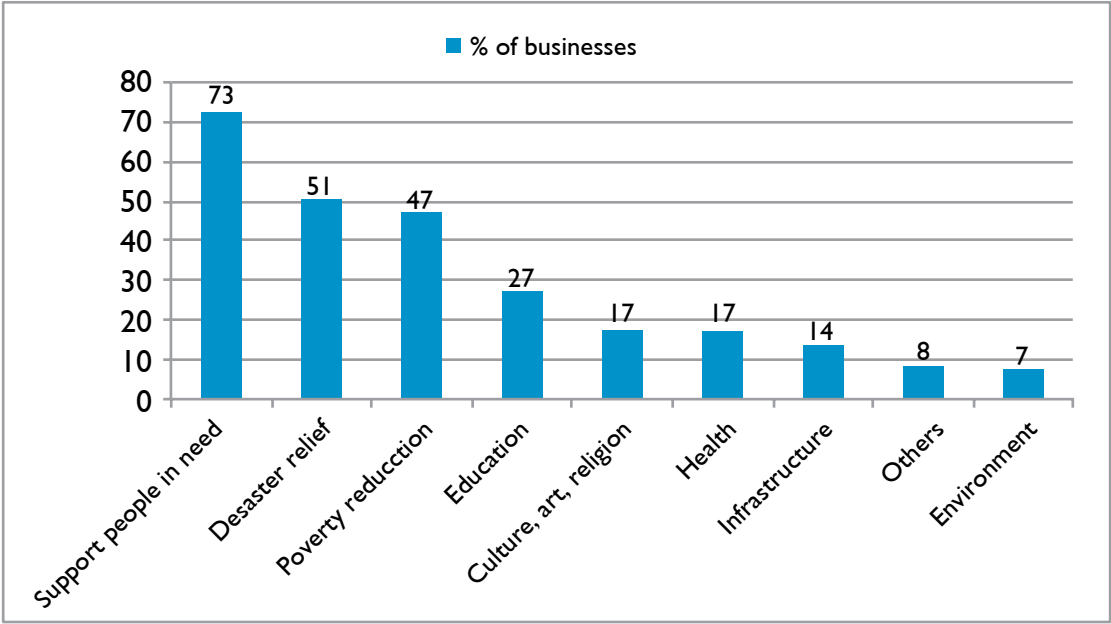
As shown in Figure 9, the top-three areas where businesses are philanthropically active are: (i) Supporting people in need, such as heroic mothers, war veterans or orphanage centers (71% of businesses who gave last year), (ii) Disaster relief (51%) and, (iii) Poverty reduction (47%). All other areas, such as education, art and culture, or health care received much less focus by giving companies.

The findings are very similar to the results of a report by the LIN Center in 2012 on citizen giving. According to LIN, disaster relief, disabled people and poverty are the top reasons to give for individuals, while environment, health care and community development are the least popular ones.¹³

The picture shows that similar to the general population, corporate thinking on what social issues they should address with their giving remains quite narrow, mostly event-based or serving the most immediate economic needs. Organizations working in other areas, such as environment, health, culture, or even education, an area highly regarded by Vietnamese, face a challenge to get businesses’ attention and resources.

13 LIN Center for Community Development. “Philanthropic Attitudes & Sentiments in Vietnam today”. A report by CIMIGO for LIN. Ho Chi Minh City, 2012

Figure 9: Areas of philanthropic activities among giving businesses



**Reasons to
choose areas
of giving**

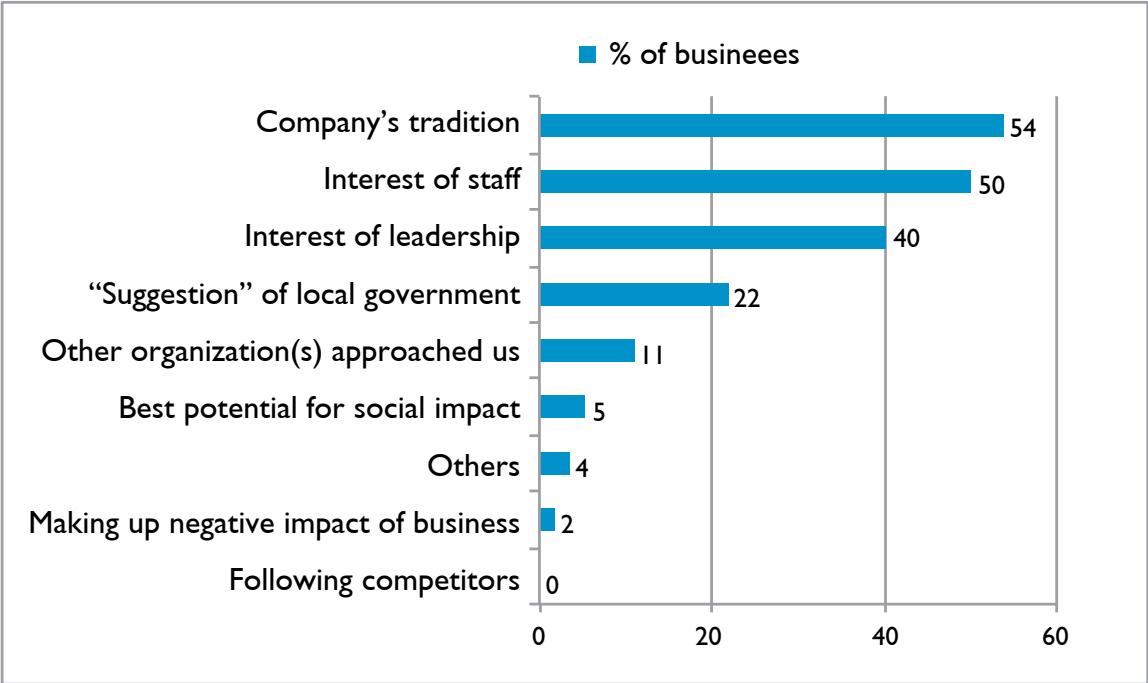
Similar to the situation above, there are clear trends in terms of what motivates businesses to choose the areas for their giving. The three top reasons are all internal: company tradition (mentioned by 54% of respondents), interest of staff (50%) and leadership interest (40%). A much smaller group said they respond to external demand. One fifth of companies identify areas based on the suggestion of local government. Only 11% of them address particular social issues because they are approached by an external organization, which is not the local government (Figure 10). That means that external organizations (e.g. NGOs) either don't approach them or those companies are not convinced when they are approached. Our in-depth interviews tend to suggest the first scenario is more prevalent. Based on the collected evidence, contacts between local NGOs and companies seem to be extremely rare.

On the other hand, it is interesting to note that corporate giving is not obviously used as a tool to serve business goals. No respondent say that they choose to give in a certain area in order to follow competitors, and only 2% say their giving is to make up for a negative impact caused by their business operations. The missing link between philanthropic activities and business goals will be worked out more clearly later in the section.

Only 5% of those who are philanthropically active say that they decide to give based on considerations how to achieve best potential of social impact.

All of the data points to a situation where companies are fairly conservative, mechanistic and not innovative when it comes to philanthropic giving, where few are willing to go the extra mile, e.g. to consider doing something different to that they have done before or how to get the best social outcomes or to pursue collaboration with outside organizations.

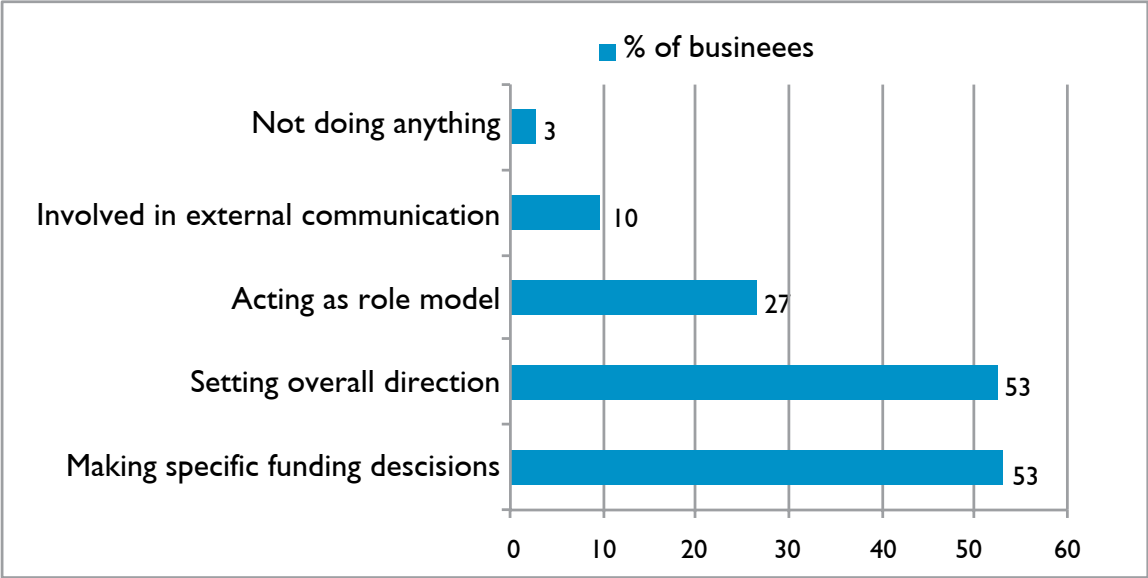
Figure 10: Reasons for businesses to choose areas of giving



Role of leadership

Among businesses that practice giving, leadership seems to play the most important role in setting overall direction and making specific funding decisions (both mentioned by 53%). About one quarter of leaders claim that they give to act as a role model in their company. In only about one tenth of the businesses, leaders were involved in external communication, and acting as the public face of their business in relation to giving (see Figure 11). As illustrated by the in-depth interviews, in most cases leadership has a strong impact on both the volume and nature of giving.

