

Multinational Enterprises, Corporate Social Responsibility, and Regional Institutional Change in Vietnam

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List of abbreviations and acronyms

AHK	Außenhandelskammer (German Chambers of Commerce)
ASEAN	Association of Southeast Asian Nations
ATT	Average Treatment effect on the Treated
CIEM	Central Institute of Economic Management
CSR	Corporate Social Responsibility
CSR—RIU	Corporate Social Responsibility – Regional Industrial Upgrading
DAAD	Deutscher Akademischer Austauschdienst (German Academic Exchange Service)
DAV	Diplomatic Academy of Vietnam
DFG	Deutsche Forschungsgemeinschaft (German Research Foundation)
e.g.	for example (exempli gratia)
EPV	events per predictive variable
FDI	Foreign Direct Investment
GDVT	General Department of Vocational Training
GIZ / GTZ	Gesellschaft für internationale / technische Zusammenarbeit
GSO	General Statistics Office
HCMC	Ho Chi Minh City
JICA	Japan International Cooperation Agency
IB	International Business
ICC	Intra-class correlation coefficient
ISO	International Standard Organization
IV	Instrumental variable
Local firms	private domestic firms / private Vietnamese firms
MNE	Multinational Enterprise
MOET	Ministry of Education and Training
MoLISA	Ministry of Labour, Invalids and Social Affairs
NGO	Non-governmental Organizations
NIE	New Institutional Economics
OECD	Organization for Economic Cooperation and Development
OFJ	Off-the-job (training)
OTJ	On-the-job (training)

PCI	Provincial Competitiveness Index
PEO	Public educational organizations
PhD	Doctor of Philosophy / philosophiae doctor
PR	Policy Recommendation
PSM	Propensity Score Matching
pwc	pricewaterhousecoopers
RIUS	Regional industrial upgrading system
RQ	Research Question
RRD	Red River Delta
R&D	Research and development
SFS	Skill formation system
SME	small- and medium-sized enterprises
SOE	State-owned enterprise
STCs	Short-term courses
TCS	Technology and Competitiveness Survey
TFP	Total Factor Productivity
TTIP	Transatlantic Trade and Investment Partnership
TVET	Technical vocational education and training
UoC	University of Copenhagen
USAID	United States Agency for International Development
USD	United States Dollar
UIL	University-Industry Linkages
U.N.	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
UVIL	University-Vocational-College-Industry Linkages
VCCI	Vietnamese Chambers of Commerce and Industry
VIF	Variance Inflation Factors
WTO	World Trade Organization

1. Introduction

1.1 Multinational enterprises in a globalized world – a brief overview

Multinational enterprises¹ (MNEs) are among the key drivers of globalization. According to UNCTAD (2009: 17), in 2009 there were around 82,000 MNEs with 810,000 affiliates. Although rising nationalism and protectionism have thwarted the establishment of new free trade agreements such as the Transatlantic Trade and Investment Partnership (TTIP), causing a decline in global foreign direct investments (FDI) flows by two percent to \$1.75 trillion in 2016 (UNCTAD 2017: 2), MNEs remain powerful global players in the world economy. For instance, global FDI stocks made up almost 30 percent of the world's gross domestic product in 2011 (SUBRAMANIAN & KESSLER 2013: 40), and approximately two thirds of the world's exports are generated by MNEs (DICKEN 2015: 20).

Whereas most FDI flows have been concentrated in North America, Europe and Japan for a long time, the spatial distribution has begun to change in the last twenty years. For the first time, more than half of world's FDI inflows were in the global South² in 2010 (UNCTAD 2011: 3). Recently, there has been an increase in South-South trade flows (e.g. GOLD et al. 2017), and emerging MNEs from the global South are increasingly investing in Europe and the USA (e.g. CRESCENZI et al. 2016).

However, most FDI flows still go to the global South, and approximately 60 percent of them went to Asia in 2011 (NARULA 2012: 63). In particular, Southeast and East Asian economies, such as China, Korea, Singapore and Thailand, have experienced high gross domestic product growth rates and increased exports as a result of large-scale investments by MNEs (BENDE-NABENDE et al. 2001; HSIAO & HSIAO 2006; SJÖHOLM 2013). Another impressive example is the case of Vietnam which has experienced the second highest economic growth rates after China, leading to a decline in poverty rates and an increase in living conditions, because of its introduction of economic reforms that aim at increasing its integration into the global economy through trade, FDI inflows, and the legalization of private firms (REVILLA DIEZ 2016).

¹ A MNE is defined as 'an enterprise that engages in FDI and owns or, in some way, controls value-added activities in more than one country' (DUNNING & LUNDAN 2008: 3). FDI's deviate from other forms of foreign investments in two ways (DUNNING & LUNDAN 2008: 7). First, they include the transfer of financial capital plus further assets, including technology, knowledge, institutional and cultural elements and management and organizational expertise. Secondly, an FDI does not lead to ownership changes, which means that the investing firm still possesses the power to control decision-making activities in overseas subsidiaries.

² The term global South is becoming more popular among researchers and politicians in recent years (WOLVERS et al. 2015) because it empowers decision-makers, economic actors, researchers and local people from countries which are usually classified as 'Developing Countries' or 'Third World' (DUCK 2015; MENDEZ 2015). Therefore, 'developing countries' and 'emerging economies' are subsumed in the term global South and 'industrialized countries' as global North, following the example of a recent dissertation project in economic geography (SOHNS 2017).

Although MNEs have indeed helped Asian countries climb out of poverty, critics of globalization, such as international non-governmental organizations (NGOs), labor unions, public media and customers are increasingly concerned about the negative impacts of MNEs on the global South across all three sustainability³ dimensions. Numerous examples show that MNEs ignore poor working conditions and environmental pollution throughout their global value chains unless NGOs and journalists report on these problems. Nike was confronted with the prevalence of child labor in its soccer ball manufacturing plants in Pakistan and the fact that employees suffered due to forced overtime, physical punishment, and hazards from toxic chemicals (NADVI 2008; LITVIN 2003). Even at the economic sustainability dimension, MNEs can endanger host countries' development paths. The vast inflow of FDIs can lead to an increasing dependence on foreign technologies which may cause a permanent technological gap between MNEs and indigenous firms and diminish incentives for creating domestic technological innovations (PACK & SAGGI 1997; KROLL & SCHILLER 2010).

Consequently, the media, international organizations, and critics of globalization have increased pressure on MNEs to behave ethically, forcing them to develop a culture of Corporate Social Responsibility (CSR) through which they have declared their desire to diminish their negative impacts on society and the environment. For example, UNILEVER Vietnam declares: 'We want Vietnam to prosper, and we have a role to play in a variety of ways. [...] If we can contribute, even in a small way as a company, to help Vietnam develop in a more sustainable way, then we will try' (CIEM & Ministry of Planning and Investment 2009: 14). As a result, numerous privately regulated codes of conduct have been developed to ensure fair payment, good working conditions, and improved environmental conditions in MNEs' subsidiaries and suppliers (BRAUN 2005; LUND-THOMSEN & COE 2015; NADVI 2008). Furthermore, MNEs also cooperate with universities and vocational training institutes in emerging economies by donating equipment, providing scholarships, consulting on curricula and training programs (BLOMSTRÖM & KOKKO 2002; UNCTAD 1994), thereby demonstrating their responsibility for the sustainable development of their host regions.

These CSR practices have been complemented by initiatives from international organizations such as the United Nations and OECD that aim to raise MNEs' awareness for sustainability issues while making recommendations for integrating sustainability principles into their networks. For instance, the OECD has set up guidelines that show how an MNE can enforce

³ Sustainability and sustainable development are used synonymously and are understood as a society's 'ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs' (Brundtland Commission 1987: 16). Purely for analytical purposes, sustainability is split up into three dimensions: social, ecological and economic (DYLICK & HOCKERTS 2002: 130).

human rights, improve employment and industry relations, resist corruptive cultures, and improve living conditions for local people through philanthropic community development projects (OECD 2011).

As these examples show, the impacts of MNEs' business activities and their CSR practices are a cause for concern for the media, NGOs, political decision-makers and the average person both in the global North and global South. Hence, scholars have a duty to produce theoretically and empirically well-grounded research that addresses both academic and social concerns, while developing policy recommendations, in this case, that might guide the MNEs in helping countries in the global South move towards more sustainable development paths. Therefore, the following subchapter will briefly present current academic debates on MNEs and their impact in the global South, thereby identifying research gaps which will be addressed in this PhD-thesis.

1.2 Multinational enterprises in the global South — an institutional perspective

There is an abundance of studies which prove that MNEs have both positive and negative effects in host countries (GIULIANI & MACCHI 2014). On the one hand, they significantly contribute to economic growth by transferring knowledge and new technologies into host regions of their subsidiaries which may spill over into the domestic economy (BLOMSTRÖM & KOKKO 1998; DE MELLO 1997; DUNNING & LUNDAN 2008). But on the other hand, such spillover effects are often exaggerated and substantively small (AITKEN & HARRISON 1999). Moreover, MNEs can also crowd out domestic companies in the short run, even if some horizontal spillover effects will occur in the long run (SPENCER 2008).

In response to these problems, researchers from international business (IB) studies and economic geography have come up with a variety of theoretical concepts and empirical means for testing MNEs' economic interactions and their impacts on the global South. Among other host country determinants such as absorptive capacities (BORENSZTEIN et al. 1998; COHEN & LEVINTHAL 1990; NARULA & MARIN 2003) and their ability to develop technological capabilities (LALL 1992), IB researchers have emphasized institutions as a crucial factor in economic growth (ACEMOGLU et al. 2005; RODRIK et al. 2004). In fact, they claim that institutions are the key to avoiding or to overcoming the *middle-income trap* in emerging Southeast Asian economies (OECD 2013: 20) and to fostering regional development (PIKE et al. 2017; RODRÍGUEZ-POSE 2013).

Institutions are defined as the rules of the game; they can be either the formal institutions of laws and contracts or informal institutions such as customs, traditions and habits (NORTH

1991: 97f). The varying quality of institutions plays a key role, firstly, in attracting FDI and, secondly, in maximizing positive spillover effects from MNEs (HENISZ 2000; GLOBERMAN & SHAPIRO 2002; SETHI et al. 2003). For instance, openness to trade stimulates FDI inflow as in the case of Africa (ASIEDU 2002). However, the improvement of institutions, through trade liberalization for example, seems to create larger spillover effects in the global North rather than in the global South (MEYER & SINANI 2009). In general, North-South FDI is more likely to occur in countries with stronger institutions in contrast to South-South FDI flows (STONE 2016: 170).

Since 2000, economic geographers have increasingly tended to rely on New Institutional Economics (NIE) in their research (NORTH 2005; WILLIAMSON 2000). They have adopted a concern for institutional elements in the following ways (RAFIQUI 2009: 346). First, economic geographers deal primarily with the branch of NIE that focusses on institutional environment that is the formal and informal institutions. Second, they overwhelmingly follow North's (1991) definition of institutions. Thirdly, economic geographers follow NIE's fundamental assumptions assuming that institutions are created to reduce uncertainty and influence incentive structures that affect economic interaction. Finally, they presume that institutional change is likely to occur in a path-dependent manner. However, according to MARTIN (2000: 79f), economic geographers are not interested merely in the institutional environment; what matters is the interplay between institutional arrangements such as firms, state actors, labor unions and other organizations, and how that varies across space, delivering different local economic outcomes.

Increasingly, IB researchers and economic geographers have also used an institutional perspective to explain economic interactions in the global South, in particular in Asian emerging economies, where firms can behave very differently from firms in the global North (HOSKISSON et al. 2000; PENG et al. 2008; YEUNG & LIN 2003). For example, guanxi networks, in which members often give small gifts and do reciprocal favors for each other, play a vital role in daily business operations in China (LOVETT et al. 1999: 231).

Such informal trust-based networks are meaningful for doing business, in particular in countries which have shifted from planned economies to market economies such as China or Vietnam, because while market based institutions may be easily codified into law, enforcement is weak at the regional level (MEYER & REVILLA DIEZ 2015; REVILLA DIEZ et al. 2016). As a result, MNEs often need to adapt to the specific institutional environments. For instance, MNEs located in Hong Kong organize their relations with global customers through the market, whereas MNEs with Chinese producers from the nearby Pearl River Delta, where the institu-

tional framework is incomplete and sometimes unstable, organize their relations in a more hierarchical way (MEYER et al. 2009). Nevertheless, guanxi networks are also used as a complementary business strategy for interactive learning processes in Southern China (FU et al. 2013).

In particular, geographical concepts include *regional institutions* when theorizing about spillover effects and economic growth in the global South as in the case of global production networks (COE et al. 2004). The core argument is that regional institutions play a key role in embedding MNEs in their host regions, leading to increased localization of value added activities. For instance, regional state authorities may interact with labor organizations and business associations to improve the skill level on the local labor market, which can help lead firms of global production networks achieve economies of scale (COE et al. 2004: 472).

However, all of these contributions interpret institutions in a static manner, providing few theoretical explanations for how institutions may change over time and in which way firms, and in particular MNEs, are able to shape institution-building processes.

Regarding the origins of institutional economic geography, the overall goal is to develop theoretical concepts that do not solely focus on institutions and their impacts on economic interactions in different spaces, but also to explain the evolution of economic landscapes (MARTIN 2000: 80). Because of this, a few economic geographers have started to consider a more actor-centered perspective on institutional change and economic development (BATHELT & GLÜCKLER 2014; GERTLER 2010; SOTARUTA 2017), suggesting that firms and non-firm actors are not only constrained by a territory's prevailing institutional environment, but that they can actively influence their development, at least to some extent.

Some studies which rely on an actor-centered theories consider MNEs to be *institutional entrepreneurs* which can trigger changes in a host country's institutional environment (e.g. DAHAN et al. 2006; FAULCONBRIDGE & MUZIO 2015). Institutional entrepreneurs are actors which devote resources to projects in which they see a good opportunity 'to realize interests that they value highly' (DIMAGGIO 1988: 14). In particular in *transition economies*⁴, MNEs might be welcomed because of their ability to introduce institutional elements which are missing from the local environment (CANTWELL et al. 2010: 577). For instance, many countries have experienced economic growth as a result of their abundant supply of cheap and unskilled labor which has made them attractive for FDI. Yet, they were unable to compete internationally due to their

⁴ In the context of this dissertation, a transition economy is understood as a country which shifts from a factor-driven towards an efficiency-driven economy and thus needs to achieve higher levels of efficient production processes and product quality in order to remain internationally competitive (SALA-I-MARTIN et al. 2007: 7). Therefore, such a country needs to improve the quality of its institutions, human capital and to build up a domestic supplier industry which is able to enlarge the benefits of existing locally available technologies introduced by MNEs.

failure to develop a better-skilled workforce and strong research capabilities (SCHILLER & REVILLA DIEZ 2007). That is why various Asian emerging economies such as the Philippines, Thailand, Malaysia and Vietnam have found themselves in the *middle-income trap* (ALTENBURG & LÜTKENHORST 2015; LEE 2013). This threatens people's ability to improve their living standards (RIGG et al. 2014). As a result, MNEs occasionally try to help host countries overcome institutional bottlenecks such as skill mismatches on labor markets. They do this by upgrading educational systems in their host regions through CSR practices such as providing scholarships for students, donating technology and consulting on curricula at partnering universities (BERGER & REVILLA DIEZ 2008; KLEIBERT 2015; MANNING et al. 2012).

Despite recent developments, the following research gaps can be identified which this PhD-thesis intends to fill in.

First, although economic geographers have increasingly considered MNEs as institutional entrepreneurs in host countries, these studies face the following limitations: Some studies mainly interpret legal changes on the national level as institutional changes (e.g. FAULCONBRIDGE & MUZIO 2015), thereby ignoring the variety of institutions on the regional level that are also meaningful for development (RODRÍGUEZ-POSE 2013). Other research has explained in a detailed way how MNEs actively embed themselves in host regions by shaping regional education systems (e.g. KLEIBERT 2015; MANNING et al. 2012). However, they say little about the consequences of such institutional entrepreneurship initiatives for the local economy. Furthermore, although there are attempts to develop bottom-up approaches for actor-centric institutional changes (e.g. SOTARAUTA 2017), these approaches have not explicitly considered local or regional levels. Finally, previous studies only partially exploit the full potential of merging geographical concepts with actor-centered concepts of institutional change. For instance, linking geographical adaptations of the proximity and embeddedness approach (BOSCHMA 2005; HESS 2004) to actor-centered perspectives on institutional change can be a promising way to understand which spatial and non-spatial determinants influence MNEs' choices of partners in institution-building alliances. Moreover, they can help to detect factors that support or hamper the diffusion of new institutions introduced by MNEs into their host regions.

Second, although economic geographers have pointed out that regional institutions play a key role in development, they admit that policy guidelines about how to overcome dysfunctional institutional endowment in certain regions are still underdeveloped (PIKE et al. 2017: 54). This is a highly relevant issue for transition economies, in particular those countries which shift from a centrally-planned towards a socialist market economy such as China or Vietnam, where regional institutions often fail to provide a stable and market-based business climate for private

domestic firms (from here onwards: local firms) and MNEs (FU et al. 2012; MEYER & REVILLA DIEZ 2015; REVILLA DIEZ 2016). Furthermore, national laws on labor rights and environmental protection are weakly enforced at the regional level (e.g. JIANG et al. 2014; WANG 2005), thereby endangering people's living standards and the quality and supply of a region's human capital. Thus, MNEs' CSR practices can become a promising tool for compensating for institutional voids in host regions e.g. through the provision of public goods in the areas of infrastructure and education or through the introduction of privately regulated standards and audits with respect to environmental standards and working conditions (BODDEWYN & DOH 2011; CANTWELL et al. 2010; GHOUL et al. 2017). Since CSR often reflects a MNEs' institutional and cultural foundation (DUNNING & LUNDAN 2008: 132), it can become a suitable vehicle for transferring institutional elements from MNEs' home countries to their host regions which can then contribute towards a more sustainable institutional change. Surprisingly, there is more knowledge on firms' attitudes, awareness and practices in terms of CSR, but much less about the ways in which CSR can lead to improvements in countries of the global South (BLOWFIELD 2007: 691), although this is supposed to be at the heart of each single CSR concept. Furthermore, responses to institutional voids can also potentially have negative consequences for third parties which are not involved in institutional-building processes (DOH et al. 2017). Therefore, economic geographers need to explore more in detail whether MNEs' CSR practices are a suitable tool for shaping regional institutions or even unlocking regions from institutional path-dependence (HASSINK 2005; MARTIN 2010; MARTIN & SUNLEY 2006).

Third, IB researchers have recently begun to include geographical issues such as spatial proximity in analyses regarding MNEs and their efforts to enforce international environmental and labor standards in host countries (e.g. HUSTED et al. 2016). However, so far they have neglected further geographical components such as the role of varying regional institutions within a country. For instance, emerging economies in Asia often possess a dualistic structure, consisting of export-orientated MNEs with almost no vertical linkages with local firms which almost exclusively operate on the local market (ERNST 2002; REVILLA DIEZ 2016; WONG 2001). Hence, it remains unclear whether the diffusion of global environmental and labor standards into host regions' economies occurs exclusively as a result of mimetic pressure due to a firm's spatial proximity to MNEs (HUSTED et al. 2016). For instance, the varying quality of regional institutions on certain dimensions such as the attitude of local authorities to private business sector, the quality of business support services or the degree of corruption can significantly impact local firms' business performance and, thus, their ability and willingness to adopt international labor and environmental standards.

1.3 Research objectives and outline of the papers

Based on the discussions in the two previous sections, the goal of this PhD-thesis is twofold. On the one hand, it aims to explain to what extent and under which circumstances MNEs can shape institutions through their CSR practices in host regions in a transition economy, taking Vietnam as a case study. On the other hand, it examines whether MNEs' CSR practices can indeed contribute towards a regional sustainable economic development by elaborating whether these CSR practices are beneficial for local firms.

In this PhD-thesis, two CSR practices are explored which intend to have a direct impact on the local level. First, *global CSR certificates* which consist of international labor and environmental standards such as ISO 14001, SA8000 or the U. N. Global Compact are considered because they can lead to an improved environment, fair wages, and better working conditions (HUSTED et al. 2016: 383). Additionally, the adoption of these certificates can also lead to better business performance for the respective firms, such as higher sales growth (e.g. GOEDHUYS & SLEUWAEGEN 2013). Second, *local CSR projects* with an educational dimension can be a promising tool for improving the skill quality in regional labor markets (e.g. AMAESHI et al. 2016). Such projects can consist of scholarships, equipment donations, curricular consultations and training collaborations. An MNEs' local CSR projects at partnering universities and vocational training institutes can contain novel skills and organizational practices such as dual apprenticeship programs based on an MNEs' home countries' technical vocational education and training (TVET) systems; thus, they have the potential to trigger long term institutional change in the education system.

Vietnam has been selected as a case study for the following reasons. First, Vietnam has experienced economic prosperity due to the inflow of FDI and the liberalization of its economy, but it is currently struggling with an insufficiently skilled workforce which is needed to shift the country into higher value-added production stages (JICA 2014; MALESKY et al. 2016; World Bank 2013). Therefore, MNEs could use CSR programs at public educational organizations (from here onwards: PEOs), e.g. Vietnamese universities and vocational training institutes, to upgrade the regional education system. Second, Vietnam is characterized by a dualistic economy in which local firms are largely excluded from global value chains due to their weak productivity levels, lack of managerial capabilities and little awareness of global CSR certificates (KETELS et al. 2010; REVILLA DIEZ 2016; UNIDO 2011). With this case study, it is possible to examine whether MNEs or other actors help and push local firms to upgrade their production systems and implement international labor and environmental standards.

In order to add new theoretical insights, to provide empirical evidence and to develop implications for policy makers (SCHÄTZL 2003: 21f), the following guiding research questions (RQ) have been developed for this PhD-thesis.

Table 1.1 Guiding research questions for this dissertation

Theoretical considerations	RQ1: How can MNEs, through their CSR practices, contribute towards a more sustainable economic development in their host regions?
	RQ2: What factors influence MNEs' institution-building attempts, initiated through their CSR practices, in host regions?
Empirical Analysis	RQ3: To what extent do global CSR certificates diffuse into host regions' economy? What is their impact on local firms, and do MNEs or regional institutions matter for them to adopt these certificates?
	RQ4: Can MNEs build up new institutions through their local CSR projects at partnering PEOs in their host regions? Which factors matter whether MNEs' co-evolved organizational practices trickle down into host regions' local economy?
Policy implications	RQ5: In which way can policy makers ensure that global CSR certificates are beneficial for local firms in a transition economy?
	RQ6: How can policy makers ensure that MNEs' local CSR projects at partnering PEOs will create benefits for all actors located in MNEs' host regions?

This PhD-thesis is structured as follows:

Chapter two discusses the conceptual framework of this dissertation, which aims at bringing IB studies and economic geography closer to each other. The *Corporate Social Responsibility – Regional Industrial Upgrading* (CSR–RIU) model theorizes how MNEs operate as institutional entrepreneurs through their CSR practices in host regions (RQ1 and RQ2). On the one hand, it points out how global CSR certificates in host regions can become institutionalized and will lead to higher buyer-supplier relationships between MNEs and local firms. On the other hand, the model explains in which way local CSR projects in the education sector can enlarge a region's human capital base and will lead to stronger linkages between private businesses and PEOs.

Chapter three presents the research design by giving a short overview of the Vietnamese context and selected case study regions. Furthermore, it presents data and methodological approaches used in this dissertation.

Chapter four elaborates the role of global CSR certificates for local firms (RQ3). First, it shows the regional distribution of these standards. Second, by running a propensity score matching analysis, chapter four demonstrates that the adoption of global CSR certificates has a negative impact on a firms' short-term productivity growth. Finally, it elaborates through a logistic multilevel regression model the role of MNEs and *regional institutions* for the implementation of global CSR certificates among local firms.

Chapter five discusses to what extent German and Japanese MNEs were able to transfer TVET systems from their home countries to Vietnam (RQ4). Based on the *skill formation system approach* (BUSEMEYER & TRAMPUSCH 2012) and the *proximity approach* (BOSCHMA 2005), this chapter detects home country and host country effects and reveals the relevance of spatial and non-spatial proximity dimensions for MNEs in finding local collaboration partners for their institution-building alliances.

Chapter six discusses how local firms respond to institution-building attempts by MNEs in the northern Vietnamese region Red River Delta (RQ4). It elaborates whether local firms follow MNEs' CSR collaborations with Vietnamese PEOs, or whether they realize deviating skill upgrading strategies in order to satisfy their demand for human resources. By making use of the *embeddedness approach* (HESS 2004), this chapter explains why organizational practices of German and Japanese MNEs hardly trickle down into the regional economy.

Chapter seven concludes this dissertation by situating the theoretical considerations and empirical outcomes in current academic debates. Finally, it develops policy recommendations (RQ5 and RQ6) for decision-makers in transition economies which are threatened by the middle-income trap, and it points out the limitations of this dissertation and directions for future research.

2. Multinationals, CSR and regional industrial change in transition economies

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Multinationals, CSR and regional industrial change in transition economies

Jöran Wrana, Javier Revilla Diez

Abstract

In this chapter, WRANA and REVILLA DIEZ bring the disciplines international business studies and economic geography closer to each other, by conceptualizing how multinational enterprises (MNEs) become institutional entrepreneurs in host regions of transition economies. More precisely, they present the *Corporate Social Responsibility–Regional Industrial Upgrading* (CSR–RIU)-model. On the one hand, this conceptual framework examines how global CSR certificates diffuse into a regional economy which enables local firms to enter MNEs' value chains. On the other hand, it discusses how MNEs' local CSR projects in the education sector can improve a region's human capital base and will lead to closer collaboration between MNEs, local firms, vocational schools and universities which boost regional economic development in the long run.

Keywords: CSR, institutional entrepreneurship, multinational enterprises, regional institutions, industrial upgrading, transition economies, human capital

2.1 Introduction

Based on the theory of nations' economic development stages (PORTER 1990), the global competitiveness report presumes that a successful transition from a factor-driven towards an efficiency-driven economy (from here onwards: *transition economies*) is made if a country is able to provide a highly-educated population, well-functioning labor and financial markets, which enables firms to develop more efficient production processes and higher product quality (SALAI-MARTIN et al. 2007: 7).

However, contrary to the successful cases of Japan, Taiwan, South Korea and Singapore, many transition economies have experienced a slow-down of growth rates which symbolizes their stickiness in the middle-income trap (ALTENBURG & LÜTKENHORST 2015). They face the problem that human capital and new institutions evolve slowly since education systems are usually adjusted ex-post to changing skill demands and because firms need sufficient time to develop capabilities which enable them to exploit the full potential of technological opportunities (ABRAMOVITZ 1986: 405f). In other words, transition economies are too expensive to keep

being an attractive destination for labor-intensive and standardized production processes while still lacking sophisticated skills and technologies to shift into higher value-added stages of global value chains (RIGG et al. 2014: 185).

Moreover, these countries lack buyer-supplier relationships between multinational enterprises (MNEs), private domestic firms (from here onwards: local firms) and university-industry linkages (e.g. ERNST 2002; INTARAKUMNERD et al. 2002) which are needed to foster industrial upgrading. Furthermore, since most MNEs are concentrated in agglomeration areas (DICKEN 2015: 67f), only a few regions in emerging economies can benefit from positive spillover effects by MNEs and, thus, have the potential to push a countries' catching-up process in the long run (NARULA & DUNNING 2010: 270). Therefore, economic geographers stress the role of meso-level determinants for economic development. Complementary to the rise of agglomeration effects and a region's industrial structure, its institutional environment such as the degree of enforced market-based institutions, the quality of regional labor markets and varying practices of informal payments and bribes take in a key role (COE et al. 2004; MEYER & REVILLA DIEZ 2015; RODRÍGUEZ-POSE 2013).

However, it remains unclear how economic actors can overcome dysfunctional institutions and which policy tools might be suitable in tackling these issues (PIKE et al. 2017: 54). Therefore, International Business (IB) researchers and economic geographers have increasingly discussed to what extent MNEs operate as *institutional entrepreneurs*, in particular through their Corporate Social Responsibility (CSR) projects in emerging economies (CANTWELL et al. 2010; LÜTKENHORST 2004). Institutional entrepreneurs are actors who perceive a certain situation as an opportunity to carry out projects with whom they try to 'realize interests that they value highly' (DIMAGGIO 1988: 14). For instance, WRANA & REVILLA DIEZ (2016) have elaborated to what extent MNEs in Vietnam have successfully introduced cooperative forms of apprenticeship systems through their CSR projects at partnering public educational organizations (PEOs) which aim on triggering a long term institutional change in the vocational education sector.

Despite these valuable contributions, IB literature has only marginally considered the role of *regional institutions* for explaining when and how firms apply CSR whereas economic geographers have so far neglected the potential of CSR as a vehicle to transfer institutions. Therefore, this paper aims on bringing both disciplines closer to each other, by presenting the *Corporate Social Responsibility – Regional Industrial Upgrading* (CSR—RIU)-model which focusses on MNEs as institutional entrepreneurs in their host regions. More precisely, it explains how

MNEs' CSR activities, supported by regional state authorities, may shift regions from disconnected economies towards a *regional industrial upgrading system* (RIUS), consisting of buyer-supplier relationships between MNEs and local firms as well as learning collaborations between industry and PEOs which we name as *university-vocational-college-industry linkages* (UVILs).

The CSR—RIU model focuses on two types of CSR. First, it discusses under which circumstances global CSR certificates spillover from MNEs into the regional economy. Global CSR certificates are defined as international standards that address environmental protection, working conditions, fair wages and stakeholder engagement (HUSTED et al. 2016: 386). Examples of such certificates are ISO 14001, SA 8000 and U.N. Global Compact. Second, the model focuses on MNEs' local CSR projects in education systems since learning is the basic requirement for long term institutional and economic change (NORTH 1998).