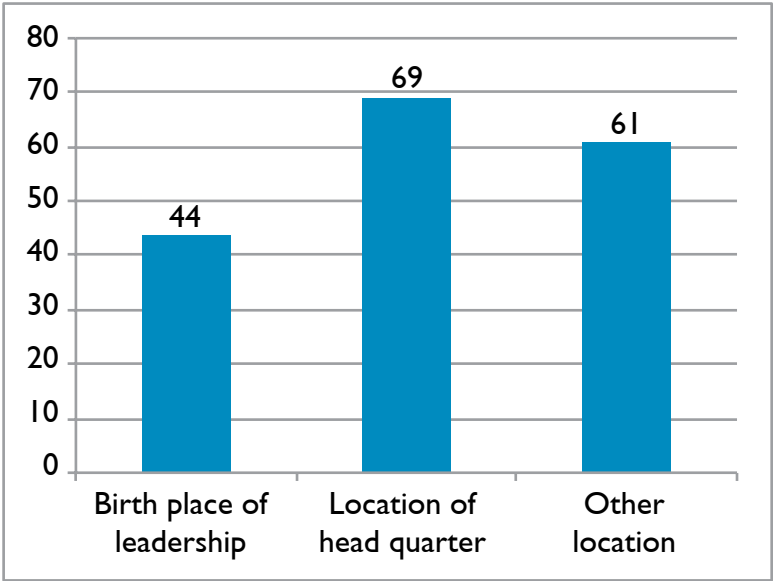
Figure 11: Role of leadership among giving businesses



Geographical target of corporate giving Related to the role of leadership discussed above, the next question is where corporate giving goes to geographically (Figure 12). An overwhelming majority (69%) of businesses gives to the location of their headquarters. This may be driven by two factors: they have more direct information about social needs in their location, and the potential for giving to help foster relationships with the community and local government where they are based. Notably, almost half of businesses direct their giving to the birthplace of their leadership, a typical Vietnamese trait. Still, about 61% of respondents say that their companies also give to locations other than the two above.

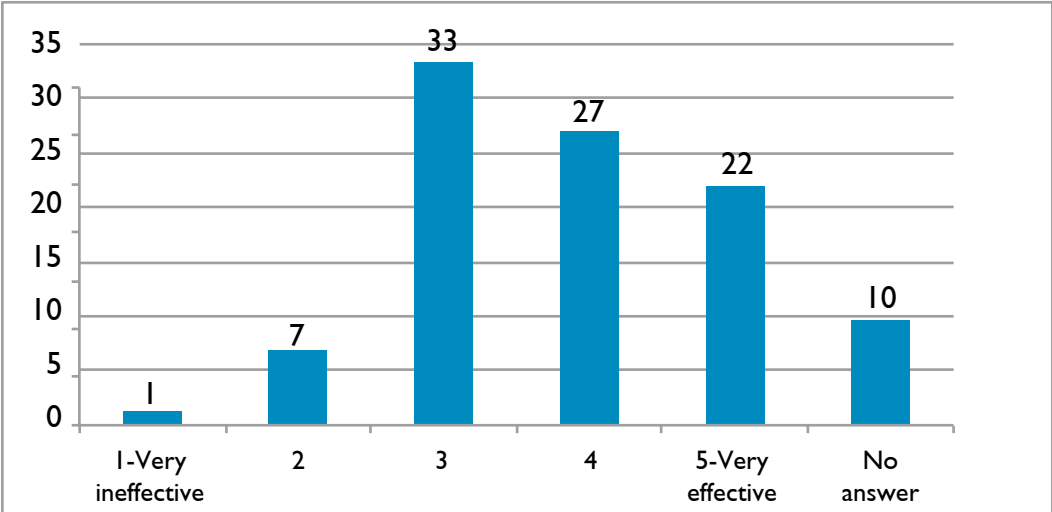
Among the surveyed businesses, about 18% have female leadership. Interestingly, this group is slightly less active in giving. 29% of them do not practice giving, compared to 22% of the group with male leadership. One possible explanation is that companies with female leadership are usually smaller in size, and therefore, as shown above, tend to give less.

Figure 12: Geographical target of corporate giving (% of businesses)



Effectiveness of giving in meeting social goals While the social areas addressed by corporate giving are very narrow as described above, concentrating on supporting people in need, disaster relief, and poverty reduction, businesses seem to be decided on whether their giving achieve their social goals or not. Half of companies believe that their giving is effective or very effective in meeting its social goal (score 4 and 5 out of 5). One third gave the neutral score of 3 out of 5. 10% declined to answer, 8% rated their giving negatively (score 1 and 2) in terms of reaching social purposes (Figure 13). The average score of all businesses is a slightly positive 3.7.

Figure 13: Effectiveness of businesses' giving in meeting social goal (% of businesses)



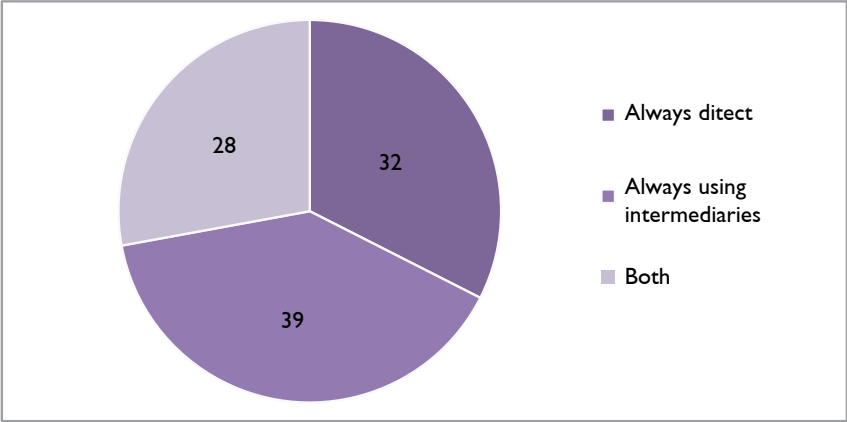
Those businesses that rate the effectiveness of their giving 3 or below were asked to name the reasons. A few are mentioned repeatedly:

- The contribution of the company is too small, so that it could not make an impact. (The difficult economic situation is often mentioned as one reason explaining the small contributions)
- Companies can't give donations directly to the beneficiaries; there are too many intermediaries before the donation reaches the receivers; and donations don't reach the right people
- Lack of information

**Use of inter-
mediaries**

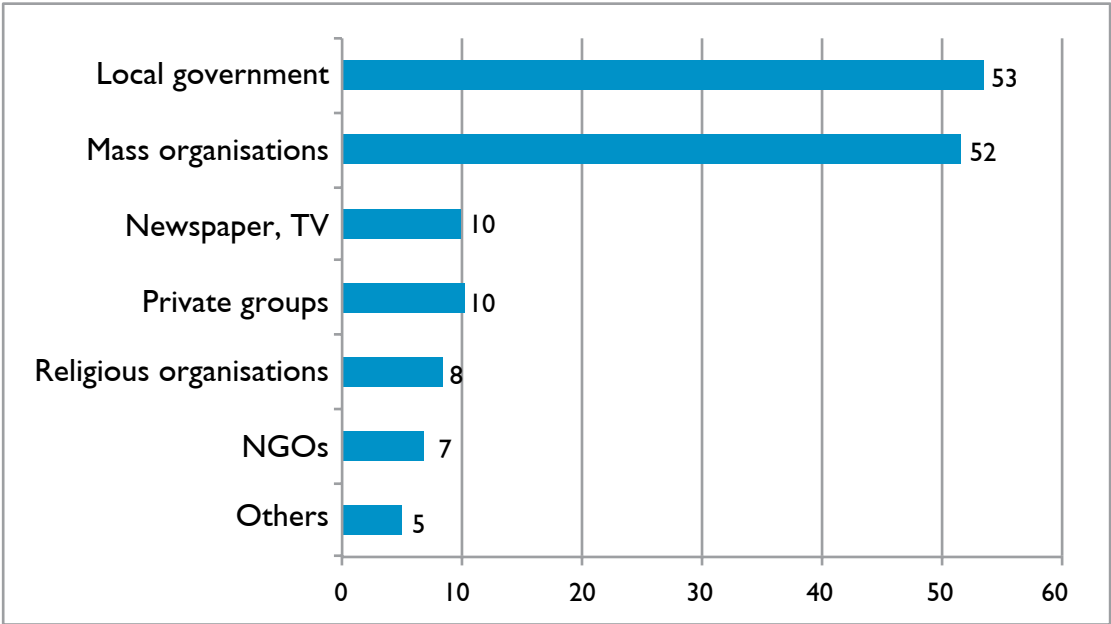
How do businesses choose to make their donation, whether money or in kind, to beneficiaries? As shown in Figure 14, almost one third always transfer their donation directly to the receiver, without involving any third party. In contrast, close to 40% always rely on intermediaries to send their donation to beneficiaries. About 28%, among them most of the big givers, use both methods. About half of this group's donation amount goes via third parties to the receivers. So in general, the picture is fairly balanced; no form of donation transfer dominates.

Figure 14: Channels of donation transfer (% of businesses)



What kind of organizations are involved when businesses transfer their donation via third parties? Figure 15 paints a telling picture. The two absolutely dominant types of organizations are the mass organizations and the local government, each mentioned by over half of the businesses that channel their donation through external parties. Even media and religious organizations, which are commonly associated with being active in charity, are involved by less than 10% of businesses. Only 7% of surveyed companies say that they donate through NGOs, again signaling a weak link between businesses and NGOs.

Figure 15: Types of intermediaries used by businesses (%)



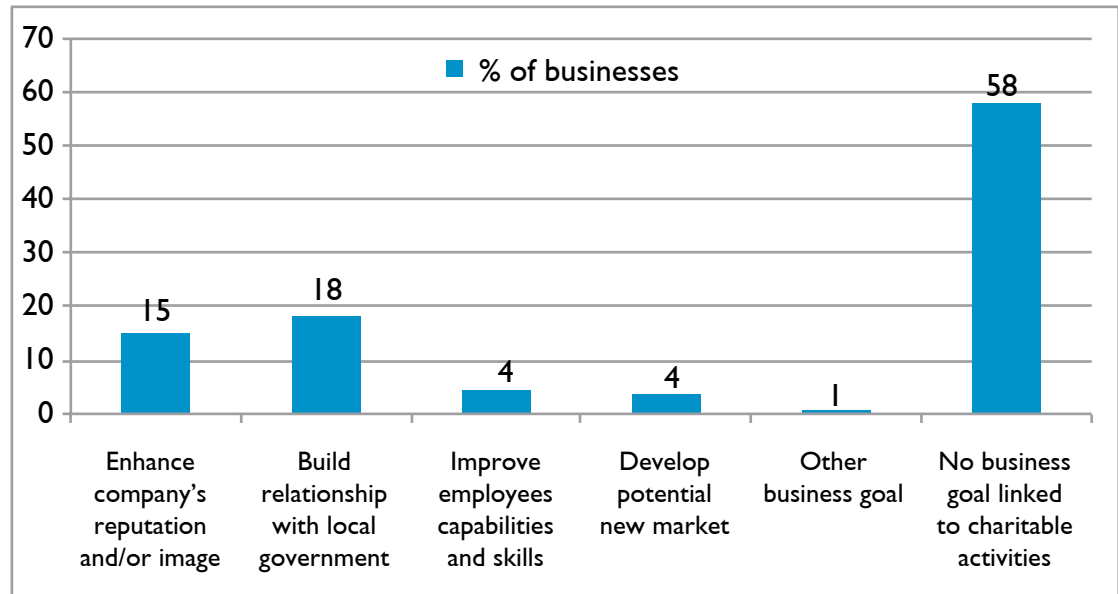
As mentioned above, one of the reasons often mentioned as leading to low efficiency is that donations don’t reach the right people or are not used properly. Nevertheless, businesses, when using intermediaries, still tend to give first to mass organizations and local governments, despite these organizations being the ones that attract most of the complaints about disorganization and inefficient use of donations¹⁴. One potential reason for this is that especially in bigger, current or former state-owned companies, donations often follow charitable campaigns organized by the central trade union or mass organizations. The other reason may be that companies tend to follow convenient donation channels and established contacts, which, again, often lead them to mass organizations and local governments. In this context, in order to compete, NGOs need to make connections and establish themselves as reliable, effective partners, in order to motivate companies to think beyond established modes of giving (see Figure 10 for background).

¹⁴ In one of the most notorious examples, donated clothes arrived at a local Red Cross organization and were then distributed to car workshops for use as cleaning rags, see Vnexpress, 4/10/2010, <http://vnexpress.net/tin-tuc/xa-hoi/quan-ao-cuu-tro-thanh-gie-lau-tai-gara-oto-2179424.html>

Corporate giving and business goals

An important question designed to shed light on the psychology of businesses engaged in corporate giving is besides social goals, what are the business goals companies follow with their philanthropic contributions? Figure 16 shows a striking picture. Close to 60% of responding businesses claim to have no business goal whatsoever linked with their charitable activities. Among the remaining 40%, there are some minor interests in enhancing company reputation and image (mentioned by 15%), and in building relationship with the local government (18%). Other potential business goals, such as improving employee capabilities or developing new markets, are named only by a small minority of respondents (4%).

Figure 16: Business goals linked with charitable giving



Our in-depth interviews with businesses in Ha Noi, Da Nang and Ho Chi Minh City confirm the findings about the approach of Vietnamese businesses presented above. Most companies stress that they don't have any business motivation to go along with their social goals, at times sounding as if linking business purposes with charitable activities was morally problematic and should be avoided. Some seem to feel like they have to apologize, in order to prevent any misunderstanding that might arise, before going on to say that their philanthropic activities are implemented by their marketing department. This resonates with a recent Forbes' article, which reports great difficulties in getting Vietnamese high-net worth business people to reveal their charitable contributions on record.¹⁵

15 "Lần đầu tiên Forbes Vietnam ghi nhận những doanh nhân làm từ thiện trong nước" ("Forbes Vietnam reports for the first time business people doing charity"), Forbes Vietnam, 7/2013

This attitude seems to be in opposition to the thinking of Western businesses. According to management expert Peter Drucker, Western corporate philanthropy is not just defined as charitable deeds, but accords with companies' own profitmaking. In the long-term, it serves companies' own self-interest. Western corporate philanthropy is underpinned by economic rationality and considered as an investment for the future.¹⁶ According to a 2008 McKinsey Report¹⁷, in addition to social goals, the vast majority of US companies - nearly 90 percent - seek business benefits from their philanthropy programs. Most say their business goals include enhancing the corporate reputation or brand. 80% say finding new business opportunities should have at least some role in determining which philanthropic programs to fund, compared with only 14% who say finding new business opportunities should have no weight.

The missing link between corporate philanthropy and business goals among Vietnamese businesses may partly come from a cultural background, where people generally consider that philanthropy should be detached from any self-interest and to be pursued according only to moral principles. A similar attitude can be observed in the Japanese culture.¹⁸ Partly it may be also a defensive response by businesses to negative stories in the media accusing businesses of engaging in charitable activities with the insincere motivation of "polishing their image". A typical example of the type of malpractice that has garnered attention is that of businesses offering a high bid to win a charity auction broadcast on national TV, but then not showing up afterwards to pay up.¹⁹

In this context, it is probably not very surprising that the companies who say they follow some business goals are not very positive about the effectiveness in meeting their business goals. As shown in Figure 17, half of companies decline to answer the question. Another quarter gave the neutral score of 3. Among the rest, those judging their business goals to be met successfully are almost of the same size of those who had a negative perception (13% to 11%).

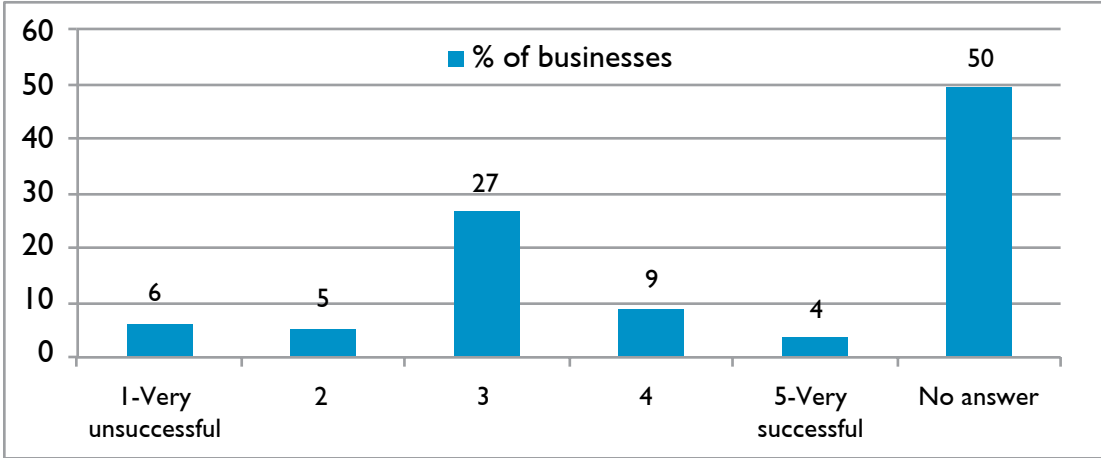
16 See "Corporate Philanthropy and CSR - Based on a comparative study on Japanese and American Corporate Philanthropy", Toshiyuki Aoki, Japan International Institute for Volunteering Research, 2002

17 McKinsey & Company, "The state of corporate philanthropy: A McKinsey Global Survey", *The McKinsey Quarterly*, Jan 2008

18 Aoki, Toshiyuki. "Corporate Philanthropy and CSR - Based on a comparative study on Japanese and American Corporate Philanthropy", Japan International Institute for Volunteering Research, 2002

19 For several infamous cases of this problem, see for example "Những màn đấu giá ảo" / "Faked biddings", website of Tuổi Trẻ newspaper, 8/12/2010, <http://tuoitre.vn/Chinh-tri-Xa-hoi/414834/Nhung-man-dau-gia-ao-Ky-I-Nhung-tro-dua-dau-don.html>

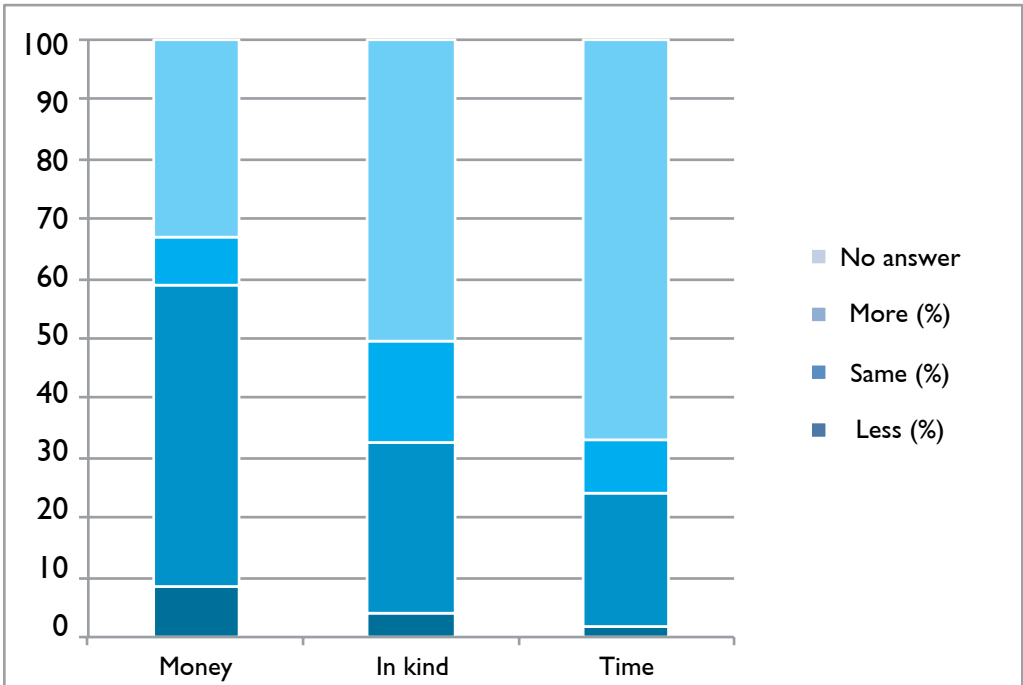
Figure 17: Effectiveness of business goals linked with charitable giving