The following two chapters provide a literature overview on how economic development in emerging economies is influenced by MNEs (section two) and in which way regional institutions and university-industry linkage (UILs) become drivers for regional economic development (section three). Section four presents the CSR—RIU model and section five gives a short summary and outlook for future research.

2.2 Economic development in Emerging Economies – an IB Perspective

Successful transition economies such as the late-industrialized economies from Asia run through different development stages, starting with the inflow of export-orientated and low-technology manufacturing foreign direct investments (FDI) and, finally, achieving a development stage with research and development (R&D)-intensive and internationally competitive domestically-built industries for cutting-edge technologies (e.g. NARULA & DUNNING 2010). As a result, governments of emerging economies have increasingly opened their economies so that the FDI inflow may stimulate economic growth (NARULA & DRIFFIELD 2012: 1). However, MNEs can generate both positive and negative impacts in host countries (GIULIANI & MACCHI 2014). The following subchapters give an overview under which circumstances MNEs can contribute to positive economic development in host countries, by detecting mediators and channels for economic spillover effects (section 2.1) and by discussing the role of CSR as a suitable tool for business-driven development in emerging economies (section 2.2).

2.2.1 MNEs and Industrial Upgrading in Emerging Economies

MNEs contribute to economic growth, by transferring knowledge and new technologies into the host regions of their subsidiaries (BLOMSTRÖM & KOKKO 2001). Local firms can acquire MNEs' knowledge and technologies, by developing vertical linkages with MNEs, attracting

skilled employees from MNEs and by imitating products, organizational practices and technologies introduced by MNEs.

However, spillover effects are sometimes substantively small (AITKEN & HARRISON 1999), in particular in countries with fragmented economies (ERNST 2002; WONG 2001) and too large technological gaps between MNEs and local firms (CRESPO & FONTOURA 2007). Therefore, researchers have identified absorptive capacities as a mediator for the occurrence of positive spillover effects in host countries (CRESPO & FONTOURA 2007; NARULA & MARIN 2003). It describes a firm's 'ability to evaluate and utilize outside knowledge' (COHEN & LEVINTHAL 1990: 128). The formation of absorptive capacities is determined by a firm's degree of R&D activities and its stock of human capital (NARULA & MARIN 2003). Since human capital includes not only firm-specific knowledge, but also generic skills, the concept of absorptive capacities can be also be applied to the regional level (NARULA & DUNNING 2010).

MNEs can contribute to the improvement of host regions' human capital base through different channels. First, they provide training programs for their employees who eventually may move to local firms and adapt their acquired knowledge at the new firm (BLOMSTRÖM & KOKKO 2001). Secondly, MNEs may provide training programs for their suppliers in host countries. Finally, they also affect host regions' education systems (BLOMSTRÖM & KOKKO 2002; SAUVANT 1999). For instance, MNEs carry out CSR programs that embrace scholarships for students, equipment donations or curricular consultations for business schools and universities (BLOMSTRÖM & KOKKO 2002). Such initiatives can also be grounded in multi-stakeholder collaborations. For instance, state and federal governments in Malaysia have provided land and financial support for the establishment of the Penang Skill Development Centre, whereas American MNEs from the electronic industry provided trainers and equipment for comprehensive skill development programs that embrace formal classroom study and factory training (SAUVANT 1999: 276f). To sum up, MNEs' CSR programs in collaboration with host countries' PEOs seem to be a promising way for industrial upgrading and the formation of human capital.

2.2.2 MNEs, CSR and Development in Emerging Economies

CSR is a fuzzy concept since there is 'no strong consensus on a definition of CSR' (MCWILLIAMS et al. 2006: 8). According to World Business Council for Sustainable Development, 'Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large' (WATTS & HOLME 2000: 3). As this definition indicates, firms ideally should undertake efforts inside their

productions sites, for example by improving working conditions and minimizing environmental pollution, and through the participation in local community development projects.

In particular, MNEs are confronted with high expectations regarding environmental and social concerns since they are the key drivers of globalizations (JAMALI 2010: 182). As a result, MNE subsidiaries invest into CSR to obtain legitimacy in their host regions. In countries with high unemployment and low levels of infrastructure and education, they are expected to contribute positively to regional development (GARDBERG & FOMBRUN 2006: 166). MNEs try to ensure the enforcement of human rights, decent working conditions and reduction of environmental pollution in their subsidiaries through the implementation of global CSR certificates (HUSTED et al. 2016), while contributing to society through local community development projects. For instance, MNEs in Nigeria and South Africa partially compensate the failure of governments, by carrying out local community development projects in the fields of education, social welfare, infrastructure and small business development (EWEJE 2006: 97).

However, there are also sceptic views on MNEs and CSR. Codes of conduct are often used in a ‘window-dressing’ manner (GIULIANI 2016) and do not lead to the enforcement of human rights and improvement of labor agency of vulnerable workers (LUND-THOMSEN & COE 2015). Moreover, they are likely to focus on outlawing slavery and child work while neglecting the enforcement of living wages and freedom of association (BLOWFIELD & FRYNAS 2005: 512). Taking the example of Penang Skill Development Centre from section 2.1, an alliance of different partners might be beneficial in helping CSR become a powerful and suitable tool with respect to sustainable development. For example, MNEs should cooperate with international non-profit organizations in order to help local firms in their business development efforts as in the case of the ‘UNIDO Business Partnership Programme’ (LÜTKENHORST 2004: 162).

2.3 Economic development in emerging economies – a Geographical Perspective

Economic geographers have continuously stressed the meaning of regional institutions and UILs as major determinants for regional economic development (PIKE et al. 2017; RODRÍGUEZ-POSE 2013; SCHILLER & LEE 2015). Therefore, the following two subchapters will provide a short literature overview how the interplay of regional institutions and organizations might lead to regional institutional and economic change (section 3.1) and how UILs foster regional economic development (section 3.2).

2.3.1 Institutions, Institutional Change and Regional Economic Development

The evolution of economic landscapes is shaped by knowledge creation and technological development since they are the drivers for economic growth (NORTH 1998; RAFIQUI 2009). These

drivers are largely influenced by institutions which set up incentive structures that favor certain investments into human capital and technology (RAFIQUI 2009: 339). They are defined as the 'rules of the game' (NORTH 1998: 15), consisting of written elements like laws or property rights and informal norms such as trust, codes of conduct or customs (NORTH 1991: 97). MARTIN (2000) suggests that the interplay of a region's institutional environment which are the formal and informal rules and its institutional arrangements which includes firms, labor unions and state authorities shape local economic outcomes. New institutions can be implemented easily by passing new laws on the national level (FAULCONBRIDGE & MUZIO 2015), however, their enforcement is often hampered on the regional level (MEYER & REVILLA DIEZ 2015), because institutions are likely to be path-dependent, in particular on the regional and local level (MARTIN 2000: 80). This can be observed in countries that experience fundamental changes of their political and economic systems as it is the case in former socialist planned economies. For instance, most MNEs in Ukraine choose to invest in the capital region of Kyiv because of the better developed physical and intellectual property rights and higher support by regional authorities for FDI compared to Eastern regions such as Kharkiv where the institutional legacy of the Soviet past is still present (REVILLA DIEZ et al. 2016: 649). MNEs are also more willing to set up a joint-venture with domestic firms rather than conducting a greenfield-investment if they plan to invest in a region where state-owned enterprises dominate the local economy as in the case of Vietnam (MEYER & NGUYEN 2005: 85).

However, economic geographers have recently begun to discuss whether MNEs always have to follow given rules or whether they can actively influence institutions in their host regions (FAULCONBRIDGE & MUZIO 2015; WRANA & REVILLA DIEZ 2016). They might become meaningful institutional entrepreneurs because of their ability to transfer new rules that are missing in host regions (CANTWELL et al. 2010: 577).

However, it is doubtful whether institution-building processes by MNEs always create a *shared value* (PORTER & KRAMER 2011). For instance, MNEs influence institutions in a way that can negatively affect local firm's business climate (SCHMITZ et al. 2012). Moreover, even well-intended top-down approaches by MNEs such as private labor standards can generate unexpected negative impacts or are insufficient to enforce human rights (GIULIANI 2016; LUNDTHOMSEN & COE 2015). Consequently, the interrelationship of regional institutions, MNEs and local firms must be theorized more comprehensively in order to understand under which circumstances MNEs favor to change institutions, which fulfil firm-specific needs while shifting regions towards a more sustainable economic development path.

2.3.2 University-Industry linkages and Regional Economic Development

UILs are a key determinant for regions' competitiveness in industrialized countries, because of their large potential to create knowledge spillovers into the regional economy (e.g. VARGA 2000).

However, such linkages rarely exist in emerging economies (INTARAKUMNERD et al. 2002; SCHILLER & LEE 2015). For instance, REVILLA DIEZ & KIESE (2006: 1015) demonstrate that firms in Singapore, Bangkok, and Penang mainly cooperate with customers, suppliers and parent companies with respect to the development of technological capabilities (LALL 1992), whereas universities and public research institutes play a subordinate role.

But, universities in emerging economies play a crucial role for regional development, by connecting domestic actors with MNEs and development agencies which can contribute to a deeper knowledge transfer and embedding of ideas into the regional institutional environment (RAMACHANDRAN & SCOTT 2009). Furthermore, since education and learning are the fundamentals for technological upgrading (LIEFNER & SCHILLER 2008: 279) and long-term economic and institutional development (NORTH 1998) universities can indirectly help MNEs and local firms in their efforts to build up absorptive capacities, by ensuring a continuous supply of well-skilled graduates (SCHILLER & REVILLA DIEZ 2007: 30).

In summary, UILs with focus on learning collaborations can be a promising starting point for a longer term more innovation-orientated cooperation (SCHILLER & LEE 2015). But, it still remains unclear under which circumstances MNEs set up such collaborations in emerging economies. Besides, learning collaborations can be also established with vocational colleges rather than universities since the main goal for firms is to foster the formation of human capital.

2.4 The CSR—RIU-Model

The *Corporate Social Responsibility - Regional Industrial Upgrading* (CSR—RIU)-model considers an actor-centered perspective on regional economic and institutional change in countries which are shifting from a factor-driven towards an efficiency-driven economy (see figure 2.1). The key argument of the CSR—RIU concept is that local CSR projects in the education sector can lead to the institutionalization of UVILs whereas the diffusion of global CSR certificates facilitates buyer-supplier relationships between MNEs and local firms in transition economies. Four phases can be identified. In the first phase, countries are characterized by a fragmented economic structure: export-orientated MNEs possess a low territorial embeddedness in their host regions and private domestic firm are excluded from global value chains due to their weak productivity levels (ERNST 2002; WONG 2001).

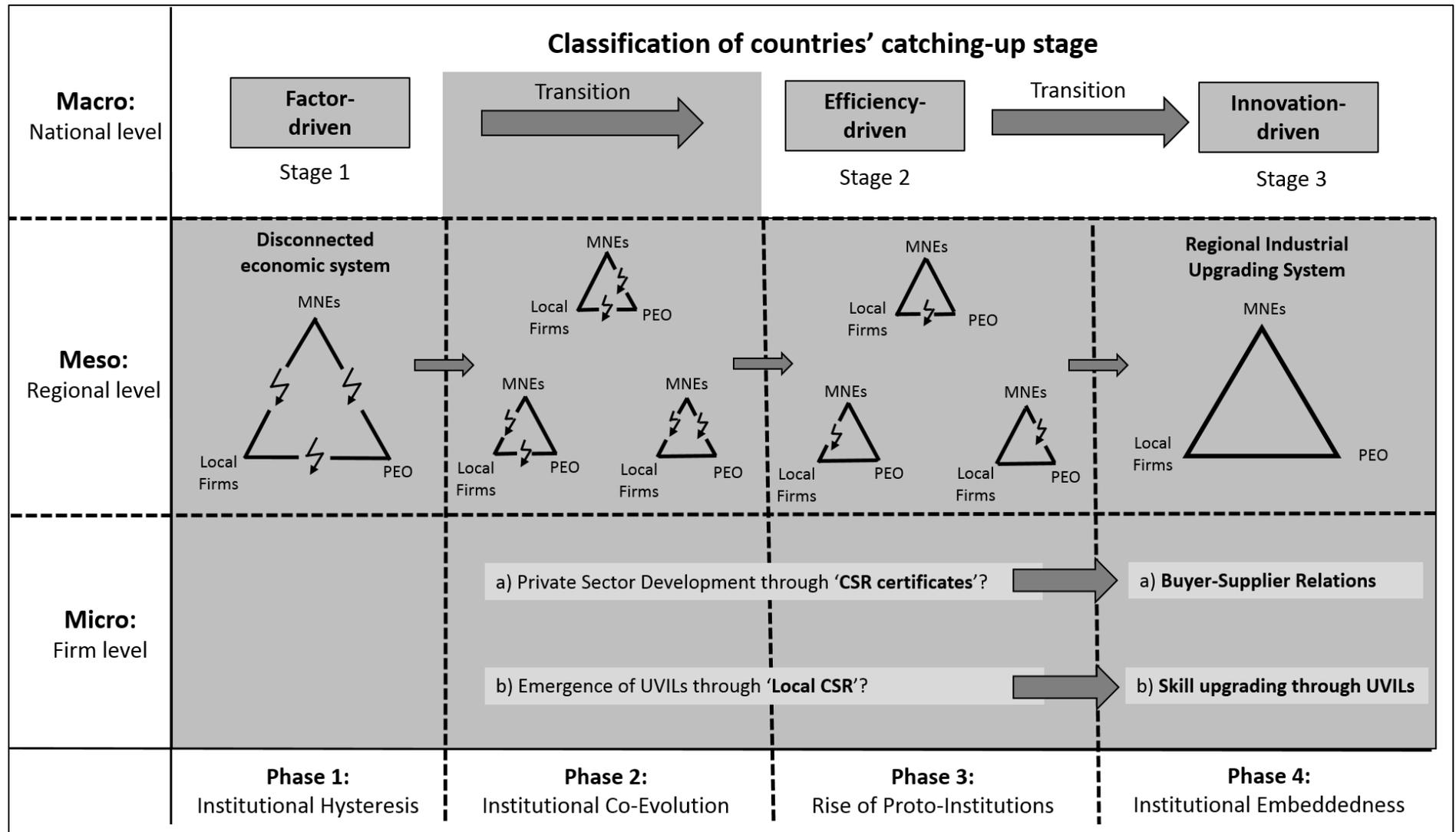


Fig. 2.1 The Corporate Social Responsibility – Regional Industrial Upgrading (CSR–RIU) Model; Source: Author's draft based on AMIN & THRIFT 1995; BLOMSTRÖM & KOKKO 2001; CAMPBELL 2004, CANTWELL et al. 2010; DIMAGGIO 1988; LAWRENCE et al. 2002; RODRÍGUEZ-POSE 2013; SALA-I-MARTIN et al. 2007

Processes of *institutional hysteresis* are persistent because existing institutions shape current economic activities which influence subsequent institutional forms (SETTERFIELD 1993: 760). No action by MNEs, local firms and regional authorities are taken unless problems arise which require strategic responses (phase two). For instance, rising wages and shortages of skilled labor may make MNEs develop plans for relocating to other lower-cost regions whereas missing buyer-supplier relationships can significantly hamper technological upgrading efforts by local firms. Both together can endanger a region's economic development. As a result, regional authorities may welcome local CSR projects and the diffusion of global CSR certificates because they can foster regional industrial upgrading. The emergence of these two elements represents an *institutional co-evolution* since they occur parallel to the existing system (CANTWELL et al. 2010).

In the third phase, the repetition of practices, technologies and rules outside of the pilot project by third parties represents the rise of a *proto-institution* (LAWRENCE et al. 2002: 286). This marks a turning point because some endogenous actors have started to break up with the prevailing rules. The repetition of global CSR certificates and local CSR projects in the education sector signals to co-located firms that these proto-institutions contains elements which may be superior to existing institutions, thereby generating competitive advantages for those actors who adopt them.

In the final phase *institutional embeddedness*, UVILs and buyer-supplier relationships are instigated by the majority of firms which leads to a regional *institutional thickness* (AMIN & THRIFT 1995) which is beneficiary for long term regional development. Although the previous description may lead to the interpretation that the CSR—RIU model is characterized by a linear and deterministic view, it should be pointed out that these phases can occur simultaneously and represent a continuum of institution-building processes instead of a dichotomous separation which allows regions to *jump* into the next phase.

We presume that MNEs might become successful institutional entrepreneurs in particular in transition and efficiency-driven economies as classified by the global competitiveness report such as China, Vietnam or Indonesia for two reasons. First, these economies have so far heavily relied on labor-intensive manufacturing sectors and extractive industries which have led to economic growth, but also to environmental pollution and exploitation of vulnerable unskilled labor (SCHWAB 2013: 71f). Hence, MNEs can respond to such institutional weaknesses by implementing global CSR certificates which eventually spillover into the regional economy. Secondly, national education systems, in particular in the area of technical vocational training, were not able to keep pace with the rapid economic development, thereby creating a shortage

of skilled workers on labor markets (ALTENBURG & LÜTKENHORST 2015; PILZ & LI 2014). As a result, MNEs could fill in this institutional void with CSR projects at partnering PEOs which aim on equipping graduates with sophisticated technical knowledge and soft skills. The following subchapters will discuss the CSR—RIU model more in detail. Section 4.1 explains how MNEs and regional institutions influence the diffusion of global CSR certificates into the regional economy. Section 4.2 describes the interrelationship of local CSR projects, institutional entrepreneurship and the formation of UVILs.

2.4.1 Global CSR Certificates and Regional Institutional Change

Vertical linkages between MNEs and local firms can boost regional economic development (COE et al. 2004; HUMPHREY & SCHMITZ 2002). However, such linkages are difficult to establish because local firms have to fulfill the international environmental and social standards before they can enter global value chains (e.g. NADVI 2008).

According to DIMAGGIO & POWELL (1983), organizations adopt certain practices due to institutional pressure which results in *institutional isomorphism*. Three processes can lead to a convergence of business practices among organizations. *Coercive isomorphism* occurs if firms implement new practices because they are dependent on powerful actors. *Mimetic pressure* describes that firms imitate certain behavioral forms as a result of uncertainty. Finally, *normative pressure* evolves due to the definition of new rules and methods for work by collective actions of certain groups.

The idea of institutional isomorphism has already been applied to the diffusion of global CSR certificates (BRAUN 2005; HUSTED et al. 2016) and MNEs can be interpreted as institutional entrepreneurs for the spread of these standards since they are the key drivers of globalization. For instance, global buyers increasingly put coercive pressure on suppliers throughout their global value chains to fulfil these standards (NADVI 2008). Moreover, mimetic pressure as a result of institutional uncertainty on the local level has also been identified as a key determinant for the spread of ISO 14001 in Mexico (HUSTED et al. 2016).

Since the first phase of the CSR—RIU-model suggests a fragmented regional economy, local firms do not face any institutional pressure to conform to international environmental and working standards, causing institutional hysteresis. This might change if MNEs transfer global CSR certificates to their host regions, because regional stakeholders often believe that local firms are inferior compared to MNEs with respect to environmental and social standards (GARDBERG & FOMBRUN 2006). This institutional co-evolution may create normative pressure on local firms to adopt these standards, thereby contributing to the rise of proto-institutions

(phase three) which results into the institutional embeddedness of global CSR certificates in the regional economy (phase four).

Regional authorities may actively support the institutionalization of global CSR certificates for two reasons. First, authorities in regions with large FDI proportions may favor the diffusion of global CSR certificates because it can become a successful means to raise local firms' awareness of their negative externalities such as environmental pollution. For instance, the implementation of ISO 14001 requires firms to possess an environmental policy, a training and documentation system and a delineation of responsibilities (BRAUN 2005: 11) which is monitored through independent third party audits (NADVI & WÄLTRING 2004: 77). As a result, regional authorities may perceive that these new institutions and enforcement mechanisms are superior compared to existing national environmental and social regulations. Therefore, they may put institutional pressure on local firms to adopt these global CSR certificates. For instance, they can create coercive pressure, by implementing these new standards into regional regulations or they can burden unexpected inspections on local firms that have not complied with these global CSR certificates (FIKRU 2014: 289).

Secondly, regional authorities aim on ensuring economic prosperity. Hence, regional authorities may start to support local firms to adopt global CSR certificates because a successful implementation enables them to become members of global value chains (NADVI 2008), thereby contributing to a rising embeddedness of MNEs with their host regions through vertical linkages with local suppliers (PHELPS et al. 2003).

Nevertheless, since local firms in many transition economies possess weak productivity levels, lack financial resources, technological knowledge and CSR (ALTENBURG & LÜTKENHORST 2015; ERNST 2002; LÜTKENHORST 2004), they need active support by regional authorities. For instance, the costs for implementing ISO 14001 ranges from USD 40,000 – USD 150,000, depending to what extent a firm has successfully implemented a quality management system beforehand (BRAUN 2005: 19). Thus, regional authorities need to foster institutional reforms which improve the business climates while providing financial incentives and consultancy for local firms to adopt global CSR certificates.

2.4.2 The formation of UVILs: Institutional Entrepreneurship through Local CSR

In phase one of the CSR—RIU model, UILs are marginally established because MNEs and local firms mainly operate in labor-intensive sectors and have little demand for skilled labor and research collaborations with universities. Hence, there is no need for firms to trigger an institutional change unless problems arise which threatens their economic performance. These problems may have an endogenous source such as the competition for scarce resources (NORTH

1998). Rising wages threatens MNEs because they must increase their productivity in order to remain competitive. But, such problems can be solved without changing the institutional environment (CAMPBELL 2004: 175), e.g. through firm-specific skill upgrading programs. Since MNEs in transition economies additionally struggle with a skill mismatch, they face a more intensified competition for rarely available human resources. Hence, they may become more interested into projects that aim on changing institutions because it improves their position to access certain resources (CAMPBELL 2004: 176). Local CSR projects at PEOs can help firms improve their access to skilled labor while introducing new institutional elements into the education system. These local CSR programs reflect a process of institutional co-evolution (phase two in the CSR—RIU model).

During the second phase, MNEs may become suitable institutional entrepreneurs, because they contain much more experience with a greater number of formal and informal rules due to their interactions with different institutional environments (CANTWELL et al. 2010: 572). Hence, they can transfer missing elements into host regions, thereby contributing to sustainable institutional change in the long run. As a result, studies have examined to what extent MNEs can upgrade education programs through CSR programs at partnering universities, thereby enlarging a region's human capital base (BLOMSTRÖM & KOKKO 2002; SAUVANT 1999).

But, not all MNEs can simply become an institutional entrepreneur in their host regions or intend to do so. Some MNEs may favor the relocation of their production sites to areas with lower costs whereas others are not perceived as *natives* by local stakeholders (CANTWELL et al. 2010: 576f.), which is a necessary precondition in order to ensure the success of development projects in emerging economies (SHIRLEY 2008: 633). Therefore, it can be presumed that MNEs with high levels of local embeddedness (e.g. COE et al. 2004) or which have undertaken investments due to market- or strategic asset-seeker motives (DUNNING & LUNDAN 2008) become interested in institution-building processes.

Aside from MNEs, local firms may also use local CSR programs as a reaction to MNEs' institution-building processes. For instance, since MNEs are perceived to provide better working conditions for their employees (GARDBERG & FOMBRUN 2006), local firms are under pressure to develop adaption strategies to avoid job poaching of their qualified labor. Hence, they may start to imitate practices from co-located MNEs (HUSTED et al. 2016) such as the realization of UVILs with nearby PEOs in order to ensure their access to skilled graduates. Similar to global CSR certificates, the formation of UVILs by local firms as a response to MNEs' institution-building activities could be interpreted as a proto-institution as proposed in the third phase of the CSR—RIU model. If new forms of UVILs, introduced through local CSR programs by

MNEs, are interpreted as best practice examples, regional authorities can create normative and coercive pressure on local firms to realize similar projects which reflect the regional institutional embeddedness of UVILs (phase four).

Two problems may arise with respect to MNEs' efforts to change regional institutions through local CSR projects. First, institutions tend to be persistent and are difficult to change (CAMPBELL 2004; MARTIN 2000). Therefore, a *conjunctural moment of instability* (FAULCONBRIDGE & MUZIO 2015: 1196) is perceived as a beneficiary condition. In these moments, endogenous actors such as political decision-makers realize that the existing institutional system is inadequate to overcome the economic crisis, thereby becoming more open-minded for alternative institutions (FAULCONBRIDGE & MUZIO 2015: 1198). Following this logic, political authorities may encourage MNEs and local firms to foster the formation of UVILs because such partnerships may help firms to overcome labor shortages while institutionalizing new technologies, skills and training collaborations.

Second, the sustainability of newly implemented ideas and elements in a region's institutional environment becomes questionable if MNEs just follow a top-down approach as implied in the 'export' of vocational training systems (PILZ & LI 2014), and do not translate institutions to host regions' specific local contexts (CAMPBELL 2004). Hence, programs that aim on the change of institutions should be based on networks between MNEs, local firms, regional authorities and PEOs that balances the interests of all stakeholders.

2.5 Conclusion and Outlook

Transition economies often become stuck in the middle-income trap. IB researchers identify missing vertical linkages between MNEs and local firms and the absence of UVILs for the formation of technological capabilities as hampering factors for a successful transition. Complementarily, economic geographers emphasize that high concentrations of MNEs in a few agglomeration areas of transition economies cause a rapid economic development in these regions which creates new challenges with respect to institutions. For instance, national institutions such as education systems cannot keep pace with changing skill demands by industry, thereby causing a shortage of well-qualified workers on regional labor markets. Therefore, CSR activities by MNEs which tackle weaknesses in their institutional environments have become a popular research topic recently.

This paper develops a new theoretical concept, by combining insights from IB and economic geography literature with respect to catching-up processes in emerging economies. The

CSR—RIU model describes how global CSR certificates and local CSR projects in the education sector can help transition economies to develop a RIUS which is characterized by buyer-supplier relationships between MNEs and local firms as well as by skill upgrading collaborations between firms and PEOs. At first, the model examines when and how global CSR certificates become institutionalized in the regional economy, by discussing to what extent MNEs and regional authorities can create institutional pressure on local firms to adopt these CSR certificates. Secondly, it presents arguments under which circumstances MNEs carry out local CSR projects at partnering PEOs in order to attract skilled graduates and to trigger an institutional change in the education system.

The CSR—RIU model is far from being without limitations. On the one hand, it does not address issues concerning growing regional disparities and inequality within an emerging economy. Instead, it only provides directions on how CSR activities can help countries establish regions which enable them to make a successful transition from a factor-driven towards an efficiency-driven economy. On the other hand, by assuming that political decision-making power has been delegated to the regional level, the model emphasizes the importance of regional state authorities for the emergence of a RIUS. Hence, the model marginally captures power asymmetries and contradictory interests between the central government and regional state authorities which may have a significant influence on countries' and regions' development processes. Therefore, future research should aim to provide empirical evidence to what extent the CSR—RIU model is suitable for transition processes, thereby developing recommendations for political decision-makers. As suitable case studies, researchers should focus on economies such as China, Vietnam or Indonesia which increasingly face environmental pollution, labor exploitation and skill mismatch problems where MNEs could step in these institutional voids through their CSR initiatives.

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3. Research Design

This dissertation project has been developed in the working group *Economic Geography and the Global South* under the leadership of Professor Dr. Javier Revilla Diez at the Institute of Geography, University of Cologne. The working group considers an actor-centered perspective in the research fields *innovation, transformation and vulnerability*, and conducts its studies in Eastern Europe, East Asia and Southeast Asia. This dissertation project is specifically linked to *transformation*. Within this research field, studies examine regional effects of transformation processes in countries which shift from a planned to a market economy and, thus, experience fundamental institutional changes. Previous research has focused on MNEs and cluster development processes in Vietnam's Red River Delta, the role of varying regional institutions in Ukraine and their impact on MNEs and the interrelationship of regional institutions, governance modes and industrial upgrading processes in Hong Kong and the Pearl River Delta in Mainland China⁵.

Vietnam has been chosen as a case study for three reasons.

First, Vietnam can be considered as a transition economy as proposed in the CSR—RIU model. It has experienced enormous economic growth due to the inflow of FDI. For instance, Vietnam's FDI stock represents almost 57 percent of the country's gross domestic product in 2016⁶. However, Vietnam is currently facing the threat of stepping into the *middle-income trap* since an inadequately skilled workforce has evolved as the most significant obstacle to doing business in Vietnam (SCHWAB 2016: 362). Therefore, MNEs may increasingly seek collaborations with Vietnamese PEOs to satisfy their own resource demand and to foster the rise of UVILs. Second, since Vietnam is still struggling with its socialist heritage, MNEs have increasingly operated as institutional entrepreneurs in their host regions, thereby pushing certain provinces towards a more market-based system (DANG 2013; MALESKY 2008). As a result of their familiarity with actively shaping economic institutions, MNEs may also try use their CSR practices to implement new institutions in the education system while ensuring their access to talented graduates. Third, most local firms are excluded from MNEs' value chains because of their

⁵ This working group was established in 2014 after Professor Dr. Revilla Diez' appointment as full professor of Human Geography Chair within the framework of the key profile area 'Socio-economic, Cultural, and Political Transformations in the Global South' of the Global South Studies Center at the University of Cologne, supported by the German Excellence Initiative. Therefore, the results of previous research in Ukraine and Southern China have emerged during Mr. Revilla Diez' time as professor of Economic Geography at the Institute for Economic and Cultural Geography, Leibniz University of Hanover.