Outlook for next year

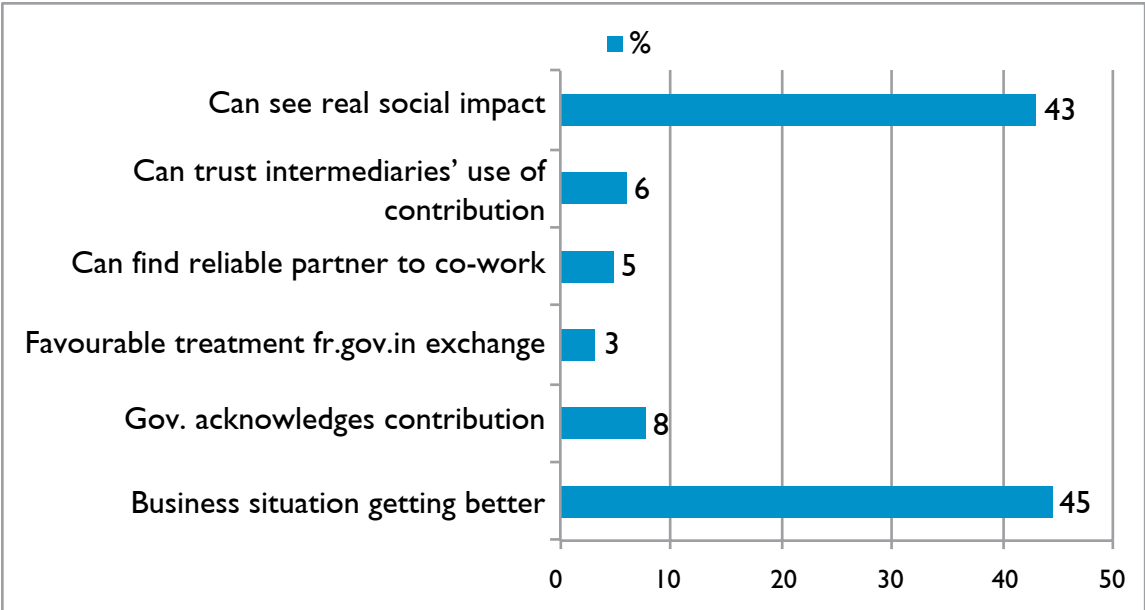
Based on businesses’ own forecasts for their philanthropic activities, the outlook is not very positive. The lack of planning is evident from the fact that when asked about plans for giving next year, a large number of businesses could not give any information. One third of respondents decline to answer about plans for cash donation. This share rises to half when asked about in-kind giving. Two thirds can not give a statement related to donating employee time, reflecting the unpopularity of this form of giving (Figure 18). Among the rest, most intend to give the same amount as they did in the previous 12 months (51% in terms of money, 29% in terms of in kind, and 22% in terms of time). Only between 8% and 17% say they would give more. On the other hand, only a small number of respondents said they plan to give less (9% in terms of money, 4% in terms of in kind, and 2% in terms of time).

Figure 18: Businesses’ intention to give next year



What factors would lead businesses to consider contributing more than last year? Not surprisingly, 45% say that if their business situation improves, they would consider a higher level of giving. A similar number (43%) say that seeing more social impact would motivate them to give more. This is somewhat contradictory as achieving greatest social impact plays a relatively small role when businesses are asked to consider what social areas they donate to (see Figure 10). Factors that may have a positive impact on their business, such as increased acknowledgement from local government, or favorable treatment from the local government, seem to play only a small role, mentioned only by 8% or 3%, respectively. A lack of trustworthy and reliable external partners is not strongly identified as a factor holding back businesses in their giving (Figure 19).

Figure 19: Factors motivating businesses to more giving



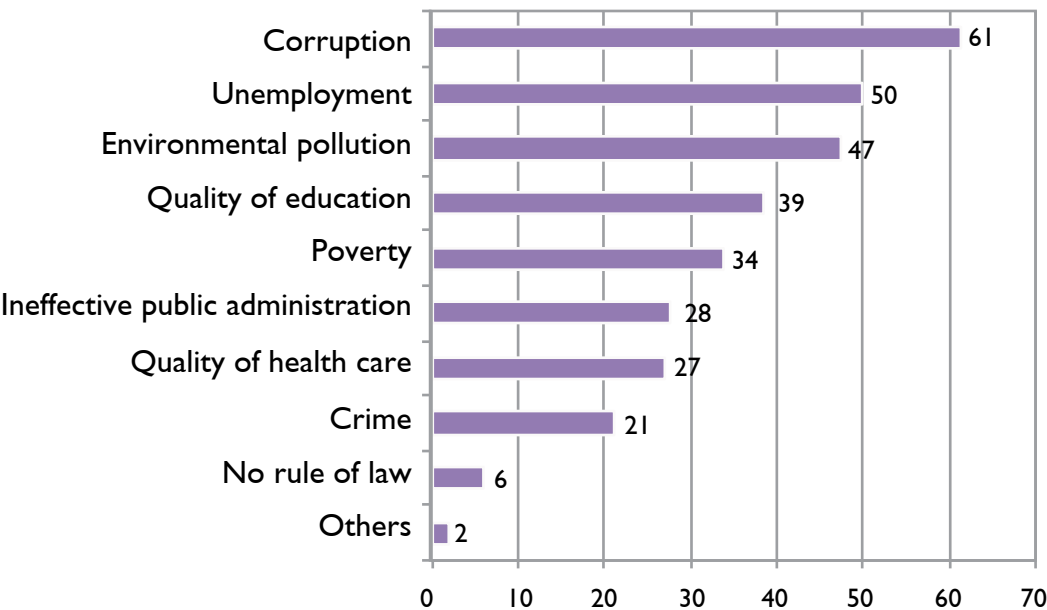
6. Corporate Perceptions of Vietnamese NGOs

The study also seeks to understand the perceptions of the business sector about local non-governmental organizations, framed in the Vietnamese context. Business perception is important, as it is one of the factors influencing their approach and behaviors in supporting and collaborating with NGOs in their philanthropy. NGOs can only start working towards a more in-depth engagement with the private sector if they know how they are viewed and can address common misunderstandings the private sector might have about them.

Corporate view on Vietnam’s most acute issues Before getting to businesses’ perception of Vietnamese NGOs, we want to assess the business community’s view of the key issues facing the country. Figure 20 shows the private sector’s thinking. Most prominent is corruption, seen as the number one problem for 61% of surveyed companies.

Unemployment is in second place, mentioned by 50% of businesses, perhaps reflecting the dark sentiment with increased incidence of business bankruptcy during the economic downturn in the last few years. Surprisingly, 47% identified environmental pollution, a higher awareness than is commonly attributed to the business community. Quality of the education system is a key concern for 39% of companies, significantly more than health care (27%) or crime (21%). Ineffective public administration, something normally assumed to have a great importance for businesses’ operation, worried only 28% of respondents.

Figure 20: Business views on key issues facing Vietnam (% of businesses)



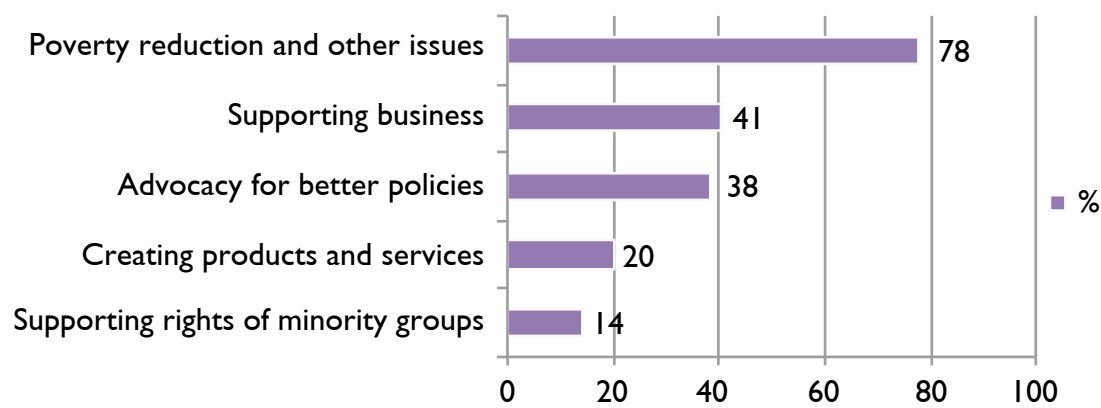
**Issues
VNGOs
should focus
on**

Against this background, it is interesting to analyze what businesses think VNGOs should focus their work on. Respondents are presented with 5 options: (1) Supporting rights of minority groups in society; (2) Creating products and services to serve people; (3) Advocacy for better state policies; (4) Supporting businesses in their operation; and (5) Reducing poverty and other social issues.

As shown in Figure 21, the role assigned by an overwhelming majority of business community (almost 8 out of 10 respondents) to local NGOs is one of service delivery, namely to reduce poverty and other social issues – a traditional role taken by Vietnam’s civil society since the early days of its emergence. However, 38% believed VNGOs should conduct advocacy work. Although this seem to be a high level at the first glance, what it actually says is that for more than 60% of businesses, policy-making should be left entirely to the state.

Over 40% think Vietnamese NGOs should focus on supporting the private sector in their operation. 20% of surveyed businesses want to see local NGOs creating products and services for society, perhaps reflecting a lack of understanding about civil society. In contrast, supporting minority rights, an agenda pursued by many VNGOs, only received a positive response from 14% of businesses.

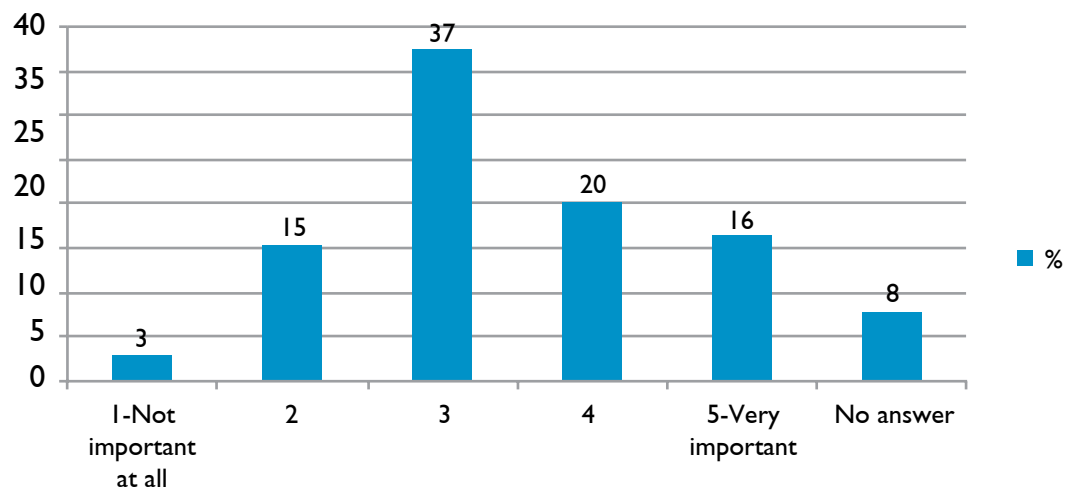
Figure 21: Corporate view on areas VNGOs should focus their work on



**Importance
of VNGOs
for the
country**

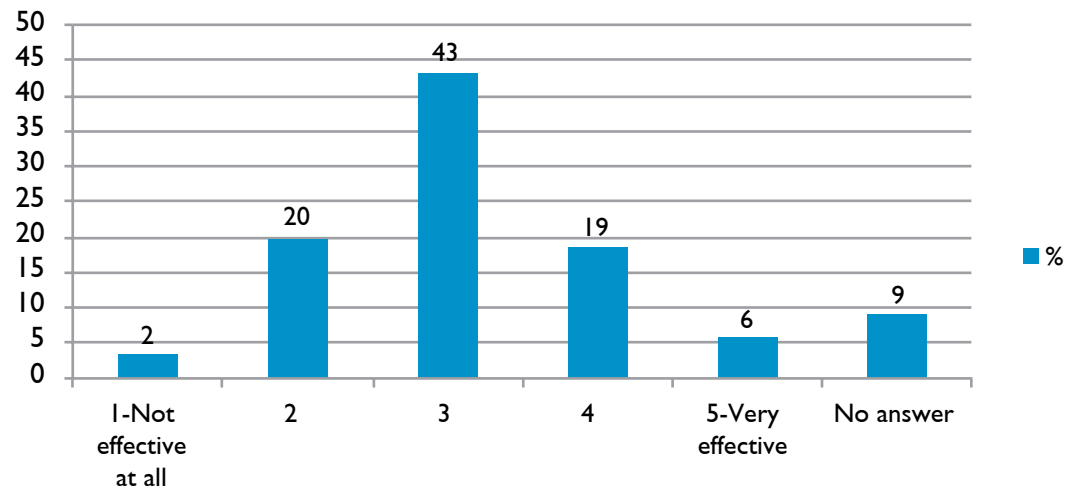
While the role of VNGOs, as seen by the business community, is partly traditional, and partly clouded by self-interest and misunderstanding, the sector’s importance for the country’s development, as perceived by businesses, is also relatively limited. On a scale from 1 (not important at all) to 5 (very important), around one third of asked companies give NGOs a positive score of 4 or 5. 37% assign a neutral score of 3. Almost one out of five businesses say NGOs are not important (score of 1 and 2), quite a significant share. Another 8% decline to answer (see Figure 22).

Figure 22: Importance of the work of VNGOs for the country



Effectiveness of VNGOs’ work The perception of the business community on the effectiveness of VNGO’s work is sobering. As shown in Figure 23, on a scale from 1 (not effective at all) to 5 (very effective), about 43% of respondents had a neutral view (score 3). Only 25% give a positive score of 4 or 5, same size of the ones who believe Vietnamese NGOs are not effective (23%). 9% do not give an answer. The high number of neutral responses perhaps demonstrates the limited understanding of NGOs and their work.

Figure 23: Effectiveness of the work of Vietnamese NGOs

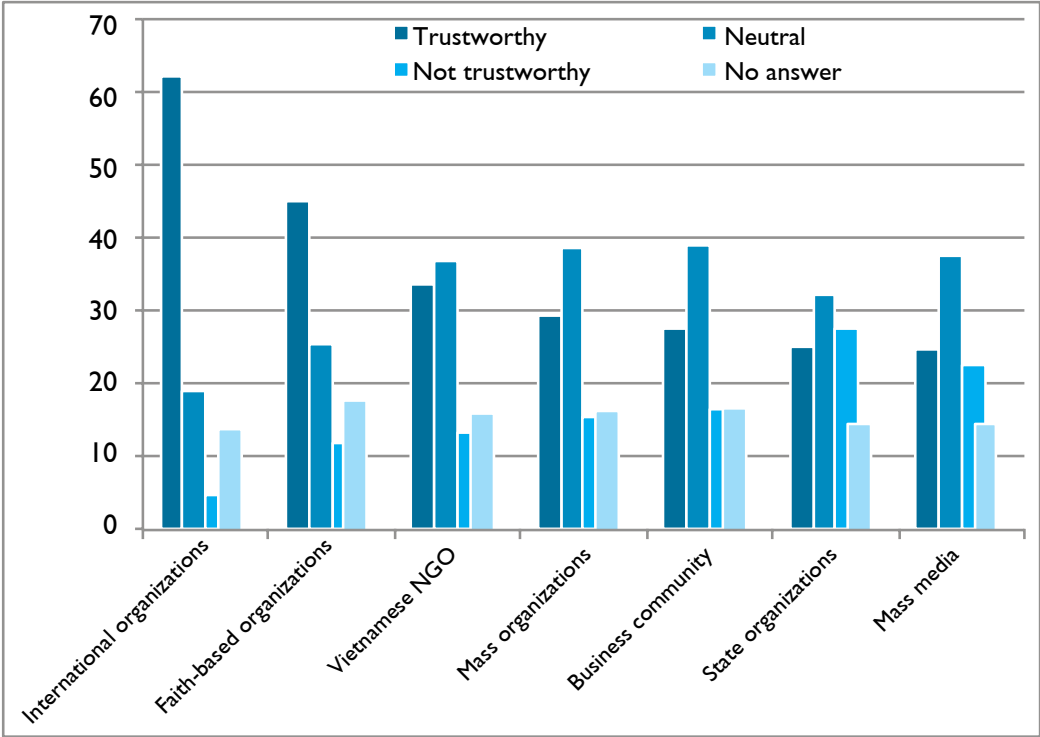


Trust in
VNGOs in
comparison

Interesting results are revealed by the question of business trust in the different types of organizations. On a scale from 1 (not trustworthy at all) to 5 (very trustworthy), international organizations receive the highest rating. For this group, over 60% of businesses give a score of 4 or 5, while less than 5% gave a negative score of 1 or 2. About 20% have a neutral opinion (score of 3), and about 10% decline to answer. Faith based organizations follow with a positive rating of 45%.

Vietnamese NGOs, along with mass organizations, have a middle position. Around 33% view them as trustworthy, while 15% say the opposite, and 17% decline to give an answer. While this is not a very positive view, businesses seem to trust local NGOs more than they trust other businesses, state organizations or the mass media (Figure 24).

Figure 24: Businesses’ trust in VNGOs in comparison (% of businesses)



Perceived attributes of VNGOs

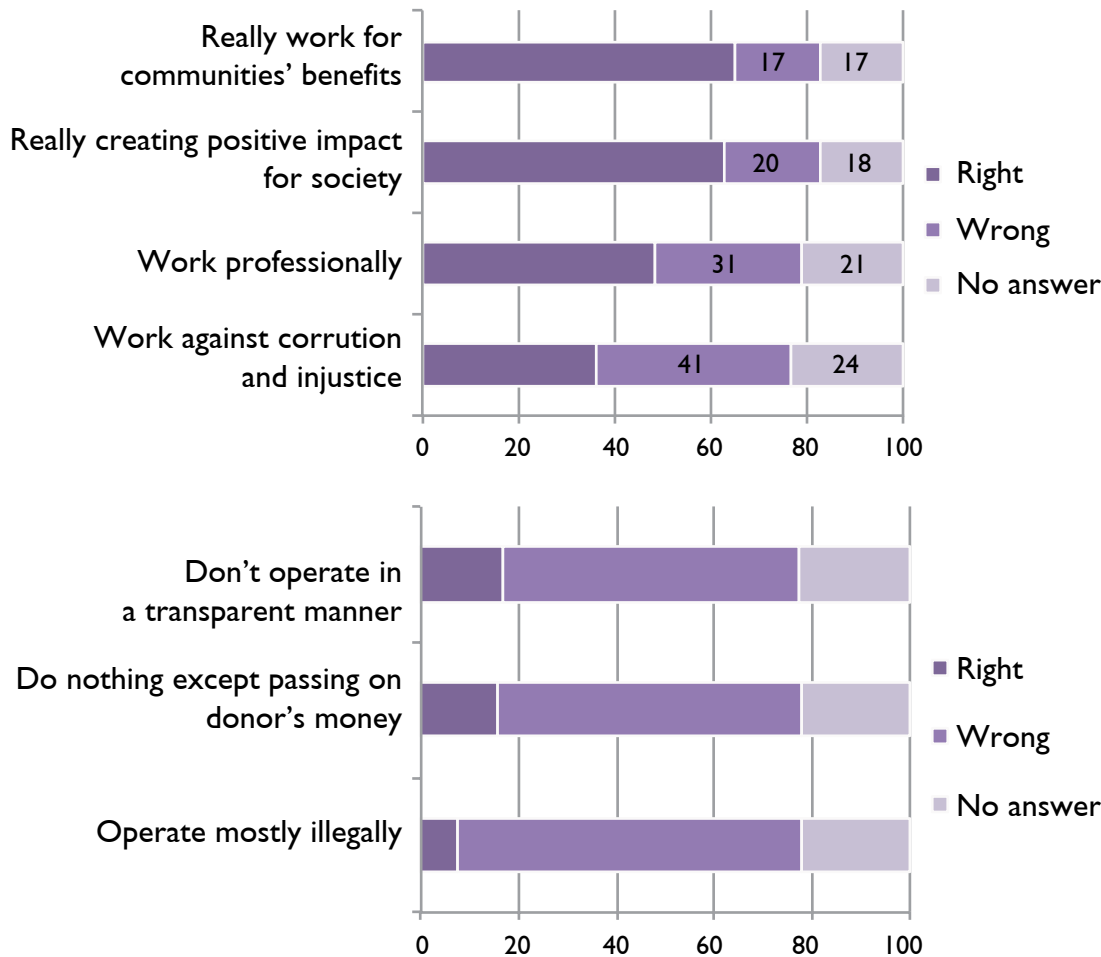
Beside the aspect of general trust, companies are asked to agree or disagree on a number of positive and negative statements about Vietnamese NGOs. The results give local NGOs lots of food for thought (Figure 25).