⁶ Author's calculation based on data from UNCTAD 2017 and data.worldbank.org

weak business performance and limited awareness of international labor and environmental standards (REVILLA DIEZ 2016; UNIDO 2011), making Vietnam as a suitable case study for testing whether local firms implement international labor and environmental standards as a result of MNEs' presence or because of regional institutions, created by provincial authorities, which support such upgrading efforts.

The following subsections will give an overview on Vietnam's business environment, the sources and collection processes of data and the methodological approaches.

3.1 Vietnam's development since *Doi Moi*

Vietnam has become one of the greatest success stories in poverty reduction and economic development in the last thirty years. Whereas Vietnam was one of the poorest countries in the world with a gross domestic product per capita of less than USD 100 in 1990, it has achieved a gross domestic product per capita of more than USD 1,700 in 2013 (ALTENBURG & LÜTKENHORST 2015: 142), thereby becoming a lower-middle income country according to World Bank's classification (UNIDO 2012: 17). Furthermore, Vietnam achieved a human development index score of 0.683 in 2015, which represents an increase of 43.2 percent compared to 1990 (United Nations Development Programme 2016: 2). This development could be put down to the fact that Vietnam experienced the second highest economic growth between 1986 and 2010 after China (REVILLA DIEZ 2016: 122). Labor productivity doubled between 1990 and 2010 due to improved agricultural efficiency and an abundant workforce in the industrial and service sectors and significantly pushed Vietnam's economic development (World Bank 2013: 11). As a result, Vietnam is now the second most important exporter of coffee after Brazil, the third largest exporter of shrimp, and it is ranked fifth in global textile and apparel exports (ALTENBURG & LÜTKENHORST 2015: 144). But, nowadays the service sector and the 'industry & construction' sector have become the engines of Vietnam's economy, which are respectively 50 and 33 percent of Vietnam's gross domestic product (pwc Vietnam 2016: 13). However, 46 percent of the workforce is still employed in the agricultural sector (GSO Vietnam 2015: 138). Hence, the central government must continue to invest in improving the skills of its workforce in order to achieve the goal of becoming an industrialized country by 2020 (Bertelsmann Stiftung 2016; World Bank 2013).

Vietnam's enormous development can be traced back to 1986 in which Vietnam's Communist Party decided at the 6th National Congress to introduce the *Doi Moi* reforms in order to shift the

country from a planned towards a ‘market-oriented socialist economy under state guidance’ (BERESFORD 2008: 221). Those reforms have led to a decollectivization and liberalization of its agriculture. Remarkably, within one year, this enabled Vietnam to provide enough food for its population and to become the third largest exporter of rice in the world (REVILLA DIEZ 2016: 121). The ongoing transformation of its economic system has not been accompanied by a broader democratization process. Instead, Vietnam’s Communist Party has manifested its power through a new constitution in 2013 which highlights the role of the army to protect Vietnam’s Communist Party and the political regime (Bertelsmann Stiftung 2016: 4). Nevertheless, Vietnam’s single-party political system has ensured continuous political stability and economic reform progress which has been identified as meaningful locational factors for foreign investors (UNIDO 2012: 22).

The Communist Party has stressed the meaning of FDI for economic development from the very beginning of the country’s reform process. The Foreign Investment Law in 1987, its updates in 1990 and 1992, and its replacement by new and amended laws in 1996 and 2000 aimed at improving the business climate for foreign investors (NESTOR 2007: 116). In 2005, the Communist Party passed the new Enterprise Law and the Investment Law which declare equal treatment of businesses regardless of their ownership type (foreign, private domestic or state-owned) (REVILLA DIEZ 2016: 123). Vietnam’s further integration into the world economy, by becoming a member of ASEAN in 1995 and of WTO in 2007 (REVILLA DIEZ 2016: 123), has also resulted in a more favorable business climate for foreign investors and has opened new export opportunities for its economy.

In the last fifteen years, the Communist Party has increasingly delegated political power to regional governments. Local authorities have more freedom to shape economic reform processes in their own provinces, in particular regarding regulatory functions concerning land lease, import and export licenses, and employment (MEYER & NGUYEN 2005: 70). Provinces with the most significant progress, such as Bac Ninh and Dong Thap, were those where a proactive, competent, and stable provincial government strongly interacted with a well-organized and capable private sector (SCHMITZ et al. 2015: 182f). Furthermore, the inflow of FDI also positively contributes to a province’s overall business climate, including for local firms (DANG 2013). As MALESKY (2008) has shown, a large FDI stock in a province empowers local authorities to violate central laws by experimenting with reforms. Hence, transition economies which undergo a fundamental institutional change as in the case of Vietnam seem to provide sufficient

leeway for MNEs to operate as institutional entrepreneurs in their host regions as proposed by the CSR—RIU model in chapter 2.4.

In recent years, Vietnam has become one of the most popular destinations for FDI in Southeast Asia due to an abundant and relatively young labor force, low costs, political stability and a growing middle class (pwc Vietnam 2016: 9). With a volume of USD 12.6 billion in 2016 Vietnam has become the fifth most important host economy for FDI in Asia after China, Hong Kong, Singapore and India (UNCTAD 2017: 49). Hence, MNEs have become a key driver for Vietnam's economy. The most important target sectors for FDI are manufacturing, real estate and construction. Manufacturing alone accounts for 58 percent of all cumulated FDI projects by the end of 2011 (UNIDO 2012: 40). Due to a vast and low-cost workforce, most MNEs have set up factories in export-orientated industries (KETELS et al. 2010) such as footwear, textile and garment and, in recent years, increasingly electronic devices. Most investors come from other Asian economies such as Japan, Korea, Singapore, Taiwan and China which made up 75 percent of all FDI projects in Vietnam between 2010 and 2014 (REVILLA DIEZ 2016: 124).

The spatial distribution of FDI within Vietnam is uneven. The majority of MNEs are concentrated in Vietnam's agglomeration areas. The Southeast (Ho Chi Minh City and surrounding provinces) possesses approximately 56 percent of all FDI projects, whereas the Red River Delta (Hanoi and surrounding provinces) in Northern Vietnam is second with a share of almost 27 percent in 2015 (NGUYEN & REVILLA DIEZ 2017). The success of the Southeast in having attracted most FDI lies in its ability to provide a better business climate for foreign investors after the introduction of the Doi Moi reforms due to its history as a market economy over 25 years until the reunification in 1975 (TRAN et al. 2009: 4). However, the Red River Delta has experienced an enormous and dynamic development in recent years. For example, the Red River Delta made up 29 percent of Vietnam's entire industrial production in 2014 which represents an increase of ten percentage points compared to 1997 (NGUYEN & REVILLA DIEZ 2016: 31f). The reasons for increasing industrialization in Northern Vietnamese provinces can be found in an increasing inflow of FDI in recent years (NGUYEN & REVILLA DIEZ 2017). For instance, Samsung Electronics has become one of the most important investors, setting up a new factory in Bac Ninh province in 2008 with the goal of producing 119 million electronic devices and creating 26,000 new jobs (LEE & JUNG 2015: 466).

Although they are significant for Vietnam's economic performance, direct employment effects by MNEs have remained relatively low. Although FDI has created more jobs over the

years (from 250,000 jobs in 1997 to 2.4 million in 2014), MNEs' share of Vietnam's total employment at 3.9 percent in 2014 remains relatively low (GSO Vietnam 2015; JENKINS 2006). However, MNEs made up 44 percent of all industrial jobs in 2010 (UNIDO 2011: 65) which represents an increase of more than 35 percentage points compared to 1997 (JENKINS 2006: 128).

3.2 Vietnam's current challenges and the relevance of CSR

Vietnam ranks 60th in the latest global competitiveness report, lagging behind most other South-east Asian economies such as Philippines (57th), Indonesia (41th), Thailand (34th), Malaysia (25th) and Singapore (2nd) (SCHWAB 2016: 16) despite its impressive development in the past thirty years. Moreover, there are concerns that Vietnam will also step into the middle-income trap because its success has mainly been based on labor-intensive industries with little sophisticated technology levels (ALTENBURG & LÜTKENHORST 2015: 146). Hence, Vietnam faces several challenges which threaten its future for sustainable development.

In term of economic sustainability, Vietnam must improve its business environment, needs to promote linkages between MNEs and the domestic industry, and must improve local firms' absorptive capacities (BERGER et al. 2016: 2). This also means continuing to reduce the power of state-owned enterprises (SOEs). Although the number of SOEs has declined over the years (PINCUS 2015), their share in Vietnam's gross domestic product was at 34 percent in 2010 still quite high (UNIDO 2012: 41). This is possible because SOEs still receive privileges from the government through favored access to credit and other policies (Bertelsmann Stiftung 2016). For instance, MALESKY & LONDON (2014: 412f) identify three distortions created by SOEs. First, SOEs are protected in certain sectors from competition with MNEs and local firms. Second, they possess land which they rent to private firms, thereby generating additional income. Third, they attract the best skilled employees from private firms. Consequently, several studies conclude that the Vietnamese government needs to stop giving SOEs favorable access to credit and other resources, and SOEs should be exposed to market competition (MALESKY & LONDON 2014; PINCUS 2015; REVILLA DIEZ 2016).

Another challenge for Vietnam is its weak private domestic sector. Interestingly, Vietnam has experienced its greatest economic growth and poverty reduction when reforms have resulted in declines of the state sector (MALESKY & LONDON 2014: 413). But although local firms employ 61 percent of the workforce, their share of Vietnam's gross domestic product in 2014 was only 43 percent (REVILLA DIEZ 2016). This could be put down to the fact that local

firms possess low productivity levels and that they are hampered in their efforts to upgrade by a lack of financial resources and insufficient managerial capabilities (KETELS et al. 2010). As a result, most Vietnamese firms have so far been unable to establish linkages with MNEs (UNIDO 2012: 119). Spillover effects from MNEs to the domestic sector have also occurred on a limited level so far. There is empirical evidence that spatial proximity has a positive impact due to demonstration effects (UNIDO 2012). Backward linkages with MNEs do have a positive impact on local firms' total factor productivity growth but only in the Southeast (NGUYEN 2017). This could be explained by the fact that MNEs in the Red River Delta operate in new sectors in contrast to local firms (NGUYEN & REVILLA DIEZ 2016), indicating that the technological gap is too high. Furthermore, horizontal and backward linkages with MNEs make them more willing to start exporting (ANWAR & NGUYEN 2011). But in general, the positive impacts of horizontal and vertical linkages are offset by crowding out effects through the entrance of MNEs in local firms' sectors (LE & POMFRET 2011; UNIDO 2012). To sum up, local firms need more support in the future in order to successfully foster upgrading processes, thereby becoming a member of global value chains.

Finally, an inadequately educated workforce has so far been the most significant factor preventing Vietnam from shifting into higher global value added production stages (SCHWAB 2016: 362). Several studies identify serious skill mismatches on the labor market as a limiting factor for upgrading processes by MNEs and local firms (ALTENBURG & LÜTKENHORST 2015; MALESKY et al. 2016; REVILLA DIEZ 2016; World Bank 2013). Both foreign and domestic firms complain that it takes at least 43 days to fill a vacancy for a professional and 32 days for a technician (CIEM & World Bank 2012: 35), mainly because job applicants lack required skills (CIEM et al. 2014). Typical skills that are increasingly required by firms for positions such as professionals and technicians are team work, reading, problem solving, presentation techniques and math or the ability to use a calculator (CIEM & World Bank 2012: 21). In particular, the current education system has been identified as a constraint. People with qualifications from vocational training institutes lack practical skills and show a low commitment to professional work, discipline and teamwork (THANG & QUANG 2007: 145) and the number of students attending vocational training institutes has been decreasing continuously (MALESKY 2011: 29).

According to HOANG & PHAM (2010: 81f), the insufficient supply of graduates equipped with the right skills can be explained by the following facts. First, Vietnam's government has spent too little on its TVET system since tertiary education has always been prioritized. Second, there is little interaction between vocational training institutes and the business sector, resulting

in a highly theoretical curriculum that's largely irrelevant for the market. Third, there is no specific research institute which focuses on the labor market and skill development or conducts surveys on graduates' employment situation. As a result, 80 percent of all graduates must be retrained when entering a company (THANG & QUANG 2007: 142). However, numerous MNEs and several development agencies such as JICA from Japan, USAID, and the German GIZ have begun to invest in partnering Vietnamese PEOs in order to better prepare students for their entrance into working life and to upgrade Vietnam's overall education system (JICA 2014; WRANA & REVILLA DIEZ 2016).

In the social dimension of sustainability, Vietnam struggles with enormous regional inequalities. For instance, the average monthly income of the richest region in 2002, which was the Southeast, was only double the poorest one (Northwest), but in 2010, the Southeast had an average monthly income which was already eight times higher compared to the Northwest (REVILLA DIEZ 2016: 127). Further social problems which endanger Vietnam's long term economic performance are unequal access to healthcare services, insufficient social mobility, and large amounts of workers in vulnerable employment (SCHWAB 2013: 72). Workers are vulnerable because the central government retains the country's international competitiveness by keeping labor costs as low as possible and inhibiting the work of employee-friendly trade unions (WANG 2005: 51). However, Vietnam's government has recently passed a new law which declares that firms must raise the minimum wage, e.g. to 3.9 million Vietnamese Dong per month in urban regions, and they need to increase their contribution to social insurances (AmCham Vietnam 2017). However, there is the threat that MNEs will divest and relocate their plants to other low-cost destinations in case labor productivity stagnates at its current low levels.

On the ecological dimension of sustainability, rapid industrialization has caused dramatic air and water pollution, which also result from weakly enforced environmental regulations on the local level (SCHWAB 2013: 72). Furthermore, Vietnam is heavily affected by climate change. For instance, Vietnam is already experiencing rising sea levels, deforestation, and losses of mangroves, in particular in the Mekong Delta and Southeast. As a result, Vietnam's government developed the national Green Growth Strategy in 2012 which aims at reducing CO₂ emissions, supporting green and resource-efficient production, and fostering sustainable consumption (ALTENBURG & LÜTKENHORST 2015: 149).

As a response to the aforementioned challenges, foreign and domestic firms realize CSR practices (see table 3.1). Regarding CSR certificates such as ISO 14001, SA 8000 or OHSAS 18001, MNEs are indeed the drivers for the spread within Vietnam. But surprisingly, only a

minority has implemented these global CSR certificates. In contrast, Vietnamese firms are more willing to conduct local community development projects, demonstrating that they overwhelmingly understand CSR in a philanthropic manner (HAMM 2012). SOEs have the largest share of firms with local community development projects. This is not a surprise since SOEs are obligated to provide *public goods* such as social housing, health and social services both for employees and their families in socialistic planned economies (ZHAO 2014: 61f). Despite the aforementioned problems local firms face in Vietnam, almost half of them have conducted at least one local community development project. This is even more impressive when considering that wholly-owned local firms compared to equitized SOEs (private firms with a state capital of less than 50 percent) perform much better across all CSR dimensions compared to equitized SOEs. One explanation could be that private firms with state capital are more uncertain about the potentials and limits of doing business since state actors can interfere at any time into their plans (GAINSBOROUGH 2008: 22). Thus, equitized SOEs might be less interested into CSR investments since it is unclear whether authorities may intervene in such programs.

Table 3.1 Type and extent of CSR practices by firm ownership type in 2012

	SOEs	Private firms with state capital less than 50%	Wholly-privately owned firms	MNEs
Global CSR certificates	10%	9%	10%	13%
Local community projects	48%	39%	43%	31%
1. Environmental protection	35%	25%	30%	18%
2. Education	10%	8%	11%	6%
3. Infrastructure	11%	8%	10%	4%
4. Medical Services	4%	4%	5%	4%
5. Youth Development	5%	3%	5%	1%
6. Poverty Alleviation	22%	19%	22%	11%
7. The local heritage	4%	4%	4%	1%
8. Sport events	6%	5%	6%	4%
9. Others...	4%	6%	6%	7%
Number of firms	191	2,603	1,957	1,431
All Variables are binary: cells contain the share of firms which answered with 'yes'.				
Source: Author's calculation and draft based on 'Technology and Competitiveness Survey 2014' (CIEM & UOC 2014)				

Vietnam's central government has not yet developed an explicit CSR policy, although some attempts have been made to address CSR related issues in the broader sustainability strategy *Vietnam Agenda 21* (Bertelsmann Stiftung & GTZ 2007: 182f). Consequently, global CSR certificates have been mainly introduced by MNEs and international organizations (HAMM 2012). However, TRAN & JEPPESEN (2016) have found out that small- and medium-sized (SMEs) Vietnamese firms were already practicing CSR-related issues long before Western firms arrived in the country. Moreover, some of these practices such as flexible working times, livable wages and good relations with management and colleagues have been stressed by workers as crucial parts for a good working environment, but are contrary to global buyers' requirements.

Regarding the diffusion of global CSR certificates in Vietnam, several initiatives have been launched. For example, the UNIDO started a project called *Helping Vietnamese SMEs Adapt and Adopt CSR for Improved Linkages with Global Supply Chains in Sustainable Production* in cooperation with the Vietnamese Chambers of Commerce and Industry (VCCI) and further representatives from business associations and research institutes (UNIDO 2011). Both initiatives focus on raising Vietnamese firms' awareness of CSR and helping them to improve their capabilities to fulfill international labor and environmental standards, thereby increasing their chances of entering as a supplier into MNEs' global value chains.

A few studies have already examined the impacts of global CSR certificates in Vietnam. On the one hand, qualitative case studies have revealed violations against labor standards as declared in MNEs' codes of conducts. According to TRAN (2011: 142f), Sambu Vina, a Korean manufacturer for sport bags, located in Ho Chi Minh City (HCMC), has been identified as paying less than 60 percent of the official minimum wage, thereby violating its own responsibility strategy. This could be partially explained by the limited capacities of the VCCI to monitor all firms since it does not act as a representative body for most MNEs and local firms. But on the other hand, several quantitative studies have revealed positive effects for both Vietnamese employers and employees as a result of their CSR efforts. Firms can improve their efficiency through CSR, in particular, if they adopt local community development projects and if they operate in non-competitive sectors (NEWMAN et al. 2016). NGUYEN & HENS (2015) have revealed that firms in Vietnam's cement industry have a significantly lower pollution level if they are certified based on ISO 14001 compared to non-certified firms. Finally, TRIFKOVIC (2017) shows that firms in Vietnam with ISO 9001 standards pay higher wages and invest more into

labor training. But, there is no effect on paid sick leave or social and health insurances which could be explained by the fact that this study does not consider global CSR certificates.

Above all, the diffusion of global CSR certificates remains quite low in Vietnam and MNEs conduct far fewer local CSR projects compared to the Vietnamese ones. Nevertheless, MNEs might still be able to operate as institutional entrepreneurs in their host regions through CSR practices as proposed by the CSR–RIU model. Since quantitative data presented in this chapter does not provide any information about the content of their CSR practices and the enforcement mechanisms for the diffusion of global CSR certificates into the local economy, the following chapter will give an overview about further data and methodological approaches which will be applied in this PhD-thesis.

3.3 Data & Methodology

The selection of research tools depends on scholars' formulated research questions which arise from existing research gaps or, more general, from problems. In economic and social geography, we can distinguish between two types of problems and related research designs (WESSEL 1996: 49f). On the one hand, socio-spatial and economic geographical problems can be derived from generally observable phenomenon in the real world such as the migration of rural people to urban regions in the global South or gentrification processes in metropolitan areas. On the other hand, problems can be derived from existing economic geographical theories. Depending on the extent of existing knowledge and past research, the concrete problem can either have an explorative or diagnostic nature (WESSEL 1996: 49). In the former case, the research intends to develop a new understanding and generate novel empirical data. As a result, scholars should favor a more open and qualitative research design. In the latter case, a large stock of knowledge on the overall problem is already available. Thus, scholars can formulate exact definitions of their research objects and make use of standardized quantitative methods.

RQ3 builds upon a large body of literature that makes use of institutional theory to explain the degree of diffusion of global CSR certificates, to determine crucial factors for this process and to examine the impact of these certificates on firms' business performance (DELMAS & MONTES-SANCHO 2011; GOEDHUYTS & SLEUWAEGEN 2013; HUSTED et al. 2016). This has been taken up in the CSR–RIU model. On the one hand, it discusses more in detail how MNEs and regional institutions can drive the diffusion of global CSR certificates in host re-

gions' economies. On the other hand, it presumes that the adoption of such global CSR certificates can result in numerous benefits for local firms such as rising linkages with MNEs. Therefore, a quantitative statistical approach will be chosen.

In contrast, RQ4 has a more explorative nature. Linkages between MNEs, local firms and PEOs in emerging economies as a tool to build up host regions' absorptive capacities have already been intensively discussed (e.g. BERGER & REVILLA DIEZ 2008; BLOMSTRÖM & KOKKO 2002; SCHILLER & REVILLA DIEZ 2007). However, MNEs' local CSR projects at partnering PEOs in transition economies have overwhelmingly been neglected as a means for triggering institutional changes within host regions' education system, including the institutionalization of UVILs. Hence, an explorative research design will be favored.

The subchapters will give a brief overview of the following items. First, secondary statistical data and quantitative methods will be presented which will aim at answering RQ3. Afterwards, the explorative research design for RQ4 will be presented with a specific focus on the collection of primary data in Vietnam since these data are used for the analysis in chapters five and six.

3.3.1 Quantitative empirical approaches

Chapter four uses statistical data derived from *Vietnam's enterprise census* in 2013 and 2015 as well as from the *Technology and Competitiveness Survey* (TCS) 2014. The enterprise census is conducted annually and nationwide by the GSO Vietnam. It covers the entire population of firms with at least 30 employees, in particular, in the manufacturing sector, and, additionally, a representative sample of smaller firms (NEWMAN et al. 2016: 4). The dataset embraces general firm characteristics such as revenue, number of employees, assets, ownership structure, sector and geographical location, including the codes for the commune, districts and provinces (NGUYEN 2017: 4). It also contains a tax code which enables to identify the respective firm.

The TCS 2014 has been organized by the CIEM and the University of Copenhagen (UOC) (NEWMAN et al. 2016: 4). Based on the enterprise census, CIEM and UOC have conducted a stratified random sample of approximately 8,000 firms to gather detailed information on their business performance for the fiscal year 2012 with respect to innovation potentials, CSR, buyer-supplier relationships, and competitiveness (NEWMAN et al. 2016: 4). This dataset also contains information on whether a firm has adopted a global CSR certificate or not. Furthermore, it provides data on type and extent of firms' local CSR projects in areas such as education, poverty alleviation, healthcare services or environment. Vietnam's enterprise census

and the TCS 2014 have been merged, resulting in a balanced dataset of more than 4,500 local firms.

Since data are solely available from TCS 2014 and not from previous or subsequent years, it was not possible to test empirically whether the adoption of CSR certificates directly enables Vietnamese firms to establish forward linkages with MNEs as presumed in the CSR—RIU model. Since Vietnamese firms are excluded from global value chains because of their weak productivity levels (REVILLA DIEZ 2016) among other things, a first step to increasing the probability for establishing vertical linkages with MNEs would be to examine how Vietnamese firms can improve their business performance. Some studies conclude that the adoption of ISO certificates can result in higher productivity levels (e.g. GOEDHUYS et al. 2008). Through the usage of a firm's employees numbers, net fixed assets, intermediate costs and a firm's output (NGUYEN 2017: 49) from Vietnam's enterprise census 2013 and 2015, one can calculate firms' short-term productivity growth between 2013 and 2014. As a result, it is possible to examine the impact of adopting global CSR certificates in 2012, derived from TCS 2014, on a firm's productivity development between 2013 and 2014.

Propensity score matching (PSM) analysis is suitable tool for detecting the impact of adopting a global CSR certificate on a firm's business performance because it compares firms based on similar characteristics, but it makes distinctions based on whether they have been certified or not (HENSON et al. 2011: 378). More detailed explanations on the exact calculation of a firm's productivity growth and the usage of PSM analysis will be provided in chapter 4.3.

Apart from examining the impact of global CSR certificates on a firm's business performance, RQ3 aims to identify relevant spatial determinants for the implementation of global CSR certificates among local firms. Therefore, a multilevel logistic regression will be applied. In recent years, multilevel models have been preferred by economic geographers to link spatial factors with micro-level characteristics, in particular, the field of an individuals' entrepreneurship engagement (e.g. SOHNS & REVILLA DIEZ 2017). The advantages of applying multilevel regressions models for explaining phenomena on the micro level based on both individual factors and geographical aspects can be summarized as follows (SOHNS 2017: 21f): They best avoid statistically biased results and allow the simultaneous integration of both different spatial levels (e.g. district and province level) and numerous region-specific determinants into one single regression model. Chapter 4.3 will explain more in detail the chosen multilevel regression

model. For developing the final dataset and doing the analysis, the software STATA (version 13) was applied.

3.3.2 Qualitative empirical approaches

Chapters five and six respond to RQ4. Following the CSR—RIU model, these chapters explicitly intend to develop a new understanding of the processes of institutional co-evolution (CANTWELL et al. 2010) on the local level and the rise of proto-institutions (LAWRENCE et al. 2002) on the regional level with respect to MNEs' local CSR projects at partnering Vietnamese PEOs. Therefore, these chapters are founded on an explorative research design.

In total, three research trips to Vietnam were conducted with the goal to collect primary data on MNEs and their local CSR projects and their ability to shape institutions in their host regions.

The research team consisted of representatives from the CIEM, the Diplomatic Academy of Vietnam (DAV) and the author of this PhD-thesis.

The CIEM was founded in 1977 to consult with Vietnam's central government, the central committee and respective ministries regarding economic issues based on original empirical analyses (ciem.org.vn). It has now almost 100 employees, mostly researchers with a PhD or a masters degree, carries out policy recommendations for Vietnam, and conducts original research with cooperation partners from Vietnam and abroad (CIEM 2012). The DAV belongs to the Ministry of Foreign Affairs and provides a robust education to its students in the fields of economics and international politics, preparing its graduates for a future career as diplomats (DAV 2017).

During the field work, representatives of the CIEM and the DAV were actively involved in the data collection process. The field work used a three step approach for collecting data. In short, the first two data-gathering phases aimed at identifying relevant CSR projects by MNEs and exploring to what extent they can be classified as an institutional co-evolution to the existing system, whereas the third step tried to figure out to what extent co-evolved institutions have trickled down into MNEs' host regions, becoming a proto-institution in the process.

During the first field visit from May to August 2014, a phone survey with 35 Vietnamese students from the DAV was conducted in order to get an overview of MNEs' kind and extent of local CSR activities in Vietnam. The survey specifically covers open questions regarding a MNE's local CSR projects in the economic, social and ecological dimension of sustainability

which allow the respondents to give a detailed description of firms' respective local CSR projects (e.g., type, invested capital, number of involved employees, collaboration partners). But the questionnaire also includes standardized questions with respect to general firm characteristics, motives for investing in Vietnam, potential vertical linkages with Vietnamese suppliers and buyers and past and future plans in Vietnam. A list of all MNEs registered in Vietnam with contact data was provided by the Foreign Investment Agency in advance. Similar to the underlying survey of the Vietnam Industrial Development Report 2011 (UNIDO 2012), a stratified random sample has been selected based on general firm characteristics such as number of employees, turnover, manufacturing sector, home country and host region in order to ensure robust and representative results.

Before calling firm managers of the MNEs, the 35 students of the DAV were instructed how to behave before, during, and after making contact. Interview situations were simulated with all students to prepare them to introduce themselves, ask precise questions and how to convince their partners not to stop the interview. In total, almost 400 MNEs joined the survey, providing a detailed overview of the kinds and extent of local CSR projects in Vietnam. Almost 60 percent of all interviewed MNEs stated that they conduct at least one local CSR project.

A second phone survey with a shorter questionnaire and a smaller sample size ($n = 263$) was conducted in order to test for non-response biases a few weeks later. A chi-square test suggests that there are no significant differences between the first and second survey, thereby minimizing the risk of receiving non-response biased results. Based on the preliminary analysis of the given answers, most MNEs undertake local CSR programs in the education sector. This fits well with the CSR—RIU model which stresses the role of MNEs' local CSR programs at partnering PEOs to improve a region's human capital base and to trigger an institutional change in the education sector in the long run.

Based on data from the phone survey and further internet research, several local CSR projects at Vietnamese PEOs, conducted by MNEs from Germany, Japan, South Korea and USA, have been identified as potential case studies for testing whether MNEs operate as institutional entrepreneurs in the education sectors of their host regions. For this reason, a second field visit to Vietnam was conducted from September to December 2014. Following previous research in institution-building efforts by MNEs (e.g. MANNING et al. 2012), the research team conducted qualitative in-depth interviews with managers and further involved stakeholders of MNEs' local CSR projects at Vietnamese PEOs based on a semi-standardized questionnaire and in two case study regions.

The questionnaire used the theory of institutional change proposed by CAMPBELL (2004) for the following reasons. First, at that point of time, it was the only theoretical framework which had a clear actor-centered focus on the processes of institutional change, whereas other theories were published later (e.g. FAULCONBRIDGE & MUZIO 2015; FORTWENGEL & JACKSON 2016; SOTARAUTA 2017). Second, although not explicitly linked to MNEs, the theory proposed by CAMPBELL (2004) has a specific focus on the transfer of institutions and new ideas in a globalized world.

The questionnaire had the following structure: The first block contains information on MNEs' firm characteristics and demand for human resources (e.g. type of skills). The second part asks specifically about the type, extent and motivation for CSR projects in the education sector. The third part includes questions about the role of authorities, Vietnamese partners and MNE's parent company during the implementation process of the CSR project. Finally, the impact of the CSR projects was discussed regarding the achievement of the intended goals and whether potential spillover effects have been reported by third parties.

Since the case studies involve stakeholders from different backgrounds, the questionnaires had to be adapted to the interviewee's specific context. For instance, representatives from PEOs such as teachers, deans, and students were asked more in detail about the impact of MNEs' CSR projects, whereas consultants, state authorities and representatives from development agencies were asked to provide detailed answers about the implementation processes. Further descriptions of the respective MNEs and non-firm interview partners can be found in chapters five and six.