On the positive statements, only 66%, or about two thirds, agree that NGOs “really work for the community’s benefit”; with other respondents divided between disagreement and declining to answer. 62% believe that NGOs “really create positive impact for the society”, while one fifth disagree with the statement. Less than 50% of businesses agree that NGOs work professionally. Finally, only 38% thought that Vietnamese NGOs work against corruption and injustice.

On the negative statements, only 8% identify NGOs as operating illegally, a relatively small share. However, 16-17% believe that NGOs “don’t operate in a transparent manner” and “do nothing except passing on donor’s money”, with about 22-23% being not sure. 60-63% disagree with those opinions, but there remains a core of negative perceptions for NGOs to deal with.

Figure 25: Perceived attributes of VNGOs

“VNGOs...



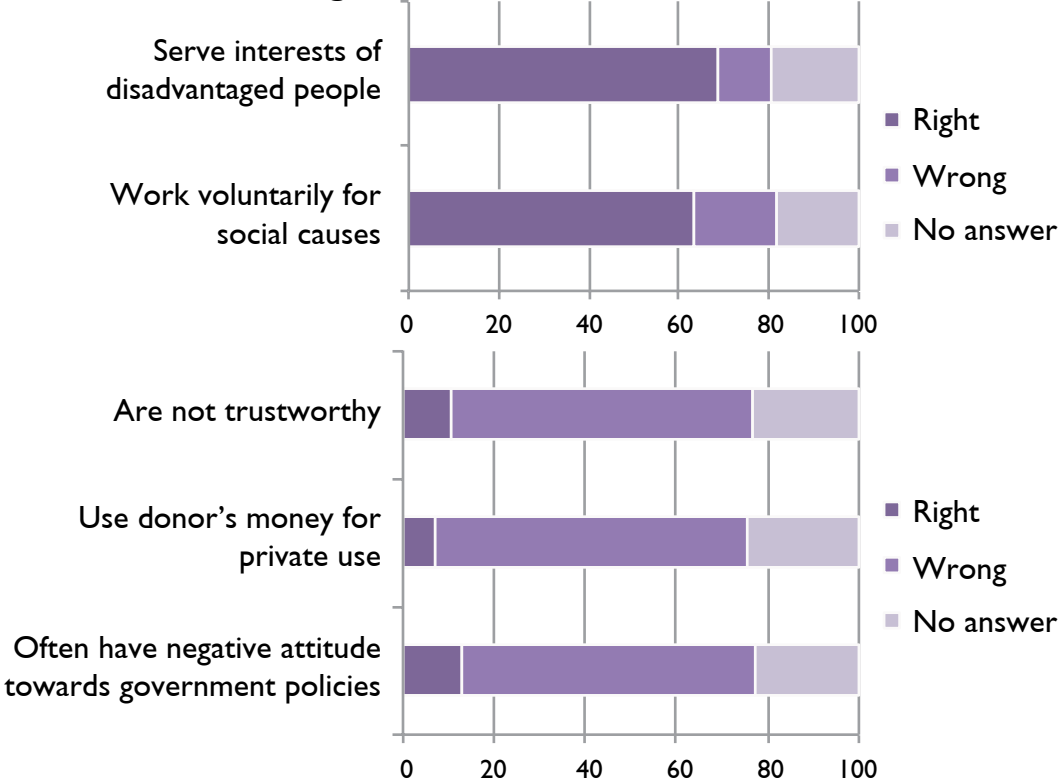
**Perceptions
about
individuals
working in
VNGOs**

How are people working for local NGOs seen by members of the business community? Again, we list some positive, as well as negative statements about these individuals and ask respondents about their agreement or disagreement (Figure 26). The picture is similar to the responses about NGOs as organizations. Almost 70% agree with the statement that NGO staff work to serve the interests of disadvantaged people. 12% disagree and almost one fifth can not tell. This is in line with the popular perception that the role of NGOs is to reduce poverty and other social problems (see Figure 21 above). More problematic, perhaps, is the view that they “work on a voluntarily basis for social causes”, which is shared by almost two third of respondents. Clearly, for the majority, work in NGOs is believed to be of idealistic and voluntary character, and less as a proper, regulated job for which people should be paid. This view may be linked to or even causes the perception that NGOs’ work lacks effectiveness, as seen in Figure 23.

In general, respondents have positive opinions about people working for NGOs, related to both their integrity and political attitude. Only 10% don’t trust people working in NGOs. While a low number (7%) believe NGO workers use donor’s money for private gain, up to 13%, or one in eight, are of the opinion that NGO workers often have a negative attitude towards government policies – a factor which probably partly hinders companies considering working with or supporting NGO. Also, between one fifth and one quarter decline to answer both positive and negative statements, meaning that for a significant group of the business community, NGOs and their people are a black box, an unknown territory.

Figure 26: Perception about individuals working for Vietnamese NGOs

“Most individuals working for Vietnamese NGOs...

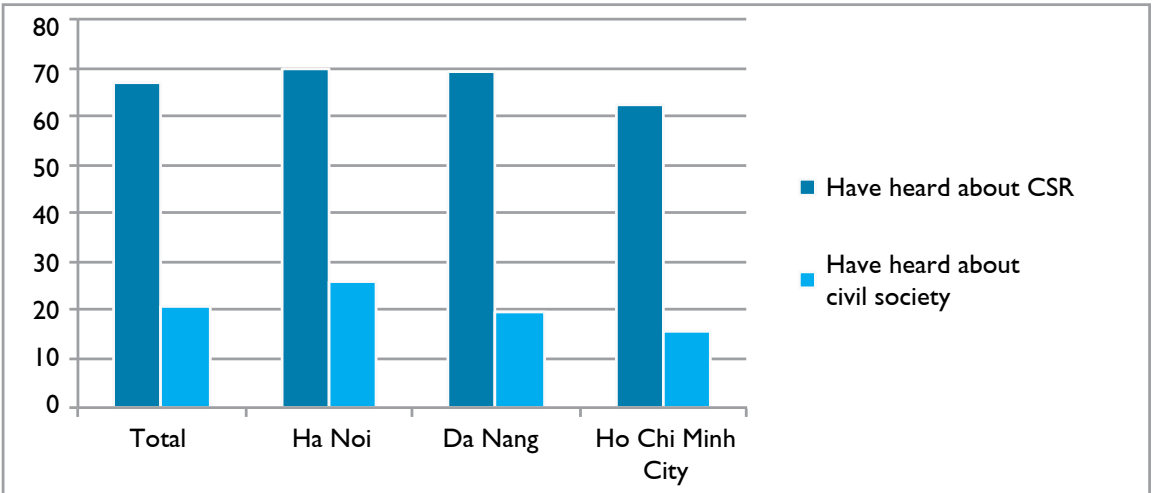


Awareness about civil society and CSR Despite the term “civil society” being increasingly discussed in the media, the survey shows that business awareness of civil society is very limited. Only **one fifth** of surveyed companies say they had heard of the term “civil society”. For the follow-up open-ended question, which asks these respondents to elaborate their understanding, very few are able to give a high-level definition to the effect that civil society is the sector outside of the state and the private sector. Many mistake it to describe a “civilized society”.

In contrast, the discussion on CSR seems to be much more advanced in Vietnam, with two thirds of companies confirming they had heard of the term. The share declining to answer this question is also much smaller: 3% compared to 19% in the previous question. Furthermore, in the follow-up elaboration, significantly more companies correctly mention the business’ responsibility towards community and society alongside their for-profit business goal.

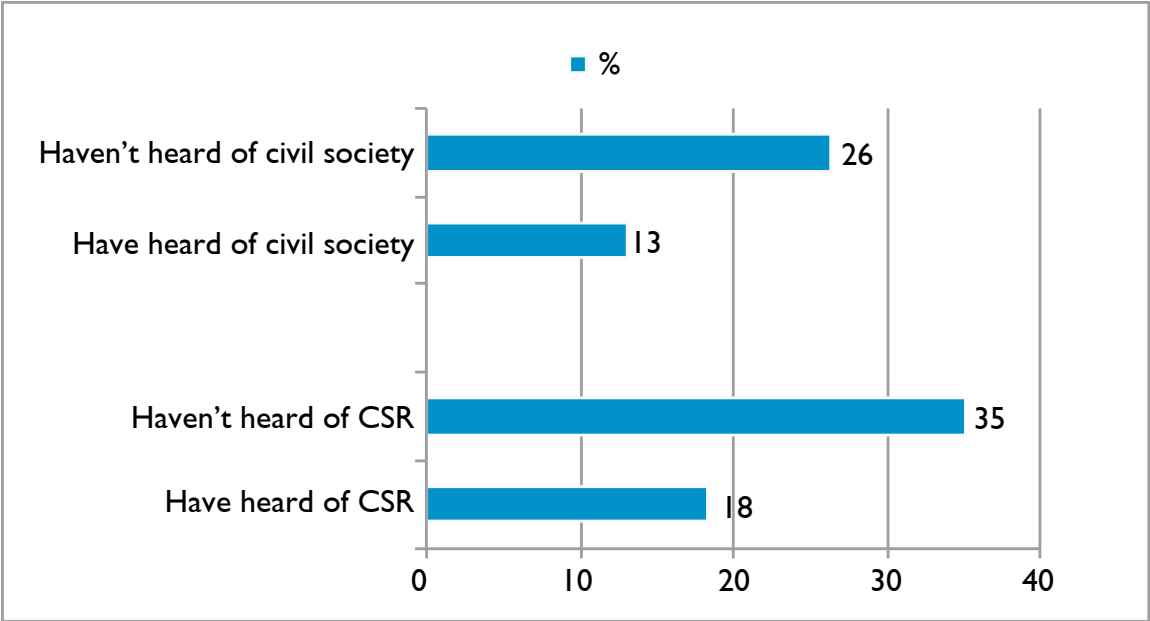
In a geographical breakdown (this is the only place in the study where the cities reveal relevant differences), it seems that companies in Ha Noi have the highest awareness, followed by Da Nang. While the differences in knowledge about CSR are not large, they are quite significant in the case of civil society: 26% in Ha Noi compared to just 16% in Ho Chi Minh City (see Figure 27).

Figure 27: Percentage of companies having heard of civil society and CSR



There seems to be a direct correlation between awareness on the concept of CSR and civil society and business’ willingness to give. As shown in Figure 28, among those who haven’t heard of civil society, 26% did not practice giving over the last 12 months, compared to only 13% in the group of those who have heard of the term. Similarly, among those unfamiliar with the concept of CSR, more than one third do not engage in giving, double the rate of the group with CSR awareness. While more firms in Ha Noi are aware of CSR and civil society, as shown above, in absolute number, the differences are not large, so that in general, there is no difference between levels of giving between Ha Noi firms and firms in Ho Chi Minh City.

Figure 28: Share of businesses not practicing giving, according to awareness

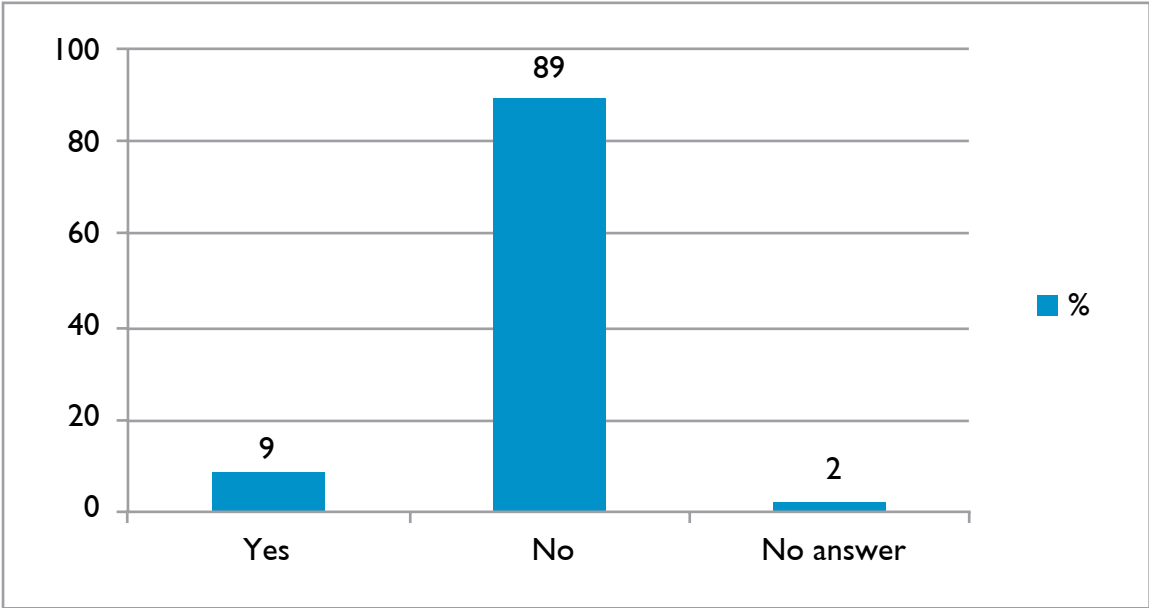


Collaboration with NGOs Another important question is what is the extent of companies' collaboration with Vietnamese NGOs in their philanthropic activities? The data reveal that only a small group of 9% of businesses, or 44 in absolute number, have collaborated with VNGOs in their giving (see Figure 29). Despite the small sample, some cautious findings can be drawn in regard of the characteristics of this group of businesses.

In term of location, half are located in Ha Noi, 15% in Da Nang and the rest in Ho Chi Minh City. In terms of form of business, private companies account for only 5%, the rest are split evenly between limited liability and shareholding companies. Four out of ten companies are partly or fully state-owned. Most operate in industry, manufacturing and service, with a smaller share in construction, with just one company coming from agriculture. They also tend to be larger companies, with 50% having more than 200 employees and only 20% having less than 50 staff. 80% of them have revenue larger than 10 billion VND per year. Overall, they are more active: only 7% of them did not practice giving last year, compared to 20% across the whole sample.

It has to be noted that the types of NGOs businesses say they have worked with are mainly mass organizations such as Women's Union, the Vietnam Fatherland Front, the Trade Union, War Veterans Association, or the Red Cross. Next on the list are business-related organizations, such as Association of Young Entrepreneurs, or VCCI. Only a very small number among these 9% have partnered with NGOs that don't belong to the groups listed above.

Figure 29: Businesses having collaborated with VNGOs in philanthropy (%)



Those businesses who have worked with NGOs seem to have a more positive perception on NGOs than the others: 54% of them think NGOs are trustworthy, compared to the average of 33% across all companies. 52% of them find NGOs to be important for the country, as opposed to 36% among all businesses. This group is also more informed: 32% of them have heard about the term “civil society”, compared to the average of 21% across all businesses.

According to Kourula and Halme²⁰, business-NGO engagement can have different types, from the most simple form, sponsorship, to single issue consultation, to research cooperation, over employee training and common projects, to the most sophisticated form, strategic partnership. Although the quantitative survey did not allow insights into forms of existing partnerships, the in-depth interviews showed that businesses rarely go beyond the most basic level, sponsorship. A typical example here for is Hoa Sen Group, a large Ho Chi Minh City-based metal manufacturer very active in philanthropy. The exception we encountered is FPT, a technology and education company, who engage in various partnerships of different levels of sophistication. Case studies of the two companies are provided below.

20 Kourula, A. and Halme, M. “Types of corporate responsibility and engagement with NGOs: an exploration of business and societal outcomes”. *Corporate Governance*, 8 (4) 2008, pp. 557-570

Case study: Hoa Sen Group

Tôn Hoa Sen is a large sheet metal manufacturer based near Ho Chi Minh City, with 2012 revenue of around 10,000 billion VND and over 3000 employees. The founder and current chairman of the Board is a devout Buddhist and much of the company's philanthropy is based on this context. The company's slogan is "Integrity – Community – Development", and according to the top management, the company reserves 3.5% of its annual profit for philanthropic activities. This amounted to 11 billion VND in 2012. This level of contribution is exceptional in the sector and the company is truly one of the role models in philanthropic dedication.

We feel that the impact of her activities could be even bigger if the company paid more attention to a strategic philanthropic approach. In practice, it practices a mix of different types of philanthropy. On the one side, it has dispersed philanthropy, consisting of ad-hoc activities such as supporting victims of floods, or distributing New Year's gifts to the poor. In fact, in the survey, the company ticked all nine areas of giving mentioned by the questionnaire. In 2013 it brought Nick Vucijic, an Australian disabled motivational speaker, to Vietnam – an event that created country-wide hype and launched the company into national headlines, but was "totally unplanned", according to management.

On the other side, it has peripheral philanthropy, or giving based on external demand, unlinked to core company competencies, ranging from responding to organizations, such as hospitals or funds to support poor patients, etc. or even to individuals who approach them for help, to sponsoring TV games encouraging participants from disadvantaged backgrounds to overcome difficulties²¹.

The activity which comes closest to strategic philanthropy serving mutual interest, are scholarships to students of National University of Ho Chi Minh City, and a research fund for the same university (without binding requirements about the content of the researches conducted), with the intention to attract high quality engineers to the company after they graduate.

It is notable that in its philanthropic activities, Ton Hoa Sen collaborates with a wide range of partners, mostly to co-organize and implement charitable events it funds. It works with the Ho Chi Minh City Police Newspaper to organize sport tournaments for poor kids, with Ho Chi Minh TV for game shows mentioned above, and with the Youth Union, co-sponsoring mass wedding ceremonies. However, the partners are mostly mass organizations, universities, media and other businesses, and it seems that VNGOs are not among them. The company has not been approached by NGOs looking for funding. It has also not actively sought partnership with any NGOs. Its attitude toward NGOs seems to be relatively typical for the sector. According to the top manager interviewed, NGOs should only look to play a supporting role to government work. Youth activities, for example, should be led by the Youth Union.

21 The game is called "Vuot len chinh minh" ("Overcome yourself"), on Ho Chi Minh City's HTV

Case study: FPT

FPT is Vietnam's biggest private company in the domain of information technology and education, with revenue of 1.2 billion USD (2012) and over 15,000 employees. It's one of the main software producers, internet service providers, electronic retailers, and sellers of online advertising in the country. In addition, it has a university, vocational colleges and an upper secondary school, with over 15,000 students, and claims to offer one of the best IT educations in Vietnam.

FPT concentrates its philanthropic activities in the areas where it has its biggest strength and business interests: technology and education. In this sense, the company focuses mainly on strategic philanthropy, which has the greatest potential for sustainability and social impact. Below are some of its activities:

Together with the Ministry of Education and Training and Samsung, FPT University runs Vi-Olympic (www.violympic.vn), an online platform for math competition for school pupils across the country, aiming at increasing student's interest and skills in math. The platform has attracted over 10 million primary and secondary students, with up to 200,000 visits per day. For this initiative, FPT university donates 2-3 billion VND per year. Every year about 100 scholarships of 300 million VND each and 10 Ph.D. scholarships of 200 million VND each are given to students of FPT University and FPT Academy of Business Administration, both institutions aiming at providing FPT with a high quality work force. Another long-term initiative is the Center for Support of Young Talents, which for over 10 years has been supporting 30-40 talented students across the country in their personal development annually.

The company also created the social media network "For Community", for volunteers to network, communicate and organize their projects²². Currently the platform hosts over 900 projects from more than 500 groups with over 50,000 volunteers across the country. FPT is also the only company we talked to who stresses their effort to maximize the efficiency of their philanthropic contributions: e.g. by sourcing products locally to save transportation cost, by asking local hotels to provide them free lodging when distributing donations to victims of disaster, or by having appropriate accounting and procurement practices to avoid misuse and improve transparency. Philanthropy is considered to be a serious business: based on the philanthropic strategy defined by the leadership, the implementing department has to work out and defend their "business plan" in front of the top management, like any other business unit.