The final field visit lasted six weeks between August and September 2015. This data-gathering phase was conducted one year after the first two research trips in order to examine the impact of the original local CSR projects between the respective MNEs and their partnering Vietnamese PEOs. More precisely, the research team was interested in whether co-evolved organizational practices regarding skills, work practices and UVILs were adopted by co-located local firms, thereby fostering the rise of regional proto-institutions as proposed in the third phase of the CSR—RIU model.

Together with a Vietnamese colleague from the DAV, 22 local firms in Vietnam's Red River Delta were interviewed. The criteria and the selection procedures are described more in

detail in chapter six. Additionally, one German MNE from the second field visit was interviewed for a second time to collect information about the current state of its dual apprenticeship program and whether potential Vietnamese supplier and customers have joined the initiative.

The questionnaire for the Vietnamese firms contains questions derived from the theory of institutional change (CAMPBELL 2004) and from spillover concepts (e.g., BLOMSTRÖM & KOKKO 1998; BLOMSTRÖM & KOKKO 2001).

The semi-standardized questionnaire consist of four parts. The first section deals with general characteristics such as firm development, export rate, market share. A question about the director's personal background was also included in order to check whether he or she has previously worked for a MNE or abroad. This could be relevant because the manager is likely to get in touch with different institutional environments, and thus, other forms of UVILs. The second part contains questions regarding a firm's linkages with suppliers and buyers. In case the firm has vertical linkages with MNEs it was also asked whether the MNEs provides assistances in training, technology transfer or product and process standards. Part three deals with a firm's degree of technological capabilities such as the quality of current human capital and the existence of R&D activities and its technological upgrading efforts. The last block elaborates a firm's efforts to improve its stock of human capital. Questions were asked regarding the kinds and extent of training programs offered by a firm and the skill level it requires, either blue-collar or white-collar. In particular, firms were asked to what extent they are familiar with MNEs' local CSR projects at partnering Vietnamese PEOs and whether they have joined or imitated such initiatives. Additionally, they were asked to what extent they collaborate with Vietnamese PEOs based on their own ideas and how they would evaluate the impact of their programs.

All interviews were transcribed by the research team or by external specialized transcription enterprises from India. In the latter case, the transcripts were checked against the audio files once again to ensure transcripts' quality.

Throughout the entire PhD-thesis, the concept of a *structured content analysis* has been applied (MAYRING 2017: 473). The goal of this analytical technique is to extract and systemize certain information from existing interview data based on categories derived from the theoretical framework. The structure of the interview materials demands fixed definitions, identification of typical text passages, and strict coding rules which will result in a sophisticated coding tree (MAYRING 2017: 473). The operationalization of the codes will be explained in more detail in the respective chapters. Qualitative content analysis has the advantage that it follows a strict,

methodologically controlled approach and investigates the material step by step (MAYRING 2002: 114). Although it is standardized, similar to quantitative approaches, the qualitative content analysis aims at exploring not only the content, but also deeper meanings which are hidden in the material (MAYRING 2017: 469). For all structured content analysis, the software MAXQDA (version 11) was used which enables the researcher to develop single codes and more sophisticated code systems which can be attached to specific paragraph of the transcripts.

4. Regional determinants for the diffusion of global CSR certificates among private domestic firms in a transition economy — Evidence from Vietnam

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Regional determinants for the diffusion of global CSR certificates among private domestic firms in a transition economy – Evidence from Vietnam

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Abstract

Past research has identified multinational enterprises and national institutional as mediating factors for the diffusion of global CSR certificates such as ISO 14001 in emerging economies, but neglected the meaning of regional institutions. Based on a multilevel model with more than 4,500 private Vietnamese firms, this paper makes two contributions. First, regional institutions, in particular CSR support systems, rather than multinational enterprises have a positive impact on the spread of global CSR certificates. Second, CSR support systems are even more meaningful for local firms located in regions with a more difficult business climate.

Keywords: private sector development, regional institutions, multinational enterprises, Vietnam, global CSR certificates

4.1 Introduction

Private firms in emerging economies can improve their business performance through the adoption of international standards (GOEDHUYS et al. 2008; GOEDHUYS & SLEUWAGEN 2013) such as ISO 14001 or OHSAS 18001 which are also labeled as ‘global CSR certificates’ because of their impact on host region’s sustainable development (HUSTED et al. 2016: 384). Furthermore, firms adopt global CSR certificates in order to signal to potential customers their ability to overcome institutional weaknesses in emerging economies (GOEDHUYS & SLEUWAGEN 2013; SU et al. 2016). Therefore, past studies have identified MNEs and national institutions as key drivers for the diffusion of global CSR certificates in emerging economies (BLACKMAN & GUERRERO 2012; DELMAS & MONTES-SANCHO 2011; FIKRU 2014; SU et al. 2016). For example, private Vietnamese firms (from here onwards: local firms) in China and Mexico adopt ISO 14001 standards because co-located MNEs put mimetic pressure on them to do so (HUSTED et al. 2016; LIU et al. 2010) or global buyers require the standards’ implementation as a pre-requisite to enter their supply chains (EL BAZ et al. 2016; GIULIANI 2016; TRAN & JEPPESEN 2016).

Despite these valuable contributions, the study identifies the following research gaps which it seeks to fill: Most studies combine determinants on the micro level (e.g. firm capabilities) and macro level (e.g. national institutions in international comparisons) while neglecting regional institutions within emerging economies. A few studies have already identified institutions such as inspection intensity in single country case studies, as mediating factors for the diffusion of CSR certificates (BLACKMAN & GUERRERO 2012; HUSTED et al. 2016).

However, they largely ignore regional variation of these institutions within a country. In particular, in transition economies such as China, Ukraine or Vietnam, a region's degree of enforced market-based institutions and the local presence of MNEs have a significant impact on decision-making processes of firms (MALESKY 2008; MEYER & NGUYEN 2005; MEYER & REVILLA DIEZ 2015; REVILLA DIEZ et al. 2016). Furthermore, the aforementioned studies mainly focus on sanction mechanisms such as regulatory fines rather than incentive mechanisms such as financial support and consultation. Such means are likely to be essential in emerging economies with a dualistic economic structure in which most local firms are small-scaled, have low productivity levels and possess little linkages with co-located export-orientated MNEs (ERNST 2002; UNIDO 2012). Due to missing vertical linkages with MNEs, and thus, the lack of support by MNEs, local authorities and regional institutions are likely to play a key role in supporting local firms' efforts to implement global CSR certificates.

Therefore, the goal of this paper is to unbundle the varying impacts of firm capabilities, spatial proximity towards MNEs (district level) and regional institutions (province level) on the implementation of CSR certificates among local firms in a transition economy. In order to validate our research goal, a three-level logistic regression model was run; it was critical to first test whether or not the adoption of CSR certificates results in better business performance such as higher productivity levels and sale shares as previous studies have pointed out (GOEDHUYS et al. 2008; GOEDHUYS & SLEUWAEGEN 2013). Thus, the following research questions (RQ) regarding local firms' adoption of CSR certificates will be answered in this paper:

- 1) Do CSR certificates increase local firms' productivity?
- 2) In which ways do regional institutions and the presence of MNEs influence local firms' implementation of CSR certificates?

Vietnam was selected as case study because it is still considered an economy in transition due to various implementation progresses of market-based institutions on the regional level (MALESKY 2008; MEYER & NGUYEN 2005). Given that local firms possess low productivity

levels (KETELS et al. 2010), the adoption of CSR certificates may result in better business performance and help to penetrate global value chains. However, local firms are hampered in their upgrading processes by lack of financial resources, shortage of skilled workers and insufficient support by global buyers (KETELS et al. 2010; TRAN & JEPPESEN 2016; World Bank 2013). Hence, spatial proximity to MNEs and regional institutions can significantly influence the implementation of CSR certificates among local firms.

The rest of this paper is structured as follows: Chapter two explores the paper's theoretical framework, and discusses the role of absorptive capacities, MNEs and regional institutions in the spread of global CSR certificates among local firms. Chapters three and four present the data, methodology and analysis. The final two sections integrate our results into current debates on the role of CSR and regional institutions for private sector development in emerging economies, discuss limitations of our study and suggest directions for future research.

4.2 Conceptual framework

The role of institutions and the impact of MNEs on firms' adoption of global CSR certificates has already been highlighted (GOEDHUYTS & SLEUWAEGEN 2013; GIULIANI 2016; HUSTED et al. 2016; SU et al. 2016). However, countries which are shifting from a socialist's background towards a market economy often possess varying institutions on the regional level. For example, a high inflow of foreign direct investments (FDI) empowers regional authorities to create favourable business climates for MNEs and private domestic companies (DANG 2013; LONG et al. 2015; MALESKY 2008).

This paper assumes that regional institutions influence the diffusion of global CSR certificates for two reasons: First, CSR as a voluntary business concept has its roots in market economies with relatively strong institutional environments in which regulation is 'efficient and fairly enforced' (DOBERS & HALME 2009: 242). By ensuring transparent bureaucratic procedures or low tax rates, the government and society expect enterprises to bring social issues into their core business activities e.g. paying for health insurance and pension funds for their employees (MATTEN & MOON 2008). However, the diffusion of market based institutions to the regional level in emerging economies is often uneven (REVILLA DIEZ et al. 2016), thereby generating an uncertain business climate with escalating bureaucracy and unexpected informal payments. Since local firms usually hold little financial resources (EL BAZ et al. 2016; KETELS et al. 2010), they are likely to withhold substantial parts of their budgets to processes which facilitate their access to legal documents or building a good relationship with local authorities,

thereby ensuring their eventual survival, rather than pursuing cost-intensive CSR certification programs. Therefore, we presume that regions which provide well-developed market-based institutions, which reduce uncertainty and unexpected costs for local firms, offer a smoother business climate for the diffusion of global CSR certificates.

Second, the diffusion of global CSR certificates also depends on a region's prevailing paradigm on the organization of its economic and social life. CSR could be interpreted as an alternative institution to markets or state regulations (BRAMMER et al. 2012). Vietnam's central government has delegated political power to the regions, thereby enabling local authorities to shape economic reform processes (MEYER & NGUYEN 2005). Since Vietnam lacks a coherent CSR policy and local firms understand CSR primarily as philanthropic donations, MNEs are part of the main drivers of global CSR certificates (HAMM 2012). Therefore, political authorities might be more willing to support local firms' efforts to adopt global CSR certificates in regions where MNEs have already introduced them.

For example, MNEs try to foster a pro-active industrial self-regulation through voluntary codes of conduct which may co-evolve to existing labour laws or could be used as a preventive tool to avoid new state regulations (CANTWELL et al. 2010). But in contrast to MNEs, local firms often possess limited financial resources. Hence, they probably follow existing rules regarding environmental and social issues until regional authorities introduce new regulations. For instance, ISO 14001 standards have been observed to diffuse more likely if governments show a high environmental commitment (DELMAS & MONTES-SANCHO 2011). Hence, active support by regional authorities is probably needed since global buyers require local firms to comply with their standards without offering technical help to implement such certificates (TRAN & JEPPESEN 2016). Therefore, local authorities must pro-actively establish an incentive system for the adoption of global CSR certificates which embraces subsidies, reduced tax rates, networking opportunities and the provision of information on social and environmental issues. Consequently, we presume that firms are more likely to adopt such certificates if they are located in regions with a CSR support system.

Since MNEs play a very vital complimentary role which can also support the diffusion of global CSR certificates in host regions. For example, the introduction of these certificates can be classified as a process of institutional co-evolution which, in the end, may lead to processes of institutional isomorphism in the local economy (CANTWELL et al. 2010). Existing literature suggests that such spillover effects are positively influenced by spatial proximity between MNEs and domestic firms (BLOMSTRÖM & KOKKO 2001; IVARSSON & ALVSTAM 2005).

Recently, HUSTED et al. (2016) found that the co-location of MNEs with ISO 14001 standards create mimetic pressure on Mexican firms to adopt this certificate. Therefore, we presume that the spatial proximity of domestic firms towards a MNE with a global CSR certificate increases the probability of adopting one.

4.3 Data and methods

Data were extracted from the annual enterprise census conducted by the General Statistics Office (GSO) of Vietnam in 2013 and 2014. Furthermore, we used firm-level data for the fiscal year 2012 from *Vietnam Technology and Competitiveness Survey (TCS) 2014* conducted by Central Institute of Economic Management (CIEM) and University of Copenhagen (UoC) in 2014 and Vietnam's annual enterprise census 2013 and 2015 by GSO Vietnam. Province-level data was derived from the Foreign Investment Agency and the Provincial Competitiveness Index (PCI) Report 2011. The latter describes the institutional environment for private business in Vietnam's provinces. The PCI team calculates an overall index and its subcomponents based on a survey of 6,922 local firms across all 63 provinces (MALESKY 2011).

We followed a two-step approach (see figure 3.1). First, we tested whether or not the adoption of CSR certificates has led to productivity growth among local firms. Step two of our empirical framework embraced a multilevel model which detects the main determinants for the implementation of CSR certificates.

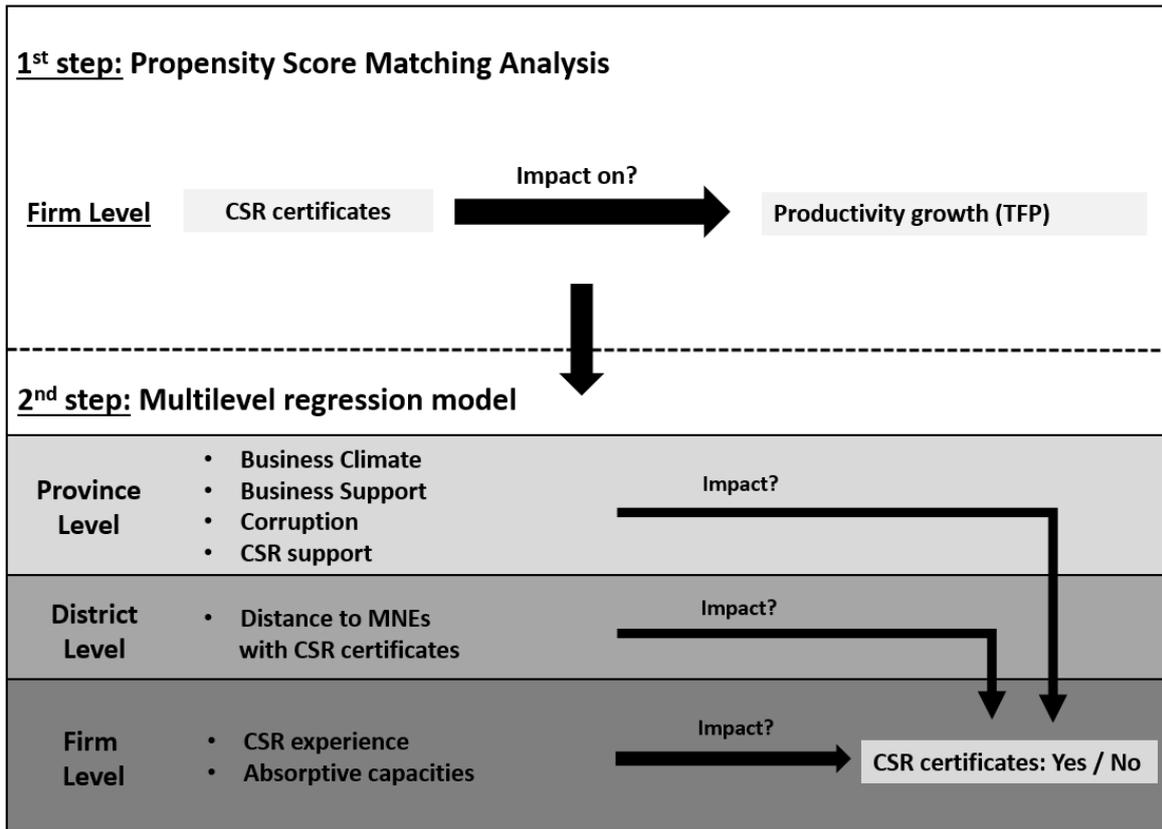


Fig. 4.1 Empirical framework; Source: Authors’ draft

In order to ensure robust results and to make the aggregation of certain variables more representative to the next highest hierarchical level, we dropped all provinces with less than ten surveyed local firms (ISGUT 2004). Thus, our final dataset covered 4,536 local firms across 417 district and 53 provinces, thereby exceeding the minimum requirement of 50 observations on level two and three in multilevel regression models (MAAS & HOX 2005). To test for over-fitting problems, we followed the ‘events per predictive variable’ (EPV) approach (PEDUZZI et al. 1996). Since the EPV value of 24 is above the threshold value of ten, we do not have biased regression coefficients.

4.3.1 Dependent variables

For step one, we considered a firm’s total factor productivity (TFP) growth, by creating the variable TFP growth 13-14 for our Propensity Score Matching (PSM) analysis. Following FÄRE et al. (1992) and NGUYEN (2017), we calculated the Malmquist TFP growth index based on a firm’s number of employees, net fixed assets, intermediate costs and turnover in 2013 and 2014. The Malmquist TFP growth index is larger than one for positive productivity growth and lower than one for a negative development in the observed time period (2013-2014).

For step two, we created a dependent dichotomous variable called CSRcertificate based on the question ‘Has your firm received any national/ international certificates or awards for environmental standards, health and working safety standards, labour standards, fair trade or others?’. These certificates also include international standards such as ISO 9001, ISO 14001, SA8000 or OHSAS 18001. Based on our final sample size, about nine per cent of all local firms have adopted such standards. CSRcertificate will be additionally used as a predictor variable in the PSM analysis.

4.3.2 Independent variables at firm, district and province level

Spillover effects as a result of local mimetic pressure by MNEs (Husted et al. 2016) are covered by the variable MNE_certificate_district. Since we only know in which district each firm is located, we cannot calculate the exact distances. Therefore, we follow RODRÍGUEZ-POSE et al. approach (2013). We export our district level data to ArcGIS, thereby calculating the Euclidean distance between a district with a private Vietnamese firm and its nearest district with a MNE that has been certified for its CSR activities. In the last step, we created four categories for the spatial proximity, with the thresholds of 5, 10, 20 and 50, kilometers, thereby adapting a similar approach like HUSTED et al. (2016).

Four regional institutions at provincial level are considered. The first three variables are derived from PCI report 2011. First, PCI2011 is a calibrated weighted mean based on nine subindices which can reach up to 100 points at maximum and describes a province’s overall business climate (MALESKY 2011: 11). Second, BusinessSupport is an index which describes the extent to which local firms have used service providers with respect to regulations, business matching, trade promotion and technology transfer (MALESKY 2011). Third, Corruption was drawn from the PCI 2011 statement ‘businesses in my field usually have to make informal payments’. The higher the share in a province, the more likely firms have to devote financial resources for bribes. Finally, CSRSupport proxies a province’s CSR incentive system. The variable was created in two steps. First, we created a dummy variable at firm level based on the question ‘has your firm received any support for CSR’ such as subsidies, tax reductions or advisory services. In a second step, we aggregated these data to provincial level. Although there might be concerns regarding the problem of ecological fallacy (ROBINSON 1950), it is legitimate to calculate a structural contextual variable like the group mean based on individual data (HOX 2010).

In order to ensure the robustness of our results, we refer to previous literature on firm level determinants for the adoption of global CSR certificates. In particular, we argue the following two firm-level determinants as crucial determinants.

LocalCSR is a proxy for a firm's CSR experience and is an aggregated binary variable based on the question 'Has your firm contributed to community activities in 2012' (yes = 1 or no = 0). Whereas firms in Asian emerging economies are unfamiliar with the term CSR or lack a CSR firm policy, but they often undertake related issues such as local community development projects (BAUGHN et al. 2007) in order to internalize a firm's negative externalities such as environmental pollution (CRIFO and FORGET 2015). Therefore, we assume that firms with local community development are more likely to implement global CSR certificates.

Local firms' absorptive capacities (COHEN & LEVINTHAL 1990) might be relevant. For instance, the realization of new working routines with respect to safety, health and environmental standards as defined in global CSR certificates or the introduction of new technologies that aim on the reduction of environmental pollution is influenced by a firm's learning activities and stock of skilled workers (LIU et al. 2010). Absorptive capacity is built up by four indicators (GRIFFITH et al. 2003; NARULA & MARIN 2005). R&D examines whether the firm possess own R&D activities. Skill level describes how firm managers rate the qualification level (low – medium – high) of their workers. Trainnew and Trainexist are dummy variables whether firms provide training for new and existing employees.

The following firm-level control variables are included: Wage depicts the log average monthly income of production workers. High wages could either function as a compensation for bad working conditions or reflect a firm's thoroughness to ensure a living wage for its employees (TRAN & JEPPESEN 2016; WARREN & ROBERTSON 2011). Consumers indicates whether consumers are taken into account when business strategies are developed, since they are among the most influential stakeholders demanding CSR (MCWILLIAMS & SIEGEL 2001). Firmsize measured as the log number of employees and turnover as the log turnover in million Vietnamese Dong consider the assumption that firms with a large size of employees and a good financial performance are more likely to implement CSR certificates (HUDSON & ORVISKA 2013). Export has the value of zero if the firm exclusively operates on the Vietnamese market. Lowtech is a dummy variable which turns one if the firm belongs to an industry which is classified as low or medium-low in terms of its technology intensity as defined by OECD. Firms in low-tech sectors are more likely to get involved in issues such as labor abuses or child labor (GIULIANI & MACCHI 2014: 493f). Private is a dummy variable which turns one if the firm is a wholly-private

owned company and zero if the state possesses a financial stock up to 49 per cent. State-owned enterprises, defined as firms in which the state has a financial stock of more than 50 per cent are excluded from our analysis.

4.3.3 Methodological approach

We conducted a PSM analysis with a firm's TFP growth. PSMs are widely used to detect causal treatment effects between treated groups, e.g. certified firms, and non-treated groups, e.g. non-certified firms (FIKRU 2014). We applied the Average Treatment effect on the Treated (ATT) with the following formula (CALIENDO & KOPEINIG 2005: 3):

$$ATT = E(Y_{1i} - Y_{0i} | D = 1) = E(Y_{1i} | D = 1) - E(Y_{0i} | D = 1) \quad (4.3)$$

ATT measures the impact of being certified for its CSR activities on a firm's TFP growth. D is the binary variable CSR certificate with 1 = yes for possessing a CSR certificate. Y stands for a firm's TFP growth between firms with CSR certificates (Y_{1i}) and those without (Y_{0i}). Furthermore, we use LocalCSR, R&D, Trainnew, Trainexist, Skill level, Firmsize, Turnover, MNEbuyer and Export as firm characteristics for the matching process, thereby ensuring a more sophisticated outcome.

For RQ2, we applied a multilevel analysis with three levels (firm, district and province) without any interaction effects. Since our dependent variable has a binary structure, we built up a three-level logistic model as follows (HUNDT & STERNBERG 2016; RABE-HESKETH & SKRONDAL 2012):

$$\text{Level 1:} \quad \ln[P(Y_{ijk} = 1)/1 - P(Y_{ijk} = 1)] = \beta_{0jk} + \beta_{1jk}X_{ijk} + r_{ijk} \quad (4.4)$$

$$\begin{aligned} \text{Level 2:} \quad \beta_{0jk} &= \gamma_{00k} + \gamma_{01k}Z_{jk} + u_{0jk} \\ \beta_{1jk} &= \gamma_{10k} + u_{1jk} \end{aligned} \quad (4.5)$$

$$\text{Level 3:} \quad \gamma_{00k} = \delta_{000} + \delta_{001}W_k + e_{00k} \quad (4.6)$$

$$\gamma_{01k} = \delta_{010} + e_{01k}$$

$$\gamma_{10k} = \delta_{100} + e_{10k}$$

On level one, $\ln[P(Y_{ijk} = 1)/1 - P(Y_{ijk} = 1)]$ represents the probability that a firm (i) adopts a CSR certificate ($Y = 1$) which is nested in a district (j), nested in a province (k). β_{0jk} is the intercept, β_{1jk} represents the slope of the function, X_{ijk} is a level-one predictor, e.g. a firm's CSR absorptive capacity and r_{ijk} is the error term.

Level two consists of the firm-level intercept β_{0jk} which examines how level-two predictors influence a firm's probability of implementing a CSR certificate. Therefore, β_{0jk} comprises three parts. First, γ_{00k} is the 'mean value of the level-one dependent variable, controlling for the level-two predictor W_{jk} ' (Luke 2004: 10). Second, $\gamma_{01k}Z_{jk}$ represents the influence of level-two predictor, which is in our case 'MNE_certificate_district' and, third, u_{0jk} stands for the error at level two (Luke 2004: 10). Since we did not include cross-level interaction effects, the second term of level two is simply a restatement of the firm-level slope $\beta_{1jk}X_{ijk}$.

Finally, level three is built up similarly to level two, determining the variation of intercepts in the level-two model (4.5) across provinces (RABE-HESKETH & SKRONDAL 2012). Therefore, level-two intercept γ_{00k} is made up by the average mean of the level three intercept δ_{000} plus the influence of a level-three predictor $\delta_{001}W_k$ such as CSRSupport and the error term e_{00k} . By compromising all equations, we received our final three-level binary-logistic regression model (HUNDT & STERNBERG 2016):

$$\ln[P(Y_{ijk} = 1)/1 - P(Y_{ijk} = 1)] = [\delta_{000} + \delta_{100}X_{ijk} + \delta_{010}Z_{jk} + \delta_{001}W_k] + [e_{00k} + e_{10k}X_{ijk} + e_{01k}Z_{jk} + u_{0jk} + u_{1jk}X_{ijk} + r_{ijk}] \quad (4.7)$$

To test whether a multilevel analysis is more appropriate than a single-equation model, we used the intra-class correlation coefficient (ICC) tests which detects to what extent the total variance of a dependent variable is explained by different levels (GUO & ZHAO 2000). We also run a null model only with the dependent variable, the intercept γ_{000} and the error terms e_{00k} , u_{0jk} , r_{ijk} (HUNDT & STERNBERG 2016). The null model tests whether the variance of the dependent variable across regions is significantly different from zero (JUNGE 2012). If this assumption is rejected, then a multilevel analysis should be applied. All model evaluation parameters had a good fit. There was no multi collinearity based on a VIF test, the deviance of the final model was significantly better compared to the null model (LUKE 2004) and the likelihood ratio test (STATACorp 2013) confirmed that all multilevel models with the predictors on all three levels are a significantly better choice than conducting one level logistic regression models.

For all regression models, PSM and statistical tests, we used the following signs, to indicate the significance levels for ten percent (+), five percent (*), one percent (**) and 0.1 percent (***).

4.4 Results

In general, there is a positive relationship between all firm level predictors and CSR certificates (see table 4.1). On average, local firms with CSR certificates possess higher CSR experience and absorptive capacities. Surprisingly, the relation between CSRcertificate, MNEbuyer and Export seem to be overestimated since there are only marginal differences between certified and non-certified firms. Firmsize and Turnover seem to be positively correlated with CSRcertificate, whereas the ownership type has a negligible relation.

Table 4.1 Description of firm capabilities and CSR certificates

Firm-level determinants	CSRcertificate	
	Mean (St. dev.) No = 0	Mean (St. dev.) Yes = 1
LocalCSR (1 = Yes)	0.39 (0.49)	0.57 (0.50)
R&D (1 = Yes)	0.06 (0.24)	0.12 (0.11)
Trainnew (1= Yes)	0.32 (0.47)	0.55 (0.50)
Trainexist (1 = Yes)	0.29 (0.45)	0.55 (0.50)
Skill level (0 = low / 1 = medium / 2 = high)	1.19 (0.58)	1.33 (0.56)
MNEbuyer (1 = Yes)	0.16 (0.36)	0.15 (0.36)
Wage (monthly, Vietnamese Dong)	3,392 (954)	3,666 (1,116)
Consumers (1 = Yes)	0.77 (0.42)	0.66 (0.48)
Export (1 = Yes)	0.22 (0.42)	0.23 (0.42)
Firmsize (no. of employees)	129 (442)	147 (442)
Turnover (in Mio. Vietnamese Dong)	101,830 (517,671)	140,059 (573,337)
Lowtech (1 = Yes)	0.88 (0.33)	0.88 (0.33)
Private (1 = wholly-owned private firm)	0.43 (0.50)	0.46 (0.50)
Source: Author's calculation based on GSO 2013; n = 4,536 firms		

The spatial distribution of CSR certificates among local firms and MNEs is uneven (see figures 4.2 and 4.3). Most MNEs with CSR certificates are located in Vietnam's core economic areas — the Red River Delta, including Hanoi, and Southeast which includes Ho Chi Minh City (HCMC) and surrounding provinces —, which have largely benefitted from FDI inflows over the years. In contrast, the diffusion of CSR certificates among local firms is dispersed since various districts in Central Vietnam and Mekong Delta also possess at least one domestic enterprise with a CSR certificate. Nevertheless, Hanoi, HCMC and nearby provinces show the

highest number of CSR certificates, thereby indicating potential spillover effects through co-located MNEs. However, when considering specific regional factors on district and province level, the picture becomes more complex (see table 4.2).

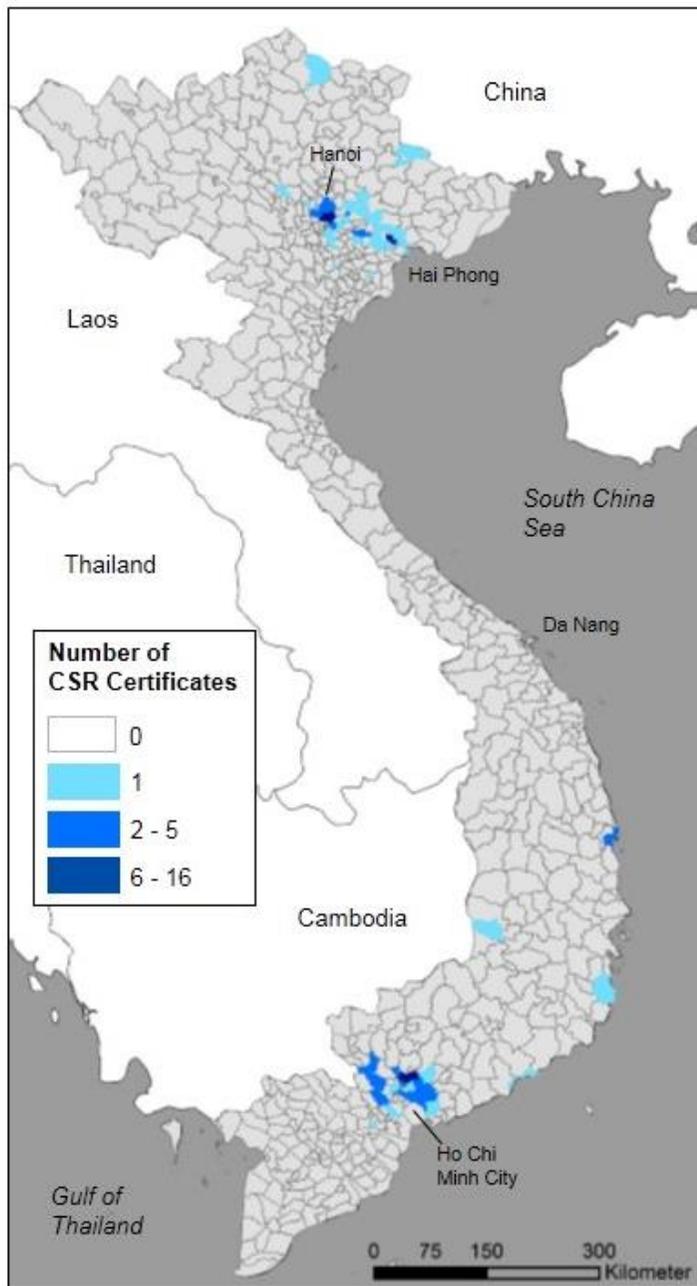


Fig. 4.2 No. of MNEs with CSR certificates on district level; Source: Source: Authors' design, Design: Thomas Neise, based on data from TCS 2014, GADM

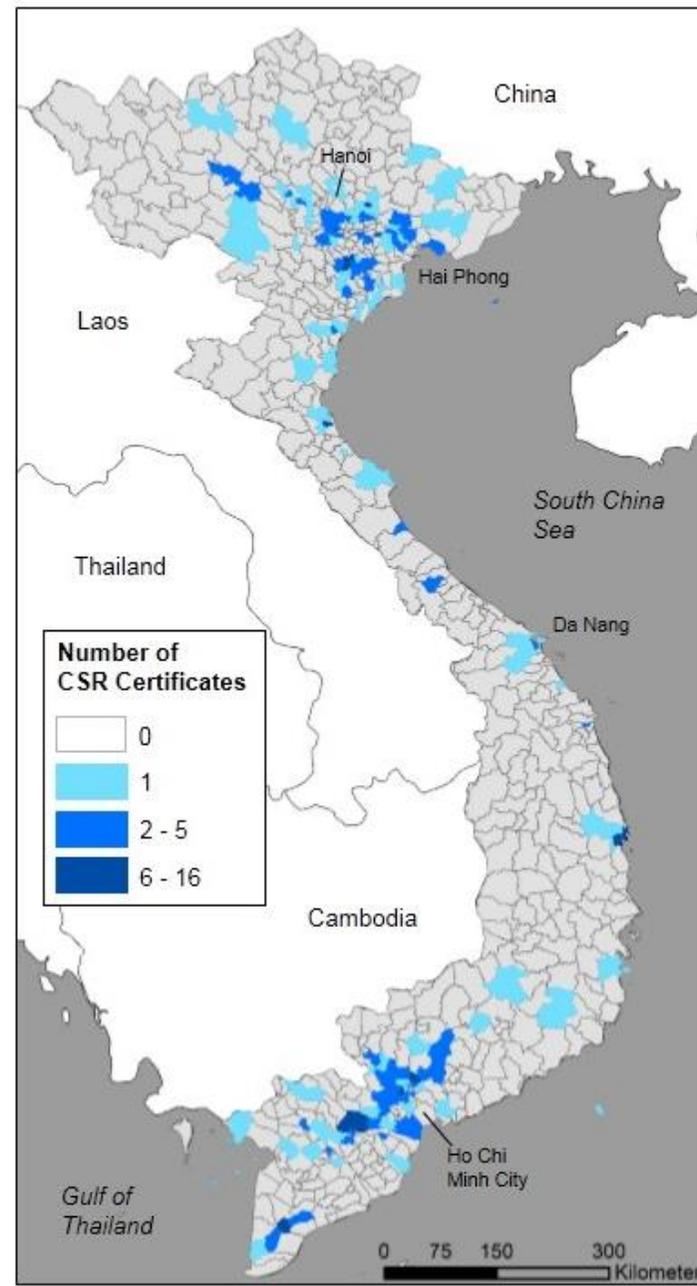


Fig. 4.3 No. of local firms with CSR certificates on district level; Source: Authors' design, Design: Thomas Neise, based on data from TCS 2014, GADM

The mean value of local firms with CSR certificates increases with the distance to MNEs with CSR certificates. Taking into account province level factors such as a province’s overall business climate, the quality of business support systems and the degree of corruption, it can be presumed that Vietnamese SMEs demonstrate greater efforts with regard to CSR certificates in provinces with unfavorable institutional circumstances. Certification of a firm’s health, safety and environmental standards can therefore signalize to potential customers that the firm is able to overcome local institutional weaknesses and deliver economic outcomes based on international standards (GOEDHUYTS & SLEUWAEGEN 2013; SU et al. 2016). This argument might explain why the presence of MNEs has significant negative impact on local firms’ CSR efforts. Previous studies demonstrated that high FDI inflows lead to a better business climate for local firms in the same region (DANG 2013; LONG et al. 2015). Hence, a ‘signaling’ function is not necessary anymore in these regions. Nevertheless, well-established regional institutions such as a CSR incentive system correlate positively with a firm’s ability to become involved in certification programs. This is also largely supported by the fact that the share of local firms with global CSR certificates is higher outside the FDI regions (Southeast and Red River Delta).

Table 4.2 Description of regional factors and CSR Certificates

District Level	CSRcertificate	
	Mean (St. dev.) No = 0	Mean (St. dev.) Yes = 1
‘MNE_certificate_district’ (0 – 4)	1.89 (1.60)	1.67 (1.66)
Province Level		
PCI2011**	59.90 (4.13)	60.60 (4.00)
BusinessSupport***	4.56 (1.45)	4.38 (1.52)
Corruption	53.81 (12.43)	53.35 (13.91)
CSRSupport***	10.65 (8.35)	15.57 (13.34)
FDI_Inflow	740 (834)	646 (754)
South (Mekong Delta & Southeast)	0.09 (0.28)	0.10 (0.30)
FDI_regions (Southeast & Red River Delta)*	0.11 (0.31)	0.08 (0.27)
Significance tests based on Wilcoxon-Ranksum-test; Source: Author’s calculation based on GSO 2013 & PCI 2011; n = 4,536 firms in 417 districts across 53 provinces		

Regarding RQ1, the impact of adopting global CSR certificates does not lead a productivity growth (see table 4.3) since the ATT for TFP growth and for the efficiency change is negative

and significant on the ten percent level for both matching algorithms. However, since global CSR certificates are a voluntary managerial approach, firms may experience a better business performance in the long run (FIKRU 2014).

Table 4.3 Effect of having a CSR certificate on productivity growth (13-14)

Outcome variables	Treated	Non_Treated	ATT	Standard Error	Z-statistics
TFP growth	204	2,190	-.743 (-.675)	.388 (.464)	(+)-1.92 (-1.45)
Technical change	204	2,190	.137 (.125)	.206 (.181)	0.67 (0.69)
Efficiency change	204	2,190	-.266 (-.145)	.154 (.111)	(+)-1.72 (-1.31)
Matching algorithm: PSM, in parenthesis: Nearest Neighbor Matching, Source: Author’s calculation based on GSO 2013 & 2014; n = 2,394 firms					

The descriptive analysis in the previous subchapter showed that the implementation of global CSR certificates among local firms varies across regions. Table 4.4 underlines the importance of the regional level. The intra-class coefficient detects that almost 14 per cent of the variance in the dependent variables is explained by province level and 7.5 percent by district level, which is relatively high compared to previous multilevel studies in economic geography (HUNDT & STERNBERG 2016; JUNGE 2012). Furthermore, the likelihood ratio tests are highly significant, thereby suggesting a need to apply a multilevel model.

Table 4.4 Relevance of the regional level for a firms’ adoption of CSR certificates

Test statistic	District level	Province level
Intra-Class Coefficient	7,5%	13,7%
Likelihood ratio test of the null model	146.68***	
Source: Author’s calculation based on GSO 2013; n = 4,536 firms in 147 districts across 53 provinces;		

Almost all firm level variables have a positive impact on CSRcertificate (see table 4.5). However, except for Consumers and Firmsize, all control variables remain insignificant across all multilevel models.

Table 4.5 Results of the multilevel models (Dependent variable: CSRcertificate)

Predictors at firm level	Hierarchical logistic regression model				IV Probit model, clustered (tinh)			
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
LocalCSR	0.48*** (0.12)	0.464*** (0.12)	0.454*** (0.12)	0.458*** (0.12)	0.233** (0.07)	0.139 (0.36)	0.183* (0.08)	0.242** (0.09)
R&D	0.735*** (0.19)	0.741*** (0.19)	0.736*** (0.19)	0.734*** (0.19)	0.361** (0.12)	-0.086 (0.66)	0.357** (0.14)	0.347+ (0.19)
Trainnew	0.423** (0.19)	0.433** (0.16)	0.438** (0.16)	0.437** (0.16)	0.187+ (0.1)	0.008 (0.355)	0.174 (0.11)	0.181+ (0.11)
Trainexist	0.774*** (0.16)	0.776*** (0.16)	0.759*** (0.16)	0.757*** (0.16)	0.309*** (0.08)	-0.026 (0.53)	0.303** (0.09)	0.292+ (0.16)
Skill level	0.277** (0.10)	0.27** (0.1)	0.268** (0.10)	0.269** (0.10)	0.108* (0.05)	0.003 (0.21)	0.1+ (0.05)	0.126** (0.04)
MNEbuyer	0.063 (0.16)	0.08 (0.16)	0.086 (0.16)	0.084 (0.16)	0.044 (0.07)	-0.105 (0.14)	0.065 (0.07)	-0.022 (0.13)
Wage	0.527* (0.22)	0.542* (0.22)	0.55* (0.22)	0.536* (0.22)	0.323+ (0.18)	-0.370 (0.51)	0.0355+ (0.19)	0.335* (0.16)
Consumers	0.456*** (0.12)	0.455*** (0.12)	0.455*** (0.12)	0.455*** (0.12)	0.172+ (0.10)	0.078 (0.25)	0.165 (0.11)	0.135 (0.16)
Firmsize	0.01 (0.07)	0.01 (0.07)	0.007 (0.07)	0.012 (0.07)	0.006 (0.04)	0.13* (0.06)	-0.011 (0.04)	0.006 (0.04)
Turnover	0.008 (0.04)	0.01 (0.04)	0.007 (0.04)	0.004 (0.04)	-0.001 (0.03)	-0.075* (0.04)	0.013 (0.03)	0.003 (0.03)
Export	-0.091 (0.15)	-0.079 (0.15)	-0.096 (0.15)	-0.104 (0.15)	-0.015 (0.06)	-0.109 (0.15)	0.043 (0.09)	0.051 (0.08)
Lowtech	0.083 (0.18)	0.07 (0.18)	0.061 (0.18)	0.062 (0.18)	0.04 (0.08)	0.27* (0.12)	0.0429 (0.09)	0.045 (0.09)
Private	0.006 (0.12)	-0.00 (0.12)	0.001 (0.12)	0.002 (0.12)	0.054 (0.1)	0.131 (0.1)	0.043 (0.09)	0.045 (0.09)

Predictors at district level								
MNE_certificate_district		0.142* (0.07)	0.13+ (0.07)	0.134* (0.07)	0.043 (0.04)	0.3*** (0.08)	-0.015 (0.056)	0.013 (0.09)
Predictors at province level								
PCI2011			-0.005 (0.03)		-0.25 (0.3)			-0.048 (0.09)
BusinessSupport				0.091 (0.13)		0.913** (0.34)	-0.182 (0.15)	
Corruption				-0.013 (0.01)		-0.058** (0.02)	0.025 (0.02)	
CSRSupport			0.036*** (0.01)	0.04*** (0.01)	0.018** (0.01)	0.03 (0.03)	0.011 (0.01)	-0.04 (0.13)
FDI_Inflow			-0.000 (0.00)	-0.000 (0.00)				
Constant	-8.384***	-8.838***	-8.864**	-8.753***	-3.384*	0.689	-5.42***	-1.302
Model fit								
Prob > chi2:	182***	186***	197***	198***	303***	847***	326***	175***
-2 log likelihood (full model)	-1191	-1188	-1182	-1181	-12980	-7917	-17848	-17265
LR test vs. logistic regression	160***	161***	101***	83***				
Exogeneity test p-value					0.66 (n.s.)	0.09 (n.s.)	1.53 (n.s.)	0.17 (n.s.)
Source: Authors' calculation based on GSO 2013 & PCI 2011; level 1: n = 4,512 firms; level 2: n = 417 districts; level 3: 53 provinces in bold type = instrumented variable								

Regarding RQ2, the models three and four delivered mixed outcomes. On district level, we detected a significantly negative impact of MNEs on the diffusion of global CSR certificates. Hence, the more distant a Vietnamese firm is located from a district of a MNE with CSR certificates, the more likely it will adopt one. All regional institutions have the expected signs for their influence on the implementation of these certificates. However, well-functioning business support services and corruption are insignificant. Hence, establishing efficient market-based institutions are insufficient to encourage Vietnamese SMEs to adopt global CSR certificates. But, CSRsupport has a highly significant impact and increases the probability of local firms to adopt a global CSR certificate by four per cent. This result underlines the argument that regional actors must actively encourage local firms by institutionalizing incentive mechanisms such as tax reductions or advisory services.

Our results might be biased due to endogeneity problems. For instance, there could be a reverse causality between a province's business climate and the amount of local firms that adopt global CSR certificates. Firms experience larger benefits as a result of implementing global CSR certificates, in particular, in countries with weak market institutions (GOEDHUYTS & SLEUWAEGEN 2013). In a similar vein, this could be also the case on the regional level. Local firms that foster upgrading processes and which are located in provinces without CSR support systems and low progress in the implementation of market institutions may adopt global CSR certificates in order to overcome their liability of localness (HUSTED et al. 2016), thereby signaling their ability to supply products based on international standards to MNE subsidiaries (GOEDHUYTS & SLEUWAEGEN 2013; SU et al. 2016). In order to tackle this problem of reverse causality, we ran a probit analysis with an instrumental variable (IV) approach (BRÜNJS & REVILLA DIEZ 2013) since our dependent variable CSRcertificate is a binary one. The IV approach aims at identifying potential variables that have a significant impact on the predictors, but no influence on the dependent variable (LONG et al. 2015). Regarding the diffusion of global CSR certificates into a regional economy, MNEs have been identified as key drivers (HUSTED et al. 2016; LIU et al. 2010). However, since almost all Vietnamese exclusively operate on the domestic market (MALESKY et al. 2011), mimetic pressure caused by co-located MNEs is unlikely. However, previous studies have demonstrated that MNEs can significantly trigger a regional institutional change in transition economies such as China and Vietnam (DANG 2013; LONG et al. 2015; MALESKY 2008; SCHMITZ et al. 2012). Consequently, it is reasonable to presume in our study that MNEs directly affect regional institutions, but fail to have a direct impact on local firms to adopt global CSR certificates. We use a variable called FDI_inflow, which is

the sum of implemented FDI capital per inhabitant in each province of the years 2007 until 2011, as an instrument for all regional institution variables, namely PCI2011, BusinessSupport, Corruption and CSRsupport and the regional share of local firms with a global CSR certificate.

In a first step, we did a correlation with 56 provinces. There are indeed positive and significant correlations between a province's FDI inflow and its overall business climate and business support services, but not with the other aforementioned variables. In a second step, we did several ordinary least square regressions with FDI inflow as a regressor and the other regional variables as dependent variables. We found a positive and significant impact by FDI_inflow on PCI2011 and CSRsupport on the five per cent level, but no effect on the regional share of local firms with global CSR certificates. These results confirm our previous argument that MNEs can directly affect institutions, but have no impact on local firms and their willingness to implement global CSR certificates. To sum up, FDI_inflow is a suitable regressor for an IV probit analysis.

The models three and four in table 4.5 have already included FDI_inflow as an independent variable, showing that a province's FDI inflow does not affect the adoption of global CSR certificates by local firms. The IV probit analyses, clustered by provinces, are illustrated in models five to eight. Model five provides mixed outcomes. CSRsupport remains positive and significant, while PCI2011 has a negative impact and the regression coefficient is larger compared to the origin model three. However, PCI2011 remains insignificant when considering model six. There is indeed some proof that a well-developed business support systems and a reduction of corruption positively affect local firms' willingness to implement a global CSR certificate. But, the last two models seem to reject this argument, since the regression coefficients turn negative and become insignificant. At least, all four wald tests of exogeneity on the instrumented variables do not reject the null hypothesis, suggesting that we do not have endogeneity problems (STATACorp 2013: 915). Since models five to eight may give rise to doubts on the robustness of our results in the multilevel models, we did further analysis (see table 4.6).

Table 4.6 Robustness test (Dependent variable: CSRcertificate)

Predictors at firm level	Hierarchical logistic regression model			
	Model 9	Model 10	Model 11	Model 12
LocalCSR	0.194 (0.15)	0.204 (0.15)	0.862*** (0.19)	0.0871*** (0.19)
R&D	0.738** (0.22)	0.717** (0.22)	0.513 (0.33)	0.516 (0.33)
Trainnew	0.33+ (0.2)	0.311 (0.2)	0.153 (0.25)	0.152 (0.25)
Trainexist	0.793*** (0.2)	0.797*** (0.2)	1.053*** (0.25)	1.051*** (0.25)
Skill level	0.279* (0.13)	0.284* (0.13)	0.116 (0.15)	0.116 (0.15)
MNEbuyer	0.244 (0.21)	0.218 (0.13)	-0.214 (0.32)	-0.212 (0.32)
Wage	0.328 (0.28)	0.301 (0.27)	1.071** (0.32)	1.073** (0.32)
Consumers	0.579*** (0.16)	0.574*** (0.16)	0.229 (0.19)	0.23 (0.19)
Firmsize	-0.020 (0.09)	-0.025 (0.09)	-0.045 (0.11)	-0.035 (0.11)
Turnover	0.006 (0.06)	0.009 (0.06)	-0.016 (0.06)	-0.022 (0.06)
Export	0.057 (0.20)	0.05 (0.20)	0.097 (0.25)	0.095 (0.25)
Lowtech	-0.059 (0.22)	-0.064 (0.22)	0.424 (0.36)	0.425 (0.36)
Private	0.009 (0.15)	0.015 (0.15)	0.069 (0.18)	0.064 (0.19)
Predictors at district level				
MNE_certificate_district	0.071 (0.061)	0.085 (0.06)	0.068 (0.11)	0.068 (0.11)
Predictors at province level				
PCI2011	0.005 (0.03)		0.004 (0.04)	
BusinessSupport		0.104 (0.09)		0.073 (0.23)
Corruption		-0.025+ (0.02)		-0.019 (0.15)

CSRSupport	0.059*** (0.01)	0.065*** (0.01)	0.032* (0.02)	0.032* (0.02)
FDI Inflow	0.000 (0.00)	0.000 (0.00)	-0.000 (0.00)	-0.000 (0.00)
Constant	-7.8**	-6.353**	-13.376***	-12.379***
Model fit				
Prob > chi2:	143***	148***	105***	106***
-2 log likelihood (full model)	-712	-710	-505	-505
LR test vs. logistic regression	8*	7*	85***	56***
Source: Author's calculation based on GSO 2013 & PCI 2011;				
Model 9 & 10: exclude firms from 'South' provinces (Southeast & Mekong Delta): level 1: n = 2,789 firms; level 2: n = 35 districts; level 3: 274 provinces				
Model 11 & 12: exclude firms from 'FDI' provinces (Southeast & Red River Delta): level 1: n = 1,826 firms; level 2: n = 38 districts; level 3: 255 provinces				

Models nine and ten just consider local firms located outside the south region in which provinces provide the best business climate for local firms (MALESKY 2011). Models eleven and twelve exclude firms located in the two main economic regions which have benefitted from large FDI inflows over the years (DANG 2013). The results regarding the regional determinants can be interpreted in the following way. First, firms located outside of the south region are even more willing to adopt global CSR certificates if CSR incentives are established, demonstrated through a higher regression coefficients compared to the regular multilevel models. Second, the impact of BusinessSupport and corruption is even larger and partially significant in model ten compared to model four. Taking both results together, we find further support that a good business climate for local firms is a precondition to foster the diffusion of global CSR certificates into the regional economy. This argument holds true in the case of local firms located outside the FDI regions, although the regression coefficients and significance levels are much lower. Interestingly, there is no more significant impact of spatial proximity towards MNEs with a global CSR certificate across all four models, although the coefficient sign remains positive, indicating a negative impact. To sum up, the models nine to twelve demonstrate the robustness of our results, pointing out that market based institutions and CSR support systems matter across the entire country, although their impact seems to be larger in non-southern provinces.

4.5 Discussion

Our results add new insights to the discourse on the impact of MNEs and the role of regional institutions for the diffusion of CSR certificates within a transition economy. On the firm level, CSR experience becomes a crucial determinant which has not yet been considered by previous studies on the diffusion of CSR certificates such as ISO 14001 in emerging economies (FIKRU 2014; GOEDHUYS & SLEUWAEGEN 2013; HUSTED et al. 2016). Firms which have conducted local community development projects are more likely to foster the adoption of CSR certificates. Furthermore, the positive impact of wage implies that wages are positively correlated with working conditions which could be a result of intensified competition for skilled labour through MNEs (GIULIANI & MACCHI 2014). The multilevel models also demonstrate the importance of absorptive capacities, thereby confirming previous work which identified human capital and learning capacities as crucial firm capabilities for the adoption of international standards (LIU et al. 2010).

We have also considered regional factors in our analysis, following recent calls to examine the role of institutional factors for the diffusion of CSR certificates (BRAMMER et al.

2012; HUSTED et al. 2016). Whereas previous studies have examined national institutions (DELMAS & MONTES-SANCHO 2011; FIKRU 2014; GOEDHUYS & SLEUWAEGEN 2013; GOEDHUYS & SRHOLEC 2015; Su et al. 2016), this study stresses that regional institutions matter for the diffusion of CSR certificates. By running numerous multilevel regressions, we have demonstrated the varying impact of market institutions and CSR support systems in different Vietnamese regions and highlight the significance of the role of regional institutions play in doing business in transition economies (MALESKY 2008; MEYER & NGUYEN 2005; MEYER & REVILLA DIEZ 2015; REVILLA DIEZ et al. 2016). Since the adoption of CSR certificates is cost-intensive and may result in additional bureaucratic paperwork for firm managers (BOIRAL 2002; FIKRU 2014), local authorities can help local firms to overcome financial bottlenecks, by institutionalizing a CSR support system with tax reductions, subsidies and consultation. Hence, our results complement previous studies that have mainly focused on sanction mechanisms as a means to put institutional pressure on firms' CSR efforts (BLACKMAN & GUERRERO 2012; JIANG et al. 2014), by proving that regional authorities can also use positive institutional mechanisms to make local firms comply with international environmental and working standards.

Finally, our results reveal that spatial proximity towards MNEs with CSR certificates negatively influences local firms' efforts for CSR certification which is contrary to previous studies (HUSTED et al. 2016) and allows two interpretations. On the one hand, since both FDI parameters on district and regional level have a negative or hardly any impact, our results give support to critical voices which state that FDI spillover effects are overestimated (AITKEN and HARRISON 1999; SPENCER 2008). On the other hand, previous studies claim that a rising inflow of FDI on the regional level leads to a better business environment for local firms (DANG 2013; LONG et al. 2015). Hence, local firms may use CSR certificates to signal to potential customers to overcome local institutional weaknesses (GOEDHUYS & SLEUWAEGEN 2013; HUSTED et al. 2016; SU et al. 2016) in regions where no MNEs have engaged in processes of institutional change. However, this interpretation needs to be handled carefully, since local authorities also prefer to create a favorable business environment solely for large-scaled FDI projects but not for domestic firms (SCHMITZ et al. 2012).

Our paper contains some limitations: First, there is some skepticism about the appropriateness of our outcome variables. For example, we were not able to distinguish between national and global certificates. Nevertheless, the leading role of foreign actors in implementing CSR certificates and the lack of a coherent CSR policy in Vietnam (HAMM 2012) led us to assume that local firms mostly acquired global CSR certificates. Furthermore, CSR initiatives do not

automatically lead to better working conditions or lack of integrating employee-driven perspectives on security and fairness (LUND-THOMSEN & COE 2015). For example, the adoption of CSR certificates may be used in a symbolic ‘window-dressing’ manner in order to become a supplier of MNEs while continuing to do human right abuses (GIULIANI 2016). Since we do not possess data based on labour force surveys or interviews with auditors, we are unable to make definite statements as to whether production workers in Vietnamese SMEs have indeed experienced better working conditions since their firms began to implement CSR standards.

4.6 Conclusion

The overall goal of this paper was to discuss the relevance of MNEs and regional institutions for the diffusion of global CSR certificates in a transition economy. Previous research has either emphasized the relevance of MNEs or considered firm level capabilities in combination with cross-national institutions but neglected varying institutions on the regional level for a firm’s decision to implement a global CSR certificate. The paper bridged this research gap, by answering the following research questions: Has the adoption of CSR certificates led to a better business performance among local firms (RQ1), and in which way do regional institutions and MNEs matter for the diffusion of CSR certificates within a transition economy (RQ2).

We showed that the adoption of global CSR certificates led to negative productivity growth in the short run. For RQ2, we conducted a multilevel analysis with three levels (firm, district and province). The results demonstrate that a firm’s CSR experience and absorptive capacities are the key drivers for the implementation. Complementarily, the adoption of global CSR certificates by local firms is positively influenced by regional institutions such as the establishment of a CSR support system and may not be a result of institutional isomorphism caused by the presence of MNEs. The meaning of implemented market-based institutions and CSR support systems vary across regions. It creates larger impacts on local firms’ willingness to adopt global CSR certificates in non-southern provinces of Vietnam because Southern Vietnam has a long history of market-based economy, thereby providing stable and smooth business climates both for MNEs and local firms. By demonstrating that the inflow of FDI on province level has no impact on local firms’ implementation of global CSR certificates, but on regional institutions, we were partially able to rule out problems of endogeneity.

Based on our results, we derive the following policy recommendations: Since most local firms possess weak financial and human resources and struggle with short term survival, they are unlikely to undertake major investments in plants in order to upgrade social and environ-

mental standards. Since no positive spillover effects by MNEs in terms of global CSR certificates have occurred, local authorities should continue to improve the business climate for private firms and, additionally, set up a CSR support system. By doing so, they can help Vietnamese SMEs in their upgrading efforts, thereby contributing towards a positive regional development in the long run. Future research can build upon our work by investigating the influence of regional institutions on the diffusion of global CSR certificates in other countries and consider a more dynamic perspective of how institutional change at local level can shape a firm's CSR efforts. Since our results partially reveal a negative influence of MNEs on local firms, future research should examine more in detail how MNEs shape regional institutions and under which circumstances these institution-building processes bring about positive outcomes not only for the respective MNEs but also for domestic firms in emerging economies.

4.7 References

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4.8 Appendix

Table 4.A1 Detailed description of selected variables

Variable	Definition
Firm level	
LocalCSR (1 = Yes)	Dummy-variable based on the question ‘Has your firm contributed to community activities in 2012?’
R&D (1 = Yes)	Dummy-variable based on the question ‘Has your firm internal R&D capabilities in 2012?’
Trainnew (1= Yes)	Dummy-variable based on the question ‘Does your firm provide training for new employees?’
Trainexist (1 = Yes)	Dummy-variable based on the question ‘Does your firm provide training for existing employees?’
Skill level (low-medium-high)	Classification based on the question ‘How do you evaluate the average skill level of production workers in 2012? (0) very low – (10) very high) ` => classification into low-skilled (0 – 3) medium-skilled (4 – 6) and highly-skilled (7 – 10); reference group is ‘low-skilled’
MNEbuyer (1 = Yes)	Dummy-variable based on the question ‘To how many foreign firms located in Vietnam do you sell your products in 2012?’ If the firms hast at least one MNE as buyer, then X7 turns 1 = yes.
Wage (log)	Logarithm of average monthly wage of a production worker in thousand Vietnamese Dong (VND) in 2012
Consumers (1 = yes)	Dummy variable based on the question ‘Which of the following stakeholders are taken into account when your firm develops business strategy? ... Consumers?’
Firmsize (log)	Logarithm of amount of employees on 1 st of January 2012
Turnover (log)	Logarithm of turnover (in million Vietnamese Dong) in 2012
Export (1 = Yes)	Dummy-variable based on the question ‘Share of total output (by revenue) due to export in 2012?’ If a firm’s turnover is at least one percent, then X8 turns 1 = yes.
Lowtech (1 = yes)	Dummy variable based on Vietnam’s Standardized Industrial Classification (VSIC) and OECD’s Classification of manufacturing sectors by technology intensity; VSIC and OECD’s Industry classification are identical on the first two-

	digit levels (0 = Medium Hightech & Hightech 1 = Lowtech & Medium Lowtech)
Privat (1 = Yes)	Is the firm an entirely privately owned domestic firms or a private Vietnamese firm with less than 50% state capital? (0 = Private firm with less than 50% state capital; 1 = wholly-private owned firm)
District level	
MNE_Certificate_District	Physical distance between a district with a Local firms and the nearest district with a CSR certified MNE. Then, classification in five categories: 0 = $x < 5$ km; 1 = 6 – 9 km; 2 = 11 - 20 km; 3 = 21 - 49 km; 4 = $x > 50$ km
Province level	
PCI2011	Weighted mean based on nine subindices of a province's business climate for local firms; based on PCI Report 2011 (scale range: 0 – 100)
BusinessSupport	Subindex: Business Support Services based on PCI Report 2011
CSRSupport	Percentage of firms in each province which received support for CSR (e.g. tax reductions, subsidies, information, certificates) in 2012
Corruption	Enterprises in my line of business usually have to make informal payments (% agree or totally agree) in 2011
FDI_inflow	Implemented FDI capital in USD between 2007 and 2011 per inhabitant in each province

5. Can Multinational Enterprises Introduce new Institutions to Host Countries? - An explorative study about MNEs' training programs with educational institutes and their potential influence on Vietnam's vocational education sector

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Can Multinational Enterprises Introduce New Institutions to Host Countries? — An explorative study about MNEs' training programs with educational institutes and their potential influence on Vietnam's vocational education sector

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Abstract

Multinational enterprises (MNEs) have promoted vocational training concepts from their home countries as part of their social responsibility in order to acquire better skilled workers, while contributing toward an upgrading of Vietnam's education system. Thus, they potentially become 'Institutional Entrepreneurs', an idea that has been marginally discussed in economic geography up to now. This article examines to what extent MNEs can implement home-country institutions, by carrying out cooperation projects with local schools. Based on 19 in-depth interviews with Japanese and German MNEs and other involved stakeholders, we conducted a qualitative content analysis. Using the skill formation system (SFS) concept and BOSCHMA's proximity approach, we find out that MNEs can influence regional education systems by introducing institutional elements of their home country's SFSs. All four proximity dimensions – cognitive, social, institutional and spatial – play an important role for MNEs to select local schools as cooperation partners.

Keywords: Vietnam, Multinational Enterprises, Institutional Entrepreneurship, Labor market, Institutional Change

Kurzzusammenfassung

Um den aktuellen Fachkräftemangel in Vietnam zu kompensieren, bauen deutsche und japanische multinationale Unternehmen (MNU) mit lokalen Berufsschulen und Universitäten Trainingsprogramme auf, die sich an den dualen Berufsausbildungssystemen ihrer Heimatländer orientieren. Hierdurch können langfristig Prozesse des institutionellen Wandels im vietnamesischen Berufsbildungssektor gefördert werden.

Ziel dieses Artikels ist es daher zu erörtern, inwiefern MNUs im Rahmen solcher Projekte als potenzielle „Institutionelle Entrepreneur“ betrachtet werden können, eine Sichtweise, die in der Wirtschaftsgeographie bislang kaum eingenommen wurde. Hierfür wurde auf Basis von 19

Interviews mit MNUs und ihren Kooperationspartnern eine qualitative Inhaltsanalyse durchgeführt.

In Anlehnung an die „Skill Formation Systems“ (SFS) und den Nähe-Ansatz von BOSCHMA zeigen die Autoren, dass MNU das vietnamesische Berufsbildungssystem, zumindest auf regionaler Ebene, teilweise beeinflussen können. Hierbei wählen sie insbesondere diejenigen Berufsschulen und Universitäten als Kooperationspartner aus, die eine relativ hohe kognitive, soziale, institutionelle und räumliche Nähe zu den MNU aufweisen.

Stichwörter: Vietnam, Multinationale Unternehmen, Institutionelles Unternehmertum, Arbeitsmarkt, Institutioneller Wandel

5.1 Introduction

MNEs in Vietnam are increasingly demanding a workforce equipped with technical as well as soft skills such as team work, problem-solving and critical thinking (QUANG & METZGER 2007: 641). Although the government has already introduced reforms, MNEs still struggle with a dramatic mismatch in the labor market (World Bank 2013: 7). There are several reasons why Vietnam's vocational training cannot fulfill industry's requirements. For instance there is a marginal exchange of information between vocational colleges and the business sector, thereby making the alignment of training with industry's demand impossible (HOANG 2010: 80). Additionally, vocational colleges do not have sufficient resources to update their equipment and provide further training for teachers (HARGREAVES et al. 2001: 515).

As the example of Vietnam demonstrates, vocational training systems cannot pace with the rapid economic development of an emerging economy and thus lack of flexible adaptation to the industry's changing skill demand. So, MNEs regularly face the problem of acquiring human resources who are equipped with modern occupational qualifications. Following OLIVER (1991: 151), MNEs respond strategically to such institutional challenges, varying from passivity to active participation. One way for MNEs to react is through upgrading human skills in the local environment by themselves (DUNNING & LUNDAN 2008: 445). Although there may be partial spillover effects, several studies highlight the positive results of interactive collaborations between MNEs and domestic enterprises in terms of human resource training (OKADA 2004; RASIHA 2002; GONCALVES 1986). MNEs can even upgrade local vocational training systems, like in the case of the *maquiladora* industry in Mexico (FUCHS 2014: 107).

In recent years, a few studies have already begun to explore the efforts of MNEs and development agencies with respect to the transfer of entire *skill formation systems* (SFS), concluding

that these approaches either did not have large impacts on the existing vocational education system (BARABASCH et al. 2009: 13) or they were subjected to strong host-country effects (PILZ & LI 2014; BURGT et al. 2014).

Despite these limited impacts, MNEs may still act as *Institutional Entrepreneurs* by building up alliances with various stakeholders. Although there is a vast body of literature about institutional change, only a few articles have picked up the idea of MNEs as Institutional Entrepreneurs (e.g. REGNÉR & EDMAN 2014; DAHAN et al. 2006).

This paper has two overall goals. Firstly, we will examine to what extent MNEs, in cooperation with local stakeholders, have successfully transferred institutional elements from their home country's SFSs to Vietnam. Secondly, this article evaluates under which conditions a MNE decides to conduct dual training programs with local vocational colleges.

The article is structured as follows: The conceptual framework introduces the SFS approach and examines which host country effects might occur with respect to the implementation of the German collective and Japanese segmentalist models in Vietnam and to what extent MNEs may have the potential to act as Institutional Entrepreneurs in Vietnam's vocational education sector. After describing our methodological approach and its limitations, we present our results. Finally, the conclusion discusses the results, points out the limitation of this explorative study and provides recommendations for future research.

5.2 Conceptual framework

BURGT et al. (2014: 138) provide a literature overview about the successful transfer of human resource practices in MNEs. The authors distinguish between country-of-origin and host-country effects (e.g. PUDELKO & HARZING 2007; FERNER 1997). The *home country effect* is a consequence of a MNE's deep embeddedness in its native training system influencing the formation of human capital and human resource management structures in MNEs. While operating abroad a home country effect happens if the parent company transfers human resources strategies to their global subsidiaries without any changes (BURGT et al. 2014: 138). In contrast, a host-country effect takes place if the subsidiary has to overtake local human resource practices due to the institutional and cultural constraints (BURGT et al. 2014: 138). In our case, a home country effect occurs if a MNE has successfully implemented new institutional elements in their training collaborations with local universities or colleges, thereby shaping the vocational training systems, at least on the local level. By doing so, they become an Institutional Entrepreneur. On the other hand, a host country effect takes place in two ways. First, the institutional environment limits a MNE's options for transferring new ideas into the host region one by one.

Second, the host region even provides more opportunities for foreign subsidiaries to persuade and implement their own interests in local training collaborations with Vietnamese universities and vocational colleges compared to the home country of the parent company.

5.2.1 Skill Formation Systems and the Vietnamese case

Based on the *Varieties of Capitalism* approach (HALL & SOSKICE 2001) and the existing literature on vocational training concepts (e.g. THELEN 2007; CROUCH et al. 1999; BLOSSFELD 1992, BUSEMEYER & TRAMPUSCH 2012: 9) have developed the concept of SFS. There are four types, depending on the extent of firm participation in initial vocational training and the degree of public commitment to vocational training.

Public Commitment	High	Statist (Sweden, France)	Collective (Germany)
	Low	Liberal (USA)	Segmentalist (Japan)
		Low	High
		Firm Involvement	

Fig. 5.1 Types of skill formation systems; Source: Authors’ draft based on BUSEMEYER & TRAMPUSCH 2012: 9

Liberal SFSs such as in the USA are characterized by a capitalist structure. Students receive basic qualifications in the general education system, practical experience through internships and summer jobs and more specific occupational skills through on-the-job (OTJ) training from their first employer (BUSEMEYER & TRAMPUSCH 2012: 10). Higher vocational qualification can also be acquired by students if they pay tuition fees.

Statist SFSs are unique in a way that the state actively promotes vocational training as an equal alternative for tertiary education, in particular for young people who do not possess skills for entering a university (BUSEMEYER & TRAMPUSCH 2012: 11). Hence, vocational education has become an integral part of the general education. Due to the dominant state, private companies participate marginally in basic vocational education. Typical examples of statist SFSs are Sweden or France.

For our case studies we have specifically chosen collaboration projects based on the collective and segmentalist SFSs, from Germany and Japan respectively, since they include a high level of firm involvement which might be useful in order to prevent Vietnam from encountering future skill mismatches in the labor market. Therefore, we will describe these two approaches more comprehensively.

Typically, a collective SFS includes strong state support for vocational training as well as intensive participation of companies in initial vocational training. In general, the German dual system has four main characteristics (BUSEMEYER & TRAMPUSCH 2012: 11f): First, companies are actively involved in vocational training programs through financial contributions, in-house teachers and training at the factory. Second, the state mainly outsources its power to semi-public organizations such as chambers of industry, trade unions and employers associations who have the obligation to administer and update the collective training systems. Third, occupational skills are defined and recognized in the national labor market through certification and standardization. Finally, vocational education consists of two parts: the transfer of general knowledge at school and the acquisition of practical skills through learning by doing activities at the work placement in the company. During their three-year training period, trainees usually spend three or four days in the company and up to two days at school per week (HIPACH-SCHNEIDER et al. 2007: 26f).

Japan's vocational training system follows a segmentalist model. On the one hand, the state does not play an active role in the technical vocational education. On the other hand, private firms intensively provide (OTJ) and off-the-job (OFJ) training for their employees in order to strengthen an employee's identification with the company (TERADA 2012: 101f). Additionally, companies maintain close institutional and semi-institutional linkages with high schools and universities (KARIYA 1998: 332f).

However, this traditional paradigm of vocational training has been changing in Japan since the introduction of a dual training system in 2003, derived from the German collective SFS, which covers three types of cooperation between educational institutes and companies (ITO 2012: 118f): First, technical applied universities provide *special courses*, which last two years and are opened for high school graduates, including a three month OTJ training. Companies are usually willing to cooperate if the trainees intend to stay with the company after finishing the course (NAGATA 2007: 73 in ITO 2010: 184). Second and third, *short-term courses* (STCs) and *contract courses* usually last six and four months respectively, including a four-week internship in companies. These programs are provided by polytechnic centers and private providers to young short-term or unemployed workers. Contrary to the German dual system, occupational skill standards are not obligatory. Hence, companies can freely decide what trainees learn during the apprenticeship at the factory (SASAKI 2005: 10 in ITO 2010: 184).

Since the introduction of the Doi Moi reforms in 1986, Vietnam has been establishing a socialistic market economy in which the state is a powerful actor, in particular in the education system. Hence, we also assume some host country effects for pilot projects in this sector:

Whereas in Germany the syllabus, occupational skill profiles and the certification of such programs is designed by intermediary organizations such as chambers of commerce or trade unions, the overall vocational training system in Vietnam is determined by representatives of the state like the Ministry of Labour, Invalids and Social Affairs (MoLISA). Therefore, we expect that representatives of MoLISA will participate in bargaining processes related to the introduction of new institutional elements. Following up on this argument, we also assume that German dual training programs and *Special Courses* from Japan which are provided to high school graduates, are likely to follow national standards of a socialistic education system as determined by the central government.

5.2.2 Impact of MNEs on Vietnam's vocational education sector

Host country's actors often see foreign investors as the ones who can transform industrial structures, by introducing capital, new technologies and new organizational forms (SCHAMP 2000: 188). In particular MNEs might be able to introduce new institutional elements in host countries which have already been proved as useful in another place because of their experience in various different institutional environments (e.g. PENG et al. 2008; HOSKISSON et al. 2000). In short, MNEs 'might be welcomed' as Institutional Entrepreneurs (CANTWELL et al. 2010: 577) in emerging economies like Vietnam.

The concept of *Institutional Entrepreneurship* originates from social sciences and has received a lot of attention during the last decade (BATTILANA et al. 2009: 66). One of the most cited definitions comes from DIMAGGIO (1988: 14): Institutional Entrepreneurs are actors who devote sufficient resources to projects, in which they perceive an 'opportunity to realize interests that they value highly' (DIMAGGIO 1988: 14). Hence, such actors aim to change the 'rules of the game' (NORTH 2008: 22). Such perceived opportunities can arise during crisis, times of technological and regulatory changes or scarcity of resources (BATTILANA et al. 2009: 74). Based on this definition, Institutional Entrepreneurs must actively participate in the implementation of change processes (BATTILANA et al. 2009: 68). In order to trigger an institutional change, Institutional Entrepreneurs must mobilize own resources and possess social skills, motivating further actors to participate in such processes (FLIGSTEIN 1997: 398). It is important to stress that such institutional changes are the outcome of the interplay between agents and the existing conditions (CAMPBELL 2004: 174). More precisely, CAMPBELL (2004: 174) explains

that the existing conditions provide situations which some actors perceive as a chance to trigger a change. But at the same time they are, at least partially, constrained by the context in which they operate.

The concept of Institutional Entrepreneurship can be applied to MNEs and the current skill mismatch on Vietnam's labor market. Since the supply side of the labor market cannot provide a workforce with modern skills as required by the industry, MNEs have to become proactive in order to solve this problem. In contrast to internal training efforts for existing and new employees, subsidiaries of MNEs can also try to introduce institutional elements from their home countries' vocational education systems in the host regions and thus become an Institutional Entrepreneur. MNEs are able to set up pilot projects with so called *proto-institutions* (LAWRENCE et al. 2002). *Proto-Institutions* are practices, technologies or rules which are new and have not been widely diffused in the respective context (LAWRENCE et al. 2002: 283) but can become fully integrated institutions in the long run. For instance, MNEs can provide learning materials or donate machines with firm-specific technologies to participating schools on the one hand, and offer in-house training programs for students on the other hand, thereby establishing proto-institutions in the local education system in the short run, which may also have the potential to diffuse across the entire system on all spatial levels in the long run.

Derived from this concept, we assume that MNEs from Germany can influence the Vietnamese vocational education system as Institutional Entrepreneurs, thereby causing home country effects, through establishing the following elements of the German collective SFS: For instance, they will try to realize the concept of dual apprenticeship so that the students learn both at school and in the company, and introduce modern curricula.

In the case of Japan's SFS, we assume a vast potential for Institutional Entrepreneurship related to the internship programs of *special courses*. Neither Japan nor Vietnam have a clear and fixed national standard for the content of OJT-programs. Hence, we expect that Japanese MNEs transfer their home internship practices to their subsidiaries. Besides, OJT Japanese MNEs might introduce *short-term courses* (STCs), which target young non-regular workers who have already graduated (ITO 2012: 119). These short-term courses run parallel to existing vocational programs of the Vietnamese government and thus allowing greater flexibility for the cooperating schools. MNEs largely influence the syllabus of such programs as in Japan where colleges face many obstacles in order to find companies that are willing to cooperate (ITO 2012: 120). Through OJTs and STCs Japanese MNEs train the candidates according to their specific company needs.

5.2.3 The role of proximity for finding vocational colleges as suitable cooperation partners

Type and extent of such collaborations might be also influenced by the extent of costs which arise, on the one hand, from bargaining processes with the cooperating schools for establishing pilot projects related to foreign SFSs and, on the other hand, from the local conditions which enable or constraint the knowledge transfer in new forms of vocational training concepts. Consequently, MNEs may select those vocational colleges as cooperation partners, in which they see great potential for reducing such costs. We consider the concept of proximity, because its different dimensions can help us to understand how economic actors, like MNEs, seek and choose cooperation partners, such as vocational colleges and universities, in order to reduce costs which result from uncertainty and coordination problems (BOSCHMA 2005: 62). Complementary to the cost argument, the different proximity dimensions can also enlarge our understanding of how MNEs select educational institutes in order to increase the likelihood of a successful diffusion of innovations to host regions like the establishment of foreign vocational training programs. We follow BOSCHMA's approach (2005: 62), because it clearly separates various influences of cognitive, institutional and social dimensions, whereas other proximity approaches only distinguish between two dimensions (e.g. OERLEMANS & MEEUS 2005; TORRE & RALLET 2005).

We adapt BOSCHMA's proximity⁷ concept as follows:

We generally assume that the closer companies and vocational colleges are in terms of proximity, the more likely the company will agree to cooperate with the respective college.

The geographical dimension is defined as the 'spatial or physical distance between economic actors' (BOSCHMA 2005: 69). According to MASKELL & MALMBERG (1999a: 180), transfer of knowledge, in particular tacit knowledge, is deeply place-dependent, and specific 'localized capabilities' are the key factors that foster learning processes (MASKELL & MALMBERG 1999b: 20).

This might be also true for collaborations related to dual training programs between schools and companies, since a large portion of vocational training includes the transfer of knowledge. Moreover, these costs in pilot projects can be reduced through a low physical distance between the involved actors (KNOBEN & OERLEMANS 2006: 74), thereby facilitating simultaneously the rise of a mutual trustful partnership. This can be helpful during the implementation process, in which regular face-to-face meetings are needed, such as in negotiations (IBERT & KUJATH 2011:

⁷ Dual training programs always require a cooperation between firms and vocational colleges. Hence, we exclude the organizational proximity dimension due to the lack of alternative governance modes.

31), further training of teachers on company-specific technologies, and the establishment of training centers.

Since the German dual training program takes place both at school and in the company, spatial proximity might play an important role in choosing a suitable training institute as partner. In the case of Japanese companies, the spatial proximity might be less important due to the fact that participants of special courses and STCs only spend up to three months inside the company. Consequently, we assume that German subsidiaries probably search for suitable partners in the surrounding areas of their factories whereas Japanese MNEs may enlarge the radius for finding vocational colleges as training partners.

The cognitive proximity describes to what extent cooperating actors share the same knowledge base (BOSCHMA 2005: 64). Recipients in the process of knowledge transfer can better exploit new information if they have sufficient absorptive capacities (COHEN & LEVINTHAL 1990). Such absorptive capacities are determined by competencies related to a company's markets and technologies (BOSCHMA 2005: 63). Therefore, industrial companies may look for vocational colleges as partners which possess a similar technological infrastructure and have teachers with the ability to train students on modern machines. Consequently, a close cognitive proximity, might be an advantage for schools to being selected as cooperation partners. As a result, it can be assumed that both German and Japanese subsidiaries choose educational institutes which have invested both into modern machines with new technologies and further training of their teachers with respect to technical skills in recent years.

The institutional proximity refers to the 'institutional framework on the macro-level' (BOSCHMA 2005: 64) and includes formal rules as well as customs, traditions and codes of conduct (NORTH 1991: 97). Cooperation and the exchange of information will be enhanced if cooperating actors share the same institutional rules (ZUKIN & DIMAGGIO 1990 in BOSCHMA 2005: 68). Thus, we operationalize institutional proximity in two ways regarding the initiation of training programs: First, companies may choose educational institutes as cooperation partners which are familiar with industrial working style thanks to their network linkages to the business world. Second, if vocational colleges are already familiar with German and Japanese dual training concepts, because they may have sent teachers or rectors for study and further training to these countries, then they will have better chances of being selected for such pilot projects. To summarize, MNEs are likely to select educational institutes that have a close institutional proximity with the business world and share training concepts of the MNEs' home countries.

Finally, social proximity describes to what extent relationships between agents are based on trust. Trust has been identified as a key component that lowers costs, where formal rules are unavailable (KNACK & KEEFER 1997: 1284), and it helps for the exchange of information that is ‘crucial for high performance but are difficult to value’ (UZZI 1996: 678). Such trust-based partnerships are a crucial component of business-making in Asia, because they either replace for the lack of strong enforcement mechanisms related to formal rules (MEYER 2012: 22), or even partially contribute to a company’s competitiveness, by fostering product innovations (FU et al. 2012: 94). Network relationships based on prevalent concepts like *Guanxi* (LOVETT et al. 1999: 231) have also been explored as they relate to interactive learning processes among Asian corporations and their network partners (FU et al. 2013: 644). Following this discussion, it can be argued that educational institutes which have already been identified as reliable and trustworthy agents, will have a good chance of being selected as partners for innovative pilot projects. Such a behavior has already been proved for Japanese companies related to human resource management in their home country (KARIYA 1998: 316). However, since knowledge transfer can be generally facilitated through trust-based partnership (BOSCHMA 2005: 66), social proximity does have an impact on both German and Japanese MNEs related to finding local schools as suitable cooperation partners.

5.3 Data and Methodology

Together with our local cooperation partners, the Central Institute of Economic Management (CIEM), a powerful think tank of the Ministry of Planning and Investment, and the Diplomatic Academy of Vietnam (DAV) we followed a two step approach. In our first field trip from May to August 2014, we have conducted a phone survey with a four page semi-standardized questionnaire. 35 students of the DAV have called more than 700 industrial MNEs in order to collect information under which circumstances subsidiaries of MNEs get involved into local community development projects. Based on these answers, it has become clear that most of such projects take place in Vietnam’s education sector. In a second step from October until December 2014, we selected collaboration programs between German and Japanese MNEs and domestic universities and vocational colleges as case studies since they include a high level of firm involvement in vocational training systems, thus a large potential for Institutional Entrepreneurship in Vietnam’s reform efforts with respect to vocational education. In order to arrange as many interviews as possible, the CIEM has sent official cover letters to the companies and their cooperation partners. As a result of these efforts, we conducted 19 qualitative in-depth interviews with our local counterparts.

On average, each interview lasted 50 to 60 minutes. With one exception, all the interviews were conducted face-to-face either in German, Vietnamese or English. From the 19 interview partners seven managers were from three German and four Japanese industrial MNEs in Vietnam, six representatives from the collaborating universities and vocational colleges, four representatives of the Vietnamese state as well as of the German and Japanese Development and business agencies and two consultants who have supported the implementation process.

The participating companies can be characterized as follows: Two of the six MNEs have between 100 and 250 employees, whereas all the others have more than 1,000 workers. Four MNEs belong to the automotive sector, one MNE produces industrial refined petroleum products and the sixth MNE focuses on medical and orthopedic instruments.

The results were developed on the concept of structured qualitative content analyses. The central tool – coding guidelines – has been developed by defining categories, finding standard examples for each category, and formalizing code rules (MAYRING & FENZL 2014: 548). Categories were strictly derived from the theoretical concept. Having scanned all texts for the first time, we adapted our coding guidelines one more time, thereby enhancing the quality of our results.

5.4 Results

Based on a qualitative content analysis, the following three subchapters present the results. The first part provides information to what extent MNEs undertake jointly organized dual training programs with Vietnamese educational institutes.

The second part analyzes to what extent MNEs act as Institutional Entrepreneurs within these collaborations, by implementing institutional elements of their home countries' SFS. The final part will deliver information about the importance of different proximity dimensions in terms of finding local vocational colleges and universities⁸ as cooperation partners.

5.4.1 Overview about MNEs and dual training programs in Vietnam

The German case study deals with two pilot projects of three MNEs. One project is a collaboration of two German subsidiaries with a local school in North Vietnam. The second project is a cooperation between a German subsidiary and a vocational college in South Vietnam. The Japanese case study is made up of three pilot projects. Two of them deal with collaborations

⁸ In recent years, many vocational colleges have been upgraded to universities, but they are still familiar with vocational training concepts. Therefore, cooperation projects take place between MNEs and vocational colleges and universities regarding technical training. So, our case studies could be easily traced back, by distinguishing between these two types of educational organizations. In order to guarantee anonymity for our interview partners, we just use the term 'local school' or 'local educational institute' from here onwards.

within the existing institutional framework, whereas the third one illustrates a new approach, transferring the concept of short-term courses to Vietnam. We will also refer to one failed cooperation of a Japanese MNE with a local school.

Figure 5.2 summarizes type and extent of MNEs’ dual training programs in our case studies. Most MNEs cooperate only with one school, which is located in the same or neighboring province. This follows our assumption that MNEs collaborate with nearby colleges. By doing so, they either influence the partnering school’s syllabus or donate learning documents or machines with company-specific technologies. Moreover, MNEs have intensified their collaborations with local educational institutes by setting up training centers at the factory site or small training rooms at the partnering school. The costs for establishing such training centers is varying across the companies. Whereas the German MNE C has invested about one million USD for its training park, the costs for MNE G to establish a training room at its cooperating school are only about \$50,000 USD in the first year, and \$20,000 USD for updating the equipment annually. Nevertheless, MNE G’s total costs for such collaborations have increased over the years, because of the extension of its program towards five additional schools nationwide. Since both types of training facilities include modern machines, the participating students can acquire practical experience, particularly related to company-specific technical and soft skills. In the case of the Japanese MNEs D and G, school teachers of the involved schools are frequently instructed about technical updates of firm-specific products by a MNE’s in-house trainers.

Company	Number of cooperating schools	Location of cooperating school(s)	Impact on the existing syllabus	Further Input of the MNE
GER: A & B	1	neighboring province	Within	X ⁹
GER: C	1	same province	N.A. ¹⁰ .	Training center at the company’s area
JAP: D	5	nationwide	Within	1. Training room at the school 2. Training on Trainers 3. Frequently updating of technological infrastructure

⁹ X = no further input to the project: No donations of equipment or training programs for teachers at the partnering school. The focus is only on changes in the curriculums.

¹⁰ N.A. = No Answer; We have not received any answers related to the respective question.

JAP: E	1 => now: 0	same province	N.A.	Donating technological equipment to the school
JAP: F	1	same province	Within & Outside	X
JAP: G	6	nationwide	Outside	1. Training room at the school 2. Training on Trainers 3. Frequently updating of technological infrastructure

Fig. 5.2 Type & Extent of MNEs` joint training programs with Vietnamese schools (own draft)

Although the results indicate that all MNEs actively affect regional education systems, our assumption that MNEs cooperate with schools that are located in the surrounding of their subsidiaries is mainly supported.

Whereas all German MNEs have conducted joint training programs with educational institutes from the same or neighboring province, two of the Japanese subsidiaries are running collaborations with vocational colleges or universities nationwide. Additionally, these two MNEs also provide a whole package of equipment and learning materials to their collaborating schools. The main reason, according to our interview partners, is that these two Japanese MNEs seek employees for maintenance jobs in their nationally distributed representative agencies. Since these MNEs do not demand a high level of technical skills, they can easily implement their training programs in various vocational colleges and universities across the entire country. In contrast to these two MNEs, the other Japanese firms cooperate only with one specific vocational college in close vicinity. The intention is to train potential workers in their main factory with the needed levels of technical skills.

Finally, there is the exceptional case of MNE E which stopped its cooperation with the local school and returned to its traditional model of in-house training for new employees. According to our interview with the managers, the students did not learn the technical skills and the industrial working style in a practical manner at the partnering school. Consequently, the students were not well prepared when they entered as trainees the company.

5.4.2 Institutional Entrepreneurship in Vietnam’s vocational training systems

The former part has demonstrated that German and Japanese subsidiaries are intensively cooperating with local schools. By introducing institutional elements of their home countries’ SFSS

at the cooperating vocational colleges and universities, these MNEs act as Institutional Entrepreneurs in vocational training systems and generate home country effects on the local level. In terms of the German collective SFS, the interviews display that all three MNEs have been deeply participating in the entire implementation process. In cooperation with state authorities and the German Development Agency GIZ, the companies were actively involved in designing the curriculum and defining of occupational skill profiles. Moreover, they offer employees both as supervisors and in-house trainers for the students during their internship.

However, it becomes obvious that some adaptations to the local context were inevitable. For instance, none of the three MNEs had well-trained in-house teachers at the beginning of the project, whereas this is a crucial precondition for companies in Germany. But, this has been changed during the implementation process because of further training programs undertaken by GIZ. To sum up, in both pilot projects home country effects have occurred because all three MNEs were able to increase their active participation in official vocational training programs. Regarding the content of the curriculum, it can be stated that Vietnamese actors have a large impact. All interviewed partners admit that the syllabus must follow the national standards set by MoLISA. For example, the manager of MNE B explains:

'It needed quite a lot of discussions also with the local authorities because the curriculum itself must be approved by MoLISA [...]. So they have their framework and within this one we were able to have some minor adjustments only. [...] expectations were pretty high from our side that we can more or less turn it upside down and completely copy and paste the German system still considering a little bit local requirements. [...]we wanted to squeeze in more into this schedule, into the curriculum but it was a pretty clear message from MoLISA that's 80 percent are fixed by them more or less or [let] be it 65, 70 percent.'

In contrast to Germany, the Vietnamese state, represented by GDVT (General Department of Vocational training), directly participated in the designing of the curriculum together with the German Chambers of Commerce (AHK), GIZ, the MNEs and the cooperating schools, confirming a strong host-country effect. Nevertheless, the German actors have successfully integrated the German standards into the existing framework, because every school has a leeway of about 30 percent regarding the curriculum. For instance, some modules like maintaining mechatronic and mechanical systems which are usually taught in a more theoretical manner at school, have been transferred to the cooperating company where the students can learn these

modules more practically, by using the technical facilities of the MNE. Eventually, the syllabus consists of both Vietnamese standards and German occupational skill profiles.

In contrast to our theoretical considerations, participating students receive two certificates, because the syllabus follows both Vietnamese and German standards.

In order to upgrade the quality of the German certificate, further institutional elements of the dual system, like a committee for occupational profiles, have been implemented in the meantime. According to one of our interview partners, the committee consists of representatives of all three MNEs and their participating partners at the educational institutes. The goal of this committee is to enable a better exchange between all involved stakeholders, thereby creating a potentially larger impact on future occupational skill profiles in Vietnam. To sum up, there is a clear host country effect illustrated by the direct involvement of GDVT with respect to designing the curriculum on the one hand. But on the other hand, a home country effect has also occurred because the German actors were successfully acting as Institutional Entrepreneurs, by introducing a second certificate based on AHK's standards. Regarding the fourth element of the German collective SFS, it can be pointed out that the idea of dual vocational training has also been realized, representing another home country effect: Students spend half of the time inside the company and they receive a salary like in Germany.

In the case of the Japanese dual training system, the results are mixed.

The concept of special courses has not been realized up to now. However, Japan's International Cooperation Agency JICA and MNE F were acting as Institutional Entrepreneurs within the existing framework, by providing further training to teachers, updating the school's equipment and implementing certain aspects of Japan's vocational curricula. Similar to the German efforts, elements of the Japanese curriculum like *5S* – a methodology which intends to improve productivity and the working environment, e.g. by learning how to organize one's working desk or by increasing self-discipline – and mechanical drawing were integrated into that 30 percent of the framework which can be freely designed and structured. But, the interview partners also admit difficulties in terms of including further Japanese business's requirements. Japanese MNEs draw the conclusion that it is easier to provide optional four-week modules about quality control or machinery maintenance for students and teachers. To sum up, although technical and soft skills have been applied into the existing curriculums, there have not been any systematic changes. This can be interpreted as a host country effect because the Vietnamese state actors have successfully insisted on the continuation of the predetermined national regulatory framework for vocational training.

Related to the internship programs of MNE D and F, both companies have a tremendous influence on the content of OJT training. MNE D has designed the internship program completely on its own, derived from company-specific needs. By contrast, MNE F has developed this program jointly with JICA and the partnering school. Hence, the outcome of this collaboration is a well-structured internship program, consisting of workshops on Japanese industrial working style and a work placement for students, who are frequently monitored by in-house supervisors. However, MNE F was also able to realize its own interests, demanding for a short-term course (STC) on machinery maintenance at the collaborating local school. As stakeholder D explains:

'The local school needs to come to MNE F for a field survey to see what kind of machineries they have. And they also have to consult with the experienced staff of MNE F in order to see what type of maintenance MNE F really wants to have. And after that, they have to consult with JICA expert to design a very practical machinery maintenance course.'

To conclude, the results indicate both home country and host country effects illustrated by the establishment of an internship program according to Japanese standards and the lack of change in the existing curriculum.

There is also one good example for the concept of joint STCs. MNE G has set up, in cooperation with six vocational colleges and universities in Ha Noi as well as Ho Chi Minh City, an STC for young unemployed or short-term workers who graduated from vocational colleges. In line with the original concept, this program is divided into two parts: a four-month program at the cooperating educational institute and a two-month internship program. Since this program aims to provide further knowledge and practical training for graduates instead of replacing the existing vocational training system, there has been no interference by state authorities with respect to the content of the program. Consequently, MNE G was also successfully introducing new elements to the vocational training system.

Nevertheless, there is also evidence for some host country effects. In contrast to Japan, it is not the vocational college but the MNE (G) which was primarily pushing this project. Therefore, the subsidiary has built up the whole training center at the partnering school's campus. As a result, MNE G was able to determine the content of the entire six-month program. Furthermore, it is the company that selects the trainees for its internship program and not the other way around.

5.4.3 The role of proximity for MNEs in finding local schools as collaboration partners

Our assumption that all four proximity dimensions might have an impact on selecting specific vocational colleges and universities as collaboration partners for dual training programs is generally supported by our results, as illustrated in Figure 5.3. However, the importance of different proximity dimensions varies between German and Japanese subsidiaries.

Type of Proximity	German MNEs			Japanese MNEs			
	A	B	C	D	E ¹¹	F	G
Spatial	✓	✓	✓	x	N.A. ¹²	x ¹³	x
Cognitive	✓	✓	✓	x	✓	✓	✓
Institutional	✓	✓	✓	✓	✓	✓	✓
Social	x	✓	✓	✓	N.A.	✓	✓

Fig. 5.3 The role of proximity for MNEs to find local schools as cooperation partners (own draft)

Generally speaking, spatial proximity is more important to subsidiaries of German MNEs than for Japanese. All three German MNEs cooperate with nearby schools. Spatial proximity was one of the crucial factors for establishing such a pilot project. For example, MNE C prefers to collaborate with a vocational college in the same provinces instead of selecting one in Ho Chi Minh City and it has chosen approximately 65 percent of all its trainees from the same province. Spatial proximity was also a crucial determinant of both German MNEs in Northern Vietnam as illustrated by the manager of MNE A who also stated that it would be impossible to set up such a dual training program with a university or vocational college in Southern Vietnam.

In contrast to the German MNEs, spatial proximity does not have any large influence on a Japanese MNE's decision on choosing an educational institute. For instance, the headquarters

¹¹ Company E has stopped a joint program. Hence, the clicks here show why this programs has failed based on the answers which refer to the proximity dimensions. N.A. in the cells for spatial and social proximity means again that we have not received any statements from this MNE which can be referred to those two dimensions.

¹² N.A. = No Answer; We have not received any answers related to the respective question

¹³ X = no further input to the project: No donations of equipment or training programs for teachers at the partnering school. The focus is only on changes in the curriculums.

of MNEs D and G are located in the neighboring province of Ha Noi, but they have implemented exactly the same program at five and six educational institutes across entire Vietnam, respectively.

There might be three reasons for the difference between German and Japanese MNEs. First, German subsidiaries require a higher technical skill level of their employees, whereas Japanese MNEs, like in the case of MNEs D and G, conduct such collaborations to train people for service jobs at their nationally distributed representative agencies, which require a medium level of technical skills. Consequently, the Japanese programs consist more of codified rather than tacit knowledge, which does not require a permanent co-location of both collaboration partners. Second, all three collaboration projects of Japanese MNEs did not intend to break with the existing institutional framework of the educational system since these projects either provide further training for fresh graduates, or they fit largely into the existing curriculum. Hence, regular face-to-face meetings for negotiations with local authorities are not required, thereby reducing the need of a continuous co-location of the MNE and its cooperation partners.

Third, spatial proximity is more crucial to subsidiaries of German MNEs because students have to commute regularly between schools and their working places at the factories during their entire training period whereas trainees in the Japanese programs stay for one single internship at the company up to three months. In the case of MNE B, students and teachers have also stated in the interviews that the distance between the working place at the company and their home towns is a challenge for a successful implementation of this program since they need at least three hours by motorbike for one way.

Due to such problems, it becomes clear that German MNEs prefer nearby vocational colleges and universities as collaboration partners like in the aforementioned example of MNE C. In contrast to the spatial dimension, the cognitive proximity is important in all projects. Several interview partners emphasized that they were impressed by the school's investments in modern technological facilities and training of teachers. Moreover, one rector of the participating educational institute emphasizes that they send their teachers to two foreign firms annually in order to obtain more knowledge about state of the art technologies. To summarize, both Japanese and German MNEs are confident that the cooperating schools can provide students for their respective programs who are able to quickly learn the company's working style, and become a productive full-time worker during their internship program at the factory.

Institutional proximity is also a crucial factor. For instance, one of our interview partners related to the dual program of MNE C mentions that only one local school might be suitable for such a collaboration because the management knows the business world:

‘Wenn in einer Berufsschule, dann nur da, weil da das Management eigentlich recht fortschrittlich ist und vor allen Dingen aus der Industrie hauptsächlich kommt.’

This illustrates the theoretical consideration that sharing the same rules of the game by fostering a stronger connectivity between vocational colleges with the business world and by supporting the implementation of a specific SFS, facilitates the establishment of such a program. We also find empirical evidence in our interviews for the importance of a school’s familiarity with a foreign vocational training concept as the second dimension of institutional proximity. For instance the manager of German MNE A states:

‘What is good is that one of the project managers and one of the teachers speak perfectly German and had spent a lot of time in Germany and understand this culture. [...] You don’t have to explain everything from zero’.

Since sending teachers for further training abroad is very expensive, it might be sufficient if a local school knows about a MNE’s needs and can integrate elements of a foreign SFS into its curriculum, thereby lowering the institutional gap between the MNE and the school’s graduates. This has been one of the most important reasons in the joint training program of MNE F, according to the manager:

‘Besides the technical skills, the company also requires soft skills. And very interestingly, this school has a very good training for the students about the Japanese culture’

Finally, the importance of social proximity must not be underestimated for such a cooperation although the analysis of the interviews seem to allow the conclusion that social proximity might be more relevant for Japanese MNEs. For instance, the manager of MNE A has denied our question whether trust was a precondition for setting up this collaboration. Instead, his firm was convinced by the facilities and people’s familiarity with the German dual training system at the collaborating educational institute. Similar to the case of MNE A, social proximity between the company and the local school did not play an important role for MNE C as the following quotation illustrates. The independent consultant who has continuously supported the implementation process of MNE C’s pilot project states:

‘...der Direktor [...] ist auf alles eingegangen, und [hat] Entscheidungen am Tisch getroffen und von [MNE C] war es natürlich so, dass die erstmal auf diese Art: da fragen wir erst mal unseren Anwalt. [...] Das war in der Anfangsphase, das hat die Sache schon ein bisschen rausgezögert. [...] Aber allgemeine Konflikte [gab es] nicht, es war wichtig, dass beide Parteien wollten, egal wie. Das ist ausschlaggebend, wenn da die ersten Zweifel kommen und Fragezeichen, ja aber? Dann kann man alles vergessen. Man hat wirklich gespürt am Tisch, beide Parteien wollen, aber jeder schachert natürlich bis zum Umfallen‘

Although these two examples indicate a less important role for social proximity in the selection process, trust and reputation still had an important role, but more in an indirect and supporting way. For instance, one reason why all three German MNEs have selected their training partners was because these universities and colleges have been recommended by further German stakeholders such as development agencies or German expats who have lived in Vietnam for a long time.

In contrast to the German MNEs, social proximity is a crucial precondition for the subsidiaries of Japanese MNEs in order to set up a collaboration with local schools. As it is the case in Japan, the managers of the interviewed subsidiaries explain that they only start a cooperation with a local school if they see a potential for long term relationship. For example, MNE G conducted a survey, and learned that almost 80% of their employees are graduates from one specific Vietnamese school. As a result, MNE G wanted to establish a long-term partnership and eventually realized it, by setting up a joint STC.

5.5 Discussion and Limitation of the results

Regarding the transfer of entire SFSs, the results demonstrate home and host country effects, which is in line with previous studies about German and Japanese MNEs and their human resource practices in host countries (PILZ & LI 2014; SHIBATA 2008).

Hence, on the one hand MNEs are able to introduce new institutions in the host region. But on the other hand they are also constrained by the existing institutional environment as pointed out by previous studies (MEYER & REVILLA DIEZ 2014; MEYER & NGUYEN 2005; HENISZ 2000). Despite all efforts and the occurrence of some home country effects on the local level, new institutional elements have not yet been integrated into those modules of the national curriculum which are obligatory for all vocational colleges in Vietnam. There are several reasons why MNEs and their cooperation partners were restricted to shape Vietnam's vocational education as Institutional Entrepreneurs to the local level.

First, there is a time lag problem. The case studies primarily deal with recently implemented pilot projects. Since institutions may be formed relatively rapidly on the local level, it may take years or decades to trigger an institutional change across an entire country. For instance, HUNG & WHITTINGTON (2011: 529) have demonstrated that institutional change in Taiwan's IT industry has occurred in three time periods *innovation, diffusion, and legitimation* which consist of almost 30 years in total. The slow diffusion of institutional elements across the country can be also observed in the case of the Japanese MNE F. The respective consultant who was involved in the implementation process explains that JICA and this university have tried to transfer the knowledge to other vocational colleges and to the GDVT. As a result, this college has also started to provide some short term courses for Japanese companies. However, in the consultant's point of view the spillover effects are very small and did not spread across the boundaries of the province.

Second, Vietnamese politicians have not yet overtaken new institutions into the national programs in order to avoid a rag rug of different educational systems that only satisfy company-specific interests, while neglecting the needs of the general public. Such an unbalanced development has been already observed for dual training programs in Japan (ITO 2012: 120). Therefore, collaborations between local educational institutes and private companies should generate an outcome with greater potentials. For instance, a jointly organized and well-structured in-house training program as in the case of Japanese MNE F and the recently established committee for occupational skill profiles by the AHK in the German case studies can be seen as role models for future cooperation, since they clearly define guidelines and industry-specific skills. Companies that are willing to set up joint training programs with local schools must teach these standardized skills, thereby avoiding an OJT program based on particular motives of the participating companies. Lastly, the institutional change on the national level is rather limited because the Institutional Entrepreneurs had to struggle with new problems when starting to foster the transfer of the proto-institutions to other educational institutes and companies, both on the regional and national level. For instance, the original idea of the German dual training project was to use this model as a standard curriculum approved by GDVT for all operating firms in Vietnam, including domestic ones. However, it seems that the dual training concept is currently not suitable for the Vietnamese context as the European consultant and the representative of the GDVT explain:

'The problem was the driver, the demand, it's not coming from the company's side. [...] We need companies who are really interested. So the initial idea to be part of such a project has to come from a company. So we have to change the approach.

We have to maybe [go] through VCCI chamber [Vietnamese Chamber of Commerce and Industry] whatever, to attract companies. We have to set up meetings, workshops, seminars, whatever for companies, and for management, tell them education is important, your main resource is human resource. [...] Maybe you will have 20 companies, five are coming and then I think the project is much more successful because we have the driver, the pusher from companies, and sort out the uninterested. You waste a lot of energy and time with uninterested ones, even money. Find the five interested, and work very hard with that one [year] and then next year [you] will have another five. And the sleeping one, they will wake up, Hey, why they are successful now, what's the secret?'

With respect to a MNE's decision on choosing local vocational colleges or universities as cooperation partners, the results show that spatial proximity plays a less important role for Japanese than for Germans MNEs. However, it would be wrong to assume that spatial proximity does not have any influence. For instance, the interviews related to the program of Japanese MNE D show that this subsidiary still faces recruitment problems because the training centers are not located in those provinces where the MNE needs new staff for its representative agencies. Related to the implementation of such pilot projects, this study also indicates that a temporal spatial proximity might be sufficient for face-to-face meetings between cooperating actors for negotiation processes, although it is normally assumed for actors who are located far away from each other (GLÜCKLER 2008: 137; TORRE & RALLET 2005: 58). Specifically, interview partners from Japanese MNEs and their cooperation partners explained that only a few meetings were necessary in order to prepare the project's kick-off although it eventually took up to a year for implementation.

In addition to the spatial proximity, cognitive and institutional proximity can be considered as the outstanding dimensions, since all interview partners highlight the local school's technological infrastructure and familiarity with the respective SFS. For instance, the collaboration between MNE E and the local school was stopped, because the students did not learn the technical skills and the industrial working style at the partnering school. Consequently, the students were not well prepared to start working as trainees during the internship.

Although this paper provides new insights that enrich the current debate about MNEs' impact on institutional change, the results must be handled with care for several reasons. First, due to the explorative character, the number of interviews is relatively small. Secondly, it was not possible to interview all involved firms on a face-to-face bases, thereby lowering the quality of

the results despite all efforts made before and during the interviews. Third, we have only covered two types of SFSs for comparative analysis, since MNEs and development agencies from other countries, such as USA, aim on higher education collaborations with universities instead of technical vocational training.

Notwithstanding these weaknesses, this study make its contribution to increase our understanding on the interplay between MNEs and institutional change in emerging economies. As other studies have shown, strong interaction between MNEs and local organizations can significantly support upgrading processes in the education system of host countries. In line with this debate, our study has revealed how subsidiaries of MNEs select host country's vocational colleges and universities as partners for setting up dual training programs.

5.6 Conclusion and potential for future research

This article has provided new insights how MNEs might help to upgrade the vocational system of emerging economies like Vietnam. Using a qualitative content analysis on 19 in-depth interviews with German and Japanese MNEs as well as other stakeholders who were participating in the implementation process, we proved that MNEs in cooperation with development agencies are able to create proto-institutions that originate from their respective home country's SFS. Hence, MNEs can act as Institutional Entrepreneurs through the setup of joint dual vocational training programs which we categorize as home country effects. However, the case studies of the pilot projects also demonstrate host country effects. For instance, all dual training programs that take place within the regular education system must follow the national standards. As a result, the likelihood that entire SFSs will trickle through the national vocational education system across Vietnam is restricted. Thus, the concept of Institutional Entrepreneurship can be applied to MNEs and their collaborations partners only within a limited regional scope.

Nevertheless, the empirical findings demonstrate that subsidiaries of German and Japanese MNEs can have a large influence on the regional institutional environment, illustrated by the specific molding of vocational training systems in their host regions. On the one hand, they design the curriculum in cooperation with development agencies and the partnering local educational institute. On the other hand, MNEs also offer learning materials as well as modern machines based on company-specific technologies.

Built up on these results, we shifted the focus of our analysis towards how MNEs find local schools as appropriate partners for such training programs. The results indicate that the combination of several proximity dimensions have influenced a MNE's decision on finding a Vietnamese educational institute as a cooperation partner. In the case of the German MNEs, spatial

proximity plays an important role in order to realize such a dual training program. However, other dimensions such as cognitive and institutional are at least equally important.

In the case of Japanese MNEs spatial proximity seems to be less important compared to the cognitive, institutional, and social proximity for finding and selecting Vietnamese educational institutes as cooperation partners. The main reason that spatial proximity plays a subordinated role might be that two of the four interviewed Japanese MNEs search for employees for their nationally distributed representative agencies. Additionally, these jobs mainly include customer service functions that do not require a high level of technical skill.

Since our study has an explorative character, the following implications derived from our results should be considered carefully:

First, companies, vocational colleges, universities and additional stakeholders should be aware of the difficulties when implementing foreign training concepts to Vietnam, since the country has different framework conditions than the home countries of the respective SFS. As some stakeholders have explained to us, it is more about finding a Vietnamese way of the German and Japanese dual training concept rather than transferring the entire system to the country. For instance, the Vietnamese government can install a committee of occupational skill profiles which helps to intensify the dialogue between educational institutes and the industry like in the German case study, thereby avoiding a mushrooming of multiple training concepts which only persuade company-specific needs.

Second, future vocational training programs should include a larger share of training units that take place at the company, thereby allowing students to earn more practical experience, as is the case in the German dual system. There is also a need to ensure a high quality of regular internship programs. The project of MNE F, in cooperation with JICA and the local school, could be seen as a role model in this sense.

Since this study has explorative character, the results are not representative. Future research can provide new insights, by examining in a quantitative manner, which proximity dimensions are crucial for setting up such collaborations. Additionally, whereas some studies have already illustrated that students who participate in these pilot projects are better skilled and have a better chance to be hired by the involved companies after graduating (MORI et al. 2012), very little is known about broader spillover effects. Therefore, future research may analyze whether participants of these pilot projects can also transfer these skills to other companies, in particular, to domestic enterprises. This follows up recent studies which suggest that only labor mobility across skill-related industries might result in productivity growth of the absorbing companies (BOSCHMA et al. 2014, 1686).

5.7 References

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6. Why do new institutions not arise in Vietnam's Red River Delta? – The neglected role of varying embeddedness between local firms and multinational enterprises

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Why do new institutions not arise in Vietnam's Red River Delta? – The neglected role of varying embeddedness between local firms and multinational enterprises

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Abstract

Case studies on MNEs as successful institutional entrepreneurs, as presented by scholars in recent years, can implicitly lead to the conclusion among political decision-makers in emerging economies that MNEs' institution-building efforts are always beneficial for a region's economic development. This study contradicts such simplified interpretations, by taking the example of local firms' low acceptance of dual training approaches introduced by MNEs in the Red River Delta. Based on 22 interviews with private Vietnamese firms and by using the embeddedness approach as a theoretical basis, we identify several obstacles for the low diffusion of dual training approaches into the regional economy. First, local firms have not been involved in MNEs' institution-building initiatives. Second, local firms attach little importance to vocational education (societal embeddedness), possess weak linkages with MNEs and Vietnamese educational organizations (network embeddedness), and are partially located in non-industrialized areas (territorial embeddedness).

Keywords

Embeddedness, vocational education, institutional entrepreneurship, Vietnam, multinational enterprises, qualitative research

6.1 Introduction

Education systems of emerging economies often cannot keep pace with changing skill demands (FUCHS et al. 2016; World Bank 2013). Thus, multinational enterprises (MNEs) step in at these institutional voids by collaborating with public educational organizations (PEOs), such as universities and vocational colleges. In recent years, some German MNEs have undertaken efforts to transfer dual apprenticeships to their host regions with the goal to equip students and employees with technical and soft skills while trying to upgrade local technical vocational education and training (TVET) systems (FORTWENGEL & JACKSON 2016; FUCHS 2014; FUCHS et al. 2016).

Similar to these examples, researchers have increasingly devised new theoretical concepts and empirical case studies on MNEs and their network partners as institutional entrepreneurs (BINZ et al. 2015; CANTWELL et al. 2010; FAULCONBRIDGE & MUZIO 2015). Past research has used successful case studies of institutional entrepreneurship to underline the necessity for considering a more actor-centered perspective on institutional change (FAULCONBRIDGE & MUZIO 2015; GERTLER 2010; SOTARUTA 2017; SOTARUTA & MUSTIKKAMÄKI 2015).

However, these valuable contributions have not yet generated sufficient explanatory power as to why institutional entrepreneurship engagement by MNEs and their network partners can also fail. Although MNEs label such institution-building initiatives as part of their Corporate Social Responsibility (CSR), previous studies on the transfer of dual apprenticeships show that such organizational practices either co-evolve to the existing institutional environment, remain stuck in localized proto-institutions, or are subjects to strong host country effects (FORTWENGEL & JACKSON 2016; PILZ & LI 2014; WRANA & REVILLA DIEZ 2016).

Therefore, this paper explicates why non-local organizational practices hardly trickle down into the regional economy by applying the concept of embeddedness to local firms and their relationships to MNEs and local PEOs in Vietnam's Red River Delta (RRD). The concept of embeddedness has already been applied to the rise of proto-institutions initiated through international NGOs in Palestine (LAWRENCE et al. 2002). Nevertheless, a more nuanced disentanglement of an actor's embeddedness, e.g., network relations, place-specific relations, and societal background, would be beneficial to understand under which circumstances organizational practices can or cannot diffuse into a region's economy.

The following research questions will be answered in this paper:

- How do local firms respond to institution-building efforts by MNEs, foreign development agencies, and local PEOs in the TVET system of Vietnam's RRD?
- How do societal, network, and territorial embeddedness matter for the institutionalization of organizational practices among local firms in Vietnam's RRD?

6.2 Theoretical framework

Institutions consist of formal written institutions such as laws, property rights, and contracts and informal institutions (NORTH 1991: 97f). The latter are built up of, amongst other things, social routines, which encompass habitual forms of corporate behavior and socialized work practices (MARTIN 2000: 79f). There is a clear distinction between institutions that are specific to territories and routines that are bound to the firm level (RAFIQUI 2009: 338). However, both levels are intertwined, indicating that firms can institutionalize parts of their routines, business

culture, and organizational practices in an existing system (SOTARUTA & MUSTIKKAMÄKI 2015), thereby becoming an institutional entrepreneur (DIMAGGIO 1988).

6.2.1 Institutionalization of organizational practices in host regions

Institution-building projects are mainly realized by a network of partners rather than through single actors (FORTWENGEL & JACKSON 2016; SOTARUTA & MUSTIKKAMÄKI 2015). However, MNEs in particular are considered to be central institutional entrepreneurs in emerging economies because of their ability to transfer institutional elements through their global networks to host regions where these elements can fill institutional voids (CANTWELL et al. 2010: 577). For instance, MNEs actively embed themselves and affect host regions' institution through typical CSR programs such as equipment donations, scholarships for students, training for trainers, and curriculum consultations (e.g. FUCHS et al. 2016; KLEIBERT 2015, MANNING et al. 2012). Since MNEs cooperate both with universities and vocational colleges, we label these linkages as universities-vocational colleges-industry linkages (UVILs).

The process of *institutional co-evolution* describes a situation in which MNEs actively try to shape local institutions (CANTWELL et al. 2010: 577). As an example, German and Japanese MNEs, in collaboration with their home countries' development agencies, try to implement dual apprenticeship programs in Vietnam's TVET system using pilot projects with partnering local PEOs as a first step. A dual apprenticeship system consists of theoretical lessons at school and practical training on the shop floor at firms' plants (FORTWENGEL & JACKSON 2016: 896). The apprenticeship time usually lasts three years, in which students spend three to four weekdays in the firm and the remainder of the time at school (HIPFACH-SCHNEIDER et al. 2007: 26f).

A *proto-institution* arises if third parties replicate practices and rules that have been used in the origin project (LAWRENCE et al. 2002: 286). For example, dual apprenticeships have become a localized proto-institution in one metropolitan area in the USA because new firms that could substitute for the exit of some founding members joined this alliance (FORTWENGEL & JACKSON 2016: 904). Since strong host country effects of dual apprenticeship practices have been observed in China, India, and Vietnam (PILZ & LI 2014; WRANA & REVILLA DIEZ 2016), a complete adoption of dual apprenticeship practices is unlikely. Instead, local firms may adopt only some elements or recombine them in a new way.

Based on CAMPBELL's (2004) classification of diffusion, translation, and bricolage, local firms may use four strategies to respond to nearby MNEs' institution-building efforts.

First, *adoption* represents the transfer of new institutions from one place to another without any changes (CAMPBELL 2004). This is the case if a local firm imitates dual apprenticeship programs introduced by MNEs and partnering PEOs. Second, *translation* contains the combination of new externally given ideas with locally available institutions (CAMPBELL 2004). For instance, two German MNEs in India have undertaken translation processes (PILZ & LI 2014: 755). They offer a dual apprenticeship program, which includes a one-year practical training at the firm site. In contrast to Germany, practical lessons are not based on a fixed curriculum and they are offered only to students who have already graduated from vocational training schools. The third and fourth source for institution-building is derived from the term *bricolage* which is defined as, ‘the process whereby actors recombine locally available institutional principles and practices in ways that yield change’ (CAMPBELL 2004: 65). In the context of dual apprenticeship programs, bricolage can arise in two ways. First, local firms can adjust their existing UVILs without adding foreign institutional elements into the rearrangement process. For instance, local firm managers could decide to select certain employees to become supervisors for students who join the company for an internship. This is defined as *endogenous bricolage*. Second, local firm managers may observe previous translation processes by MNEs and decide to integrate only single elements into their own UVILs. For instance, local firm managers may introduce a small salary for internship students to increase their working motivation instead of adopting all formal elements of the German dual apprenticeship system. This is labeled as *exogenous bricolage*.

6.2.2 The role of embeddedness for the diffusion of institutions in host regions

Since a successful regional institutional change through MNEs requires that local actors follow the new rules, it is necessary to understand under which circumstances local firms adopt MNEs’ organizational practices. The embeddedness approach might be an appropriate conceptual tool because of its similarities with new institutional theory. Institutions can create a basis for mutual communication, collective learning, and problem solving between economic actors (BATHELT & GLÜCKLER 2003). The embeddedness approach assumes that economic activities are deeply shaped by contextual factors and, more precisely, by a firm’s type and extent of social relationships (GRANOVETTER 1985). For instance, past collaboration between economic actors can lead to mutual trust, thereby creating unique competitive advantages for the agents of this network (UZZI 1996). Hence, embeddedness is the result of past experience and develops over time, leading to path-dependent developments similar to institutions (BATHELT & GLÜCKLER 2003). Consequently, local firms’ type and extent of embeddedness can become the key determinant in whether they accept new organizational practices introduced by MNEs or not.

In economic geography, three broad forms of embeddedness can be distinguished. Firstly, societal embeddedness highlights an actor's cultural, institutional, and political background. Secondly, network embeddedness embraces an actor's involvement in networks, expressed by the varying durability and stability of relations. Thirdly, territorial embeddedness describes the extent of relationships that are *anchored* in a specific place (HESS 2004).

Whereas MNEs operate in various institutional environments, most local firms in emerging economies are domestically orientated (ERNST 2002). Therefore, local firm managers' societal embeddedness is mostly shaped by their home countries' institutional, cultural, and political system. For instance, governments in Southeast Asian emerging economies have neglected vocational training colleges and schools in favor of tertiary education (BRIMBLE & DONER 2007; LIM 2014), although the meaning of TVET has been identified as a key determinant for economic development (LALL 1992). Moreover, these countries have developed a culture based on Confucianism, which highlights the role of a universal education for a meaningful life (LIM 2014). As a result, most families undertake efforts to send their children to universities and TVET is often perceived as inferior (LIM 2014). Consequently, local firm managers might be skeptical as to whether dual apprenticeship programs will indeed produce better-skilled graduates whose value outweighs a firm's retraining expenditures.

Since 'societal embeddedness also reflects the business system idea of an institutional and regulatory framework' (HESS 2004: 177) that shapes individuals' decision making, it is necessary also to consider transition economies' socialistic heritage in the field of TVET. According to LIM (2014: 143ff), the development of Vietnam's TVET sector occurred as follows: During Vietnam's period of centrally-planned economy until 1986, TVET had the purpose of producing workers, technicians, and managers for state-owned enterprises (SOEs). The General Department of Vocational Training (GDVT) was in charge in managing the TVET system. Because the number of SOEs has declined continuously since 1986, TVET has lost its importance. The central government has closed half of vocational training schools and the GDVT has lost its decision-making power through its integration into the Ministry of Education and Training (MOET). While the TVET sector had gained momentum in the Socio-Economic Development Strategy for 2001–2010, Vietnam's government has mainly favored a central and top-down approach. Consequently, TVET organizations are barely connected with private businesses even though this is needed to foster the exchange of information on skill needs and labor market developments (LIM 2014; World Bank 2013). To sum up, since the TVET system has always been managed solely by the state or only in interaction with SOEs, it can be presumed that most local firm managers perceive the improvements of schools' infrastructure, teachers,

and skill quality of graduates as a duty for the state and not for private businesses. However, if local firm managers have previously worked abroad or for MNEs and, thus, experienced successful dual apprenticeship programs, they may also develop an intrinsic motivation either to follow recent institutional-building attempts by German and Japanese MNEs in Vietnam's TVET sector or to set up skill upgrading collaborations with local PEOs based on their own ideas.

Local firms' network embeddedness may also affect the diffusion of new organizational practices into the regional economy. Local firms that are members of MNEs' global value chains may have access to information on MNEs' dual apprenticeship programs. Additionally, they may experience that collective institution-building efforts help involved MNEs to reduce turnover rates of trained workers because of accompanying non-poaching agreements between the involved firms (FORTWENGEL & JACKSON 2016; MANNING et al. 2012).

Since most local firms in emerging economies have few linkages with MNEs (ERNST 2002), other network relationships might be relevant for the diffusion of new practices into the regional economy. Informal and personal trust-based relationships are widespread in Asian business culture (MEYER et al. 2012; TRUONG & ROWLEY 2014). For instance, internship students and employees who graduated from a specific PEO often take on a bridging function between local firms and universities in emerging economies (BRIMBLE & DONER 2007). By doing so, they can inform local firms about new developments at partnering PEOs, such as the implementation of dual apprenticeship programs.

Lastly, local firms' degree of territorial embeddedness may also have an impact on the diffusion of dual apprenticeship programs. Most geographers have considered territorial embeddedness from a MNE perspective (COE et al. 2004; KLEIBERT 2015; MANNING et al. 2012). However, local firms may also possess a high territorial embeddedness in terms of the density of their relationships, which are deeply rooted in one specific region. For instance, the success of German MNEs in building a localized proto-institution of dual apprenticeships in the U.S. (FORTWENGEL & JACKSON 2016) can also be explained by the fact that the two U.S. American firms and the two dozen involved schools are located in the same metropolitan area. This spatial proximity of local firms to MNEs and PEOs is likely to have positively affected institution-building efforts for the following reasons. First, spatial proximity can increase social interaction and trust building (BOSCHMA 2005: 67), and facilitate the monitoring of other network partners' behavior. Therefore, informal non-poaching agreements were successfully enforced in the establishment of new skill-upgrading collaborations between MNEs and host regions' PEOs

(FORTWENGEL & JACKSON 2016; MANNING et al. 2012). Second, co-location facilitates the establishment of face-to-face meetings for learning processes (MASKELL & MALMBERG 1999). For instance, firms might train lecturers at PEOs on new teaching methods or technologies. Since this process is likely to include the transfer of tacit knowledge, a high territorial embeddedness is beneficial (MALMBERG & MASKELL, 2006). Finally, it also allows a better exchange of knowledge on students' work progress in internship programs between teachers and firm employees.

6.3 The Vietnamese context and the Red River Delta as a case study

Since the introduction of the *Doi Moi* reforms in 1986, Vietnam has experienced the second highest economic growth rates after China (PINCUS 2015). As a result, Vietnam has realized significant poverty reduction and is now classified as a lower middle-income country (REVILLA DIEZ 2016). Most economic activities and foreign direct investments (FDI) have been concentrated in the Southeast of Vietnam, which includes Ho Chi Minh City and its surrounding provinces. However, the RRD has experienced enormous growth rates recently, thereby becoming Vietnam's most dynamic region. For instance, the RRD's current share of the country's industrial production has grown to 30 percent in 2013, which represent an increase of ten points compared to 1996. Moreover, the region possesses 28 percent of all FDI projects (NGUYEN & REVILLA DIEZ 2016).

Local firms have benefitted marginally from positive spillover effects by co-located MNEs, due to their low absorptive capacities caused by the firms' insufficient stock of skilled labor (MALESKY et al. 2016). This shortage of skilled labor can be attributed to the low quality of Vietnam's TVET system. In general, vocational training schools suffer from outdated curricula, underfinancing as a result of governments' neglect of vocational education, and lack of management skills, industry expertise, and practical work experience among decision-makers at PEOs and state organizations (LIM 2014; TRUONG & ROWLEY 2014). Furthermore, although all PEOs in the TVET system can design up to 35 percent of their curriculum autonomously, most PEOs follow government recommendations rather than fulfilling regional and industry-specific skill demands (World Bank 2013).

Table 6.1 Human resource development in Vietnam’s main economic centers

Indicators	Region	2010	2011	2012	2013	2014	2015
Quality of vocational education system (% answered with ‘good’ and ‘very good’)	RRD	21	40	41	47	32	33
	Southeast	34	39	56	49	42	36
	nationwide	27	35	42	43	33	31
Labor quality (% answered with ‘good’ and ‘very good’)	RRD	75	69	94	95	94	93
	Southeast	73	77	93	96	95	95
	Nationwide	74	76	93	95	94	94
Training costs (in % of total business costs)	RRD	2.0	1.0	3.9	2.4	5.6	4.6
	Southeast	1.0	0.0	3.5	2.6	5.3	5.5
	nationwide	1.3	0.60	4.0	2.9	5.6	4.6
Source: Authors’ calculation based on data from Provincial Competitiveness Index (PCI) ¹⁴							

Local firms are also deeply dissatisfied with vocational training schools and more than half rate the TVET system as poor or very poor (see table 6.1). As a result, more than 60 percent of all employers must retrain new employees (World Bank, 2013) which led to rising business costs for internal training. Therefore, rising labor turnover rates can increasingly endanger a firm’s business performance. In a survey by CIEM et al. (2014) approximately 40 percent of all Vietnamese SMEs reported that they have difficulties in filling job vacancies and more than 76 percent of these firms state that job applicants lack the required skills. This situation may even cause local firms to seek solutions that ensure higher firm loyalty from their employees and reduce the risk of job poaching. Therefore, new organizational practices such as dual apprenticeship systems might be a suitable means to avoid these issues.

We selected Vietnam’s RRD as a case study for several reasons. First, due to the enormous rapid industrialization in recent years through MNEs, local firms are likely to face intensified competition for rarely available skilled workers. Secondly, German and Japanese MNEs have carried out pilot projects with local PEOs and their home countries’ development agencies in the RRD based on dual apprenticeship approaches (JICA 2014; WRANA & REVILLA DIEZ 2016). Thirdly, local firms in the RRD seem to be more dissatisfied with public providers of TVET compared to their counterparts in the Southeast, apart from variations in some years (see

¹⁴ Since data were aggregated on province level, the percentage values reflect the medians

table 6.1). Thus, it seems that institution-building initiatives by foreign actors have not yet significantly improved the quality of the TVET system, although Japan's and German's state organizations have invested greatly in partnering local PEOs in the RRD since 2000 and 2006 (JICA 2014; LIM 2014).

6.4 Empirical Approach

We chose an explorative research design as institutions are heavily influenced by people's perceptions and believe systems (SOTARUTA 2017). Qualitative in-depth interviews with Vietnamese firm managers are a promising tool to understand when and how new organizational practices diffuse into a regional economy. The semi-standardized questionnaire relates to a firm's economic performance, its links with MNEs, managers' personal background, technological upgrading efforts, familiarity with MNEs' co-evolved dual apprenticeship approaches, and their own UVILs.

Interview partners were selected based on a merged dataset consisting of Vietnam TCS 2014 (CIEM & UOC 2014) and Vietnam's annual enterprise census by GSO Vietnam. We applied the following selection criteria. First, private firms with at least ten employees and a turnover of five billion Vietnamese Dong were included because only firms with a sufficient stock of financial and human resources have the potential to establish comprehensive skill upgrading programs (KLEIBERT 2015). Second, the rise of new institutions is often linked to the emergence of new technologies and industries in a region (BINZ et al. 2015; BOSCHMA & FRENKEN 2009). For instance, MNEs and development agencies have introduced dual apprenticeship program in the RRD to enable students to learn the sensitive handling of advanced technological equipment like CNC machines (JICA 2014). Thus, only local firms with a similar demand for skilled workers might be relevant. Consequently, we excluded all firms of which less than 50 percent of production workers are trained. Eventually, we identified a list of 118 local firms. We stopped contacting further potential firm managers after 22 successfully conducted interviews as the last interviews contained a more repetitive response pattern and did not deliver new insights. Figure 6.1 and table 6.2 give an overview of the firm characteristics and the spatial distribution of our interview partners. Additionally, the locations of Japanese and German MNEs and their collaborating PEOs for the co-evolution of dual apprenticeship programs are included in the map.

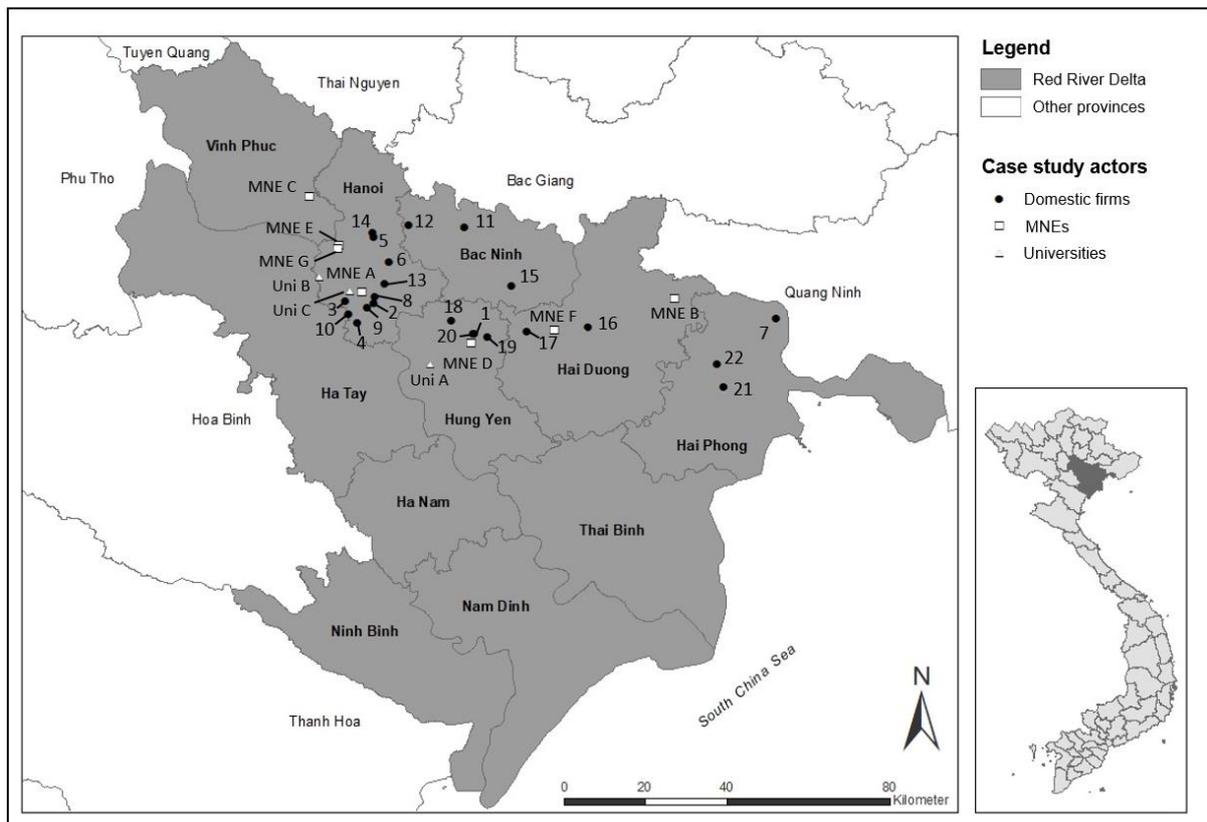


Fig. 6.1 Location of interviewed Vietnamese firms in RRD; Source: Authors’ design, Design: Lena Krist, based on data from TCS 2014.

The interviews were conducted either in Vietnamese or English. In the former case, the answers were translated directly into English. On average, an interview lasted one hour. All interviews were recorded and transcribed. We used triangulation to ensure robustness by cross-checking statements of our interview partners with information on companies’ and PEOs’ websites where possible. Additionally, we conducted one interview with a German MNE that is involved in German institution-building initiative in the RRD.

We have analyzed our interviews based on structured qualitative content analysis (MAYRING & FENZL 2014). Coding categories were derived from our theoretical framework. After a first round of coding, we adapted our coding tree to enhance the quality of our results.

Table 6.2 Overview of interviewed firms in the Red River Delta

Firm	Province	Number of Employees	Sector	Technology-Intensity¹⁵	MNEs as customers	Share of turnover by final products	Share of turnover by export
1	Hung Yen	200	motor vehicles	medium-high	no	100	0
2	Hanoi	78	machinery and equipment	medium-high	yes	100	0
3	Hanoi	29	electrical equipment	medium-high	no	100	0
4	Hanoi	65	machinery and equipment	medium-high	no	100	0
5	Hanoi	420	fabricated metal products	medium-low	yes	100	0
6	Hanoi	40	fabricated metal products	medium-low	yes	90	0
7	Hai Phong	528	non-metallic mineral products	medium-low	yes	100	0
8	Hanoi	35	fabricated metal products	medium-low	yes	100	0
9	Hanoi	166	fabricated metal products	medium-low	yes	0	0
10	Hanoi	23	fabricated metal products	medium-low	no	95	0
11	Bac Ninh	48	fabricated metal products	medium-low	no	0	0
12	Bac Ninh	92	basic metal	medium-low	yes	0	0
13	Hanoi	301	rubber and plastic	medium-low	yes	100	0
14	Hanoi	75	motor vehicles	medium-high	no	0	0
15	Bac Ninh	140	fabricated metal products	medium-low	no	0	0
16	Hai Duong	632	pharmaceutical	high-tech	yes	100	0
17	Hai Duong	120	machinery and equipment	medium-high	yes	0	10
18	Hung Yen	334	pharmaceutical	high-tech	no	100	0
19	Hung Yen	138	motor vehicles	medium-high	yes	95	2
20	Hung Yen	163	basic metal	medium-low	yes	100	10
21	Hai Phong	1718	wearing apparel	low-tech	yes	100	70
22	Hai Phong	401	basic metal	medium-low	yes	95	0

Source: Authors' design, based on TCS 2014 and Vietnam's enterprise census 2013-2015

¹⁵ Based on OECD's classification of manufacturing industries by technology intensity

We operationalized organizational practices, the degree of diffusion, and the three types of embeddedness in the following way: *Formal organizational practices* was applied to formal agreements between local firms and PEOs that are related to German and Japanese MNEs dual apprenticeship programs. This could include wages for internship students, the certification and standardization of skills and work practices in cooperation with semi-public organizations such as trade unions, business associations or chambers of commerce. However, they can also include own institution-building attempts such as scholarship programs. *Informal organizational practices* was applied where firms have adopted institutional elements such as work practices or informal occasional talks with PEOs' representatives on student recruitment that are not fixed in contracts. Regarding the degree of diffusion, we developed the four codes following our theoretical framework in section 2.1, namely *adoption*, *translation*, *exogenous bricolage*, and *endogenous bricolage*.

Finally, the three forms of embeddedness were operationalized as follows: Societal embeddedness reflects a local firm manager's attitude towards the Vietnamese involvement of private firms in a TVET system, as in the case of dual apprenticeship programs by German and Japanese MNEs in the RRD. *Traditional, Vietnamese-based* indicates that the firm director perceives the state as the main actor in the provision of TVET.

Modern, cooperative-orientated indicates that a manager has a positive attitude towards TVET and can imagine setting up new links with PEOs or improving existing ones. Network embeddedness is operationalized in three dimensions. First, we determined whether a local firm supplies to an MNE or not. Secondly, if this is the case, we examined the stability of that relationship based on the average contract duration. Thirdly, we asked our interview partners to what extent they collaborate with PEOs in terms of obligatory internship programs. *Low* indicates that the firm does not provide any internships or only on an informal occasional base, e.g., if relatives of the firm's director or employees ask the manager to allow their children to complete an internship at the firm, whereas *high* is applied to firms that possess official internship programs with PEOs. Territorial embeddedness is labeled as *high* if a local firm's foreign buyers and cooperating PEOs are located in the same or neighboring province and *low* if they are located in non-industrialized areas.

6.5 The diffusion of new organizational practices into the RRD

The diffusion of foreign organizational practices into the local economy is low (see table 6.3). This could be put down to the following facts. First, none of the interviewed firms had been involved in MNEs' institution-building efforts. Second, most firms were unable to give detailed

answers about the type and content of these initiatives, although half of them confirmed that they had heard of them.

Table 6.3 Overview of diffusion of new institutions among Vietnamese firms in RRD

Degree of Diffusion	Formal organizational practices		Informal organizational practices	
	No. of firms	Examples	No. of firms	Examples
Adoption	0	----	5	<ul style="list-style-type: none"> • Quality Assurance / Quality Control • Full adoption of 5S / Kaizen • Firms: 2, 7, 12, 13, 21
Translation	0	----	0	----
Exogenous Bricolage	0	----	8	<ul style="list-style-type: none"> • Partial application of 5S • Firms: 1, 4, 5, 6, 9, 14, 15, 22
Endogenous Bricolage	4	<ul style="list-style-type: none"> • Scholarships • Wages • Supervisor for internship students • Frequent talks on internship students • Firms: 9, 18, 19, 22 	5	<ul style="list-style-type: none"> • Student recruitment and retraining • Discussion with lecturers on new firm technology • Firms: 4, 5, 11, 13 19

Source: Authors' draft, based on authors' survey 2015

However, four local firms have introduced formal organizational practices based on their own efforts (endogenous bricolage). All of them operate in manufacturing industries with at least medium-low technology levels and employ more than 100 people. This suggests that local firms are more likely to operate as institutional entrepreneurs if they have a demand for labor with more sophisticated technical skills and if they possess sufficient financial resources and manpower to conduct such projects. One example is Firm 22, which has professionalized its existing internship program by providing an introductory course for new students and by intensifying the dialogue with PEOs' lecturers on students' learn progress.

“This firm [...] still provide(s) the instruction for internship students and the lecturer also visits this firm. And if the quality of [an] internship student is not really good, I also give comment to the lecturer.” (Manager, Firm 22)

Interestingly, Firm 18 has introduced two formal institutional elements of the German dual apprenticeship program into its own UVILs. The firm manager provides internship students with a small wage and one employee functions as a supervisor during students’ stay at the plant. However, as the firm manager does not possess any knowledge about co-evolved dual apprenticeship programs between German MNEs and local PEOs, these institution-building elements are derived from endogenous bricolage activities.

Compared to formal organizational practices, work practices seem to be more institutionalized in the regional economy. For instance, five local firms had completely integrated Japanese business elements such as 5S or Kaizen into their production processes. However, the majority of local firms informally adopt some institutional elements (exogenous bricolage). For instance, eight local firms have adapted 5S to their firm-specific context, because it is generally more suitable to firms that are specialized on one specific product instead of focusing on a diverse portfolio or due to the workers’ limited learning potentials.

“But actually (it) is really difficult to apply 5S because of the working attitude of our workers. Because [...] they are trained by myself or the technical workers here (and) [...] they are not trained in any university or college. So they don't have the good knowledge and good attitude on working. So, it is really difficult to apply 5S here.” (Manager, Firm 5)

Finally, five local firms undertake their own institution-building processes (endogenous bricolage) regarding their relationships with PEOs. For instance, Firm 13 recruits students after graduation and informs representatives from partnering PEOs on their skill demand through occasional meetings. In a similar vein, the director of Firm 11 informs PEOs’ lecturers about new technologies that are implemented at the factory. Thus, the lecturers can better prepare students for their start in the real working life. However, the manager only provides this knowledge through occasional informal discussions.

6.6 Embeddedness and the diffusion of organizational practices into the RRD

The low acceptance of co-evolved organizational practices can be explained by the embeddedness dimensions. Local firm managers' societal embeddedness is mainly shaped by a state-led TEVT system compared to their counterparts in German and Japanese MNEs. Hence, they perceive the provision of TVET as a purely government task rather than as a cooperative mission between the public sector and the business world.

“This is [...] macro policy from the government. So, I have no voice to change the education system in Vietnam. I am just following... [...] Because normally the firms, they have no position to give their voice to Vietnamese government to change this issue.” (Manager, Firm 16)

Moreover, local firms lack long-term perspective because they, firstly, have to overcome institutional distortions such as a disadvantaged access to credit and land, which hampers their upgrading processes for short-term survival (REVILLA DIEZ 2016: 126). That is why they do not consider dual apprenticeship programs in collaboration with PEOs a suitable alternative.

“I have never thought about this idea, because normally I prefer high experienced worker and I have never recruited any fresh graduate [...]. Because [...] they can (be) good at theories, but they are not good in practical issues. And another thing: my firm is (a) private company. So we just think about short and medium term. We haven't thought about long term.” (Manager, Firm 3)

Negative experiences with local PEOs from past collaborations also function as an obstacle. Some firms want to stop formal internship programs (Firm 1) or have already done so (Firm 5) because students have a bad working attitude, thereby threatening the entire production process. Finally, several firm managers also state that MNEs lure skilled employees away from them, which leads them to perceive that investments in students is a losing business (Firm 1, 2, and 9).

“The students graduated from [University A] are the best vocational students in Vietnam. But actually even when they will apply to my company, I will never accept, because after few months they will go to the other firms, for example a foreign firm.” (Manager, Firm 1)

Complementarily to a traditional, Vietnamese-based societal embeddedness, local firms also possess relatively weak network embeddedness. Although most interviewed firms possess vertical links with MNEs in Vietnam, these connections are just market-length relationships. Moreover, the contract duration of interviewed firms was six months at maximum, symbolizing the low degree of interaction between business partners. Taking all these issues together, local suppliers cannot plan long term and lack a favored access to knowledge on new dual apprenticeship programs, thereby reducing the diffusion potential of these new organizational practices into the regional economy.

Additionally, local firms also possess weak links with PEOs. Only one firm has an R&D collaboration with a nearby university (Firm 19) and most firms only offer informal internships to students who are relatives of employees or managers. Consequently, local firm managers possess only superficial knowledge about dual apprenticeship programs derived from media.

“I know this program through, for example, (from) television, from advertising or something like this, [...] because they don't approach me, and they don't approach (us). That's reason why (we) have not joined any program like this.” (Manager, Firm 7).

Finally, territorial embeddedness can be interpreted as a necessary condition for the diffusion of dual apprenticeship programs into the regional economy. For instance, Firms 12 and 15 do not possess any relationships with PEOs because they are located in rural areas, which makes commuting on a daily basis difficult for students.

‘But (it) is really difficult because of the geographic issue, because (we are) here in the rural area and normally the universities or colleges are in Hanoi. So, it's quite far for student to come here to do the internship.’ (Manager, Firm 15)

However, most local firms stated that they collaborate with PEOs and possess vertical links with MNEs that are located in the same or neighboring province. Hence, a high territorial embeddedness should facilitate spillover effects. This is partially the case for work practices and technical and soft skills. For instance, three firms (Firms 4, 6, and 14) have partially integrated 5S and Kaizen into their production systems because their foreign buyers, which are located in the same province, offered training to them.

For purely analytical reasons, all three embeddedness dimensions have been discussed separately, although they are likely to influence the diffusion process of dual apprenticeship programs into the regional economy simultaneously. This will be explained briefly through the following case. One Vietnamese steel company was asked to join a co-evolved dual apprenticeship program of two German MNEs. This local firm belongs to the main customers of one German MNE (high network embeddedness). Moreover, this firm is located in the same province as the MNE and in the neighboring province of the involved PEO (high territorial embeddedness). However, this Vietnamese firm has decided not to adopt such an apprenticeship program because they do not see any immediate benefits and, thus, perceive such long-term efforts as an insufficient investment (traditional Vietnamese-based societal embeddedness):

'I just recently had also a meeting with [name of Vietnamese firm] [...]. And they have a huge demand, they need a lot of people [...] but I guess the Vietnamese mindset is just not this, they don't have the midterm or the long term view, you know. Because what they are asking me is why should I start training now? Why should I spend money now and get the people only in three years? If I want one staff, I make a phone call and he will be here tomorrow, you know. Even though he may not have the 100% right skill-set or whatsoever, but I train him up for two or three months and I have got the staff. Why should I make such an early investment, not knowing how my own business will develop in the next few years [...]. And of course the costs.' (Manager of a German MNE)

6.7 Discussion

Based on our study, two potential explanations can be generated as to why MNEs' institution-building efforts may fail in emerging economies. First, local firms have not been involved in institution-building alliances in the RRD, and thereby possess little knowledge on these attempts. As a result, they adopt an ignorance strategy (SOTARAUTA 2017) and continue using the same rules and work practices in their daily operations. In contrast, FORTWENGEL & JACKSON (2016) have shown that the German dual apprenticeship program has become a localized proto-institution in the USA due to a network of institutional entrepreneurs that consists of foreign actors such as German MNEs and local US firms. In the Vietnamese case, the focus of institutional entrepreneurs was solely on active embedding processes (MANNING et al. 2012), which attempt to generate a better fit between local institutional conditions and MNE strategies. Alt-

though closer collaborations between MNEs and local PEOs can improve the quality of a region's human capital stock (FUCHS 2014; KLEIBERT 2015), it must not be neglected that such CSR programs mainly serve MNEs' specific human resource demand, thereby potentially restricting local firms' access to talented graduates, which they need for their own upgrading efforts. Consequently, one-sided institution-building efforts in regions' TVET system without the involvement of local firms may solidify existing dualistic economic structures (ERNST 2002). This can diminish a region's potential to develop a unique institutional thickness, which is needed to remain internationally competitive in the long run (AMIN & THRIFT 1995).

Second, local firms have hardly picked up MNEs' institution-building attempts in the RRD's education system as a role model due to their deviating embeddedness. Most local firms are located in the surroundings of partnering PEOs and MNEs (high territorial embeddedness). Such spatial proximity has been claimed as a supportive condition for collaborations between universities and private firms (e.g. PONDS et al. 2007; WRANA & REVILLA DIEZ 2016). However, territorial embeddedness is not sufficient if local firms possess a low integration into global value chains of co-located MNEs. For instance, lead firms can enforce the institutionalization of new organizational practices, labor, and environmental standards in their value chains through incentive mechanisms such as long-term contracts for local suppliers (ANDERSEN & SKJOETT-LARSEN 2009; NADVI 2008). These network relations and incentive mechanisms are currently absent in the RRD, reducing local firms' willingness to carry out dual apprenticeship programs. However, even high levels of territorial and network embeddedness are not sufficient because of local firm managers' Vietnamese-based societal embeddedness. Local firm managers do not see it as their responsibility to play a more active role in the provision of TVET. This explains why new organizational practices in host regions introduced by MNEs either just co-evolve to the existing institutional environment or remain stuck in localized proto-institutions (FORTWENGEL & JACKSON, 2016; PILZ & LI 2014).

6.8 Conclusion

Institutional change has increasingly been considered from a more actor-centered perspective in economic geography. Firms and non-firm actors can trigger institutional changes that lead to a renewal of regional and national innovation systems. Moreover, MNEs can restructure institutions in their host regions, such as education systems, by integrating work practices and job-specific skills into local curricula and introducing dual apprenticeships programs with collaborating local PEOs.

However, these new insights may lead to simplified interpretations among political decision-makers that institutions can be easily changed. Therefore, the goal of this study was to set a counterpoint to “success stories” of institutional entrepreneurship in economic geography, by explaining why new organizational practices do not become fully integrated in a regional economy, as in the case of Vietnam’s RRD. We have chosen an explorative research design to understand why local firms either ignore institution-building attempts by MNEs or only partially integrate co-evolved organizational practices into their plants. Based on 22 qualitative in-depth interviews with local firm managers, we draw the conclusion that MNEs and foreign development agencies in Vietnam’s RRD have mainly neglected local firms in their institution-building processes in the regional TVET system. Moreover, local firms have not joined MNEs’ institution-building initiatives, which can be explained by the three embeddedness dimensions. First, they attach little importance to the TVET system in contrast to MNEs (traditional Vietnamese-based societal embeddedness). Second, they possess weak links with MNEs and local PEOs (low network embeddedness). Third, they are partially located in non-industrialized areas (low territorial embeddedness).

Based on our results, we derive the following policy recommendation. State authorities in emerging economies should demand MNEs, local PEOs, and foreign development agencies to include local firms in their institutional entrepreneurship initiatives from the very beginning. For instance, local firms can express their own ideas for institutional restructuring processes (endogenous bricolage) and can indicate which factors hamper the formation of UVILs, such as limited financial and human resources and reciprocal poaching of trained graduates. By including local firms from the same sector, and thus firms with similar skill demand