The company also engages in close and diverse partnerships with NGOs beyond mass organizations. WWF posters can be seen in the head quarter building. Rather than via mass organizations or mass media, the company works with local NGO and informal groups, such as the Association of Friends of Quang Binh province²³ when giving donations for disaster relief. It collaborates with NGOs such as Live&Learn in organizing discussions and training for their staff, consulting NGOs such as Pan Nature, CSIP, etc. when appraising funding applications. These partnerships go beyond the simple forms of donations or sponsoring NGOs.

²² See www.vicongdong.vn for more details

²³ The association's forum is <http://forum.quangbinhonline.com>

In general FPT views civil society as being very important for society. On the other hand, it perceives VNGOs as still requiring further development to become as professional and trustworthy as international NGOs. FPT feel that VNGOs are focused on donors and could do more to approach the private sector, citing INGOs such as Room for Read and Operation Smile as non-profit initiatives that successfully finance themselves mostly through business' contribution. Another issue is that partnership with a VNGO is usually less attractive for companies looking to advance their image and reputation.

7. Conclusions

Among the more than 500 companies involved in the study, about three quarters engaged in giving over the last year, reporting cash donations of a total of 113 billion VND, together with in-kind contributions of 14 billion VND, as well as donating 19,500 hours of employee's working hours. These are not insignificant sums but there remains great potential to develop corporate philanthropy in Vietnam.

Our research identifies clear trends in business giving. The bigger the business, the higher the chance it will practice giving, and, not surprisingly, the higher the value of contributions. Cash is the most popular form of giving with few companies practicing employee volunteering. Business performance is an influencing factor on giving. However, while companies state that their performance next year would affect the amount they give, other factors such as business size had a much stronger influence on their actual giving. Awareness of definitions and debates around CSR and civil society makes a difference. Those that are familiar with the terms are more likely to give.

Overall there are no clear and notable differences in volumes and behavior of giving between businesses in different regions, except in the awareness about CSR and civil society, where Ha Noi firms have more knowledge than the rest. Although those with awareness tend to be more active, because their number is small in total, this doesn't translate into a more active business sector in Ha Noi.

The study identifies some key differences between corporate philanthropic theory and behavior in developed countries and Vietnam. In the West, corporate philanthropy is often seen as an activity to advance company's legitimacy and to bolster a firm's reputational capital, which in turn serves as a form of insurance. Firms whose activities may produce negative social impacts, such as environmental impact, use philanthropic contributions to strengthen their legitimacy and creating trust.²⁴ In Vietnam, however, only 15% of firms admit to conducting philanthropy to enhance the company's reputation and image, contrasting with 58% following no business goal at all. Firms do not give to the issues they regard as being the most pressing for the country and, generally, do not make use of corporate volunteering approaches. The lack of linkage between philanthropic giving and business goals is a core challenge for the future development of philanthropic giving in Vietnam. Because giving is not seen as part of doing business, there is a profound lack of strategic philanthropy. Without the establishment of that link to long run business benefits it is unlikely companies will feel motivated to think strategically about their philanthropic activities.

The lack of strategic thinking about philanthropy is connected to the form of philanthropy practiced by local companies. A small number of companies follow peripheral philanthropy, responding mainly to external needs, seeking to improve the company's reputation. However, as these activities are not linked to the firm's core competencies, activities can be superficial and not sustainable. Most follow a form of dispersed philanthropy, ad-hoc,

24 Chen, J.C., Patten, D.M. and Roberts, R. (2008). *Corporate charitable contributions: a corporate social performance or legitimacy strategy?* *Journal of Business Ethics*, 82, pp. 131–144.

event based, lacking strategic assessment to align giving strategies to the companies' core competencies. Most companies conduct philanthropic activities in a piecemeal fashion, not measuring or evaluating the return of their contributions. There seems to be little interest to maximize social impact: only 5% of businesses choose to give based on achieving "best potential for social impact". These initiatives therefore run the risk of failing to deliver for their target beneficiaries.

Only in rare exceptions do Vietnamese companies implement strategic philanthropy, the most effective approach in creating long-term, sustainable social benefits while improving corporate reputation and enhancing staff motivation. For the volume and the quality of corporate giving in Vietnam to improve businesses will need to gain a greater understanding and appreciation of the value of CSR and corporate philanthropy to their businesses. This includes thinking more strategically about their philanthropic activities, aligning philanthropic contributions with their core competencies and seeking to target the giving effectively while reaping benefits in the long run. For most, pursuing strategic philanthropy would require a step change in professionalism, in selecting grantees and activities, evaluation standards and measuring output²⁵. This would require many businesses to stretch themselves, reaching beyond their traditional giving practices to think more broadly about the issues they want to address. Pushing these agendas is made even more challenging by the recent publicity and negative public reaction to malpractice around corporate philanthropy such as fake bidding in charity auctions.

NGOs have the potential to play an important role in achieving this shift. Moving from ad hoc, event based philanthropy to strategic philanthropy is a challenging process. An external partner may help businesses to envision, plan, exercise and evaluate their strategic philanthropic initiatives. Currently there is very limited engagement between VNGOs and businesses. Only 9% of businesses in the survey had collaborated with VNGOs in their giving, and those were mostly mass or business related organizations.

However, in addition to a general lack of engagement by Vietnamese businesses in strategic philanthropy several other challenges lie in the way of effective cooperation with Vietnamese NGOs. First, there is limited understanding of what an NGO is and what it should do, with many businesses demonstrating a lack of even basic understanding of the difference between an NGO and a business. Where businesses have a sharper understanding of NGOs their perceptions of VNGO roles tend to be both traditional and narrow. Most companies consider that VNGOs should focus on addressing immediate needs rather than addressing more complex societal issues. Secondly, there appears to be a trust issue. Only one third of businesses state that they think VNGOs to be trustworthy or very trustworthy, a much lower percentage compared to international or faith based organizations. Lastly, a substantial proportion of businesses do not regard VNGOs as being effective and professional organizations. Almost 40% don't agree with the statement that VNGOs "really create positive impact for the society" and over 50% don't think that NGOs "work professionally". Additionally, over 60% think that NGO staff work voluntarily for social causes, a view that probably contributes to the thinking that giving should not be used to fund NGOs' operation.

25 Saiia, D. H., A. B. Carroll and A. K. Buchholtz. "Philanthropy as Strategy: When Corporate Charity Begins at Home." *Business and Society* 42, 169–201, 2003

Private initiatives have raised large amounts of money for good causes. While larger businesses give more and are therefore more likely targets for engagement, other modes of mobilizing funds have taken advantage of technology such as social media to mobilize giving by large numbers of smaller companies at a low cost. Over the last 2 years, the “Rice with meat”²⁶ initiative raised 10 billion VND, including contributions from many businesses, an amount equal to the annual volume of FPT’s giving.

Fundraising from the private sector for NGOs in Vietnam is challenging, with significant barriers to overcome. NGOs have substantial ground to make up to persuade the business community of the legitimacy of their causes and of the effectiveness of their work. However, there is significant potential for effective cooperation between Vietnamese NGOs and businesses. It will be through individual NGO-business engagement, improved understanding of each other’s thinking and the development of appropriate partnership arrangements that a local funding base will be built for the mutual benefit of Vietnamese NGOs and businesses. We hope that some of the information in our research will support Vietnamese NGOs to tailor their engagement with businesses more effectively.

26 “Cơm có thịt” in Vietnamese. This private initiative is well known and convincing for its transparency and efficiency. See its website for more info: <http://trandangtuan.com/>

8. Methodology

The quantitative part of the survey was carried out using the mail-out approach. While this approach is expected to have a lower response rate than the face-to-face interview, we believe that it leads to a higher quality of the answers. The main reason is that the surveyed domain requires businesses to usually collect information from their different departments in order to answer the questions – the mail-out approach would allow them to have the lead time to do that.

Due to funding limitation, the team decided to survey only the three biggest cities: Ha Noi, Da Nang and Ho Chi Minh City - the three provinces with the highest concentration of businesses in the country. Respondents were drawn using the firm lists of the General Department of Taxation, which is the most comprehensive list of companies available in Vietnam. The questionnaires were sent to approximately 2,500 companies, resulting in 516 responses, or a responses rate of about 20%. This response rate is fairly typical for surveys of firms.

To reflect the different size of the sector in the three cities, the sampling is split into about 100 observations in Da Nang, and about 200 in Ha Noi and Ho Chi Minh City each. Furthermore, the team also targeted a breakdown of respondents in each city to reflect the composition of business areas (including Industry / Manufacturing, Construction, Services / Trade, and Agriculture / Forestry / Aquaculture.) Within the pool of firms in a business area, questionnaires were sent out to companies on a random basis. See table below for the composition of the actual sampling, breakdown for each of the cities.

Table 1: Composition of the sampling

City	Areas of business	Structure	No of respondents	Response rate
Da Nang	Industry / Manufacturing	18.5%	108	21.60%
	Construction	19.4%		
	Services / Trade	47.2%		
	Agriculture / Forestry / Aquaculture	2.8%		
	Others	12.0%		
Ha Noi	Industry / Manufacturing	32.4%	204	20.40%
	Construction	17.2%		
	Services / Trade	39.2%		
	Agriculture / Forestry / Aquaculture	1.5%		
	Others	9.8%		
Ho Chi Minh City	Industry / Manufacturing	33.3%	204	20.40%
	Construction	15.2%		
	Services / Trade	42.6%		
	Agriculture / Forestry / Aquaculture	1.5%		
	Others	7.4%		
Total			516	20.64%

In addition to the mail-out survey, the team conducted a dozen in-depth interviews with companies in Ha Noi, Da Nang and Ho Chi Minh City to obtain nuances on the matters of interest. The interviewed companies were of different sizes, business domains, and level of charitable activities. In fact, some of the information from the in-depth interviews were among the project's most interesting.

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Giang Dang and Pham Minh Tri

HANOI, AUGUST 2013





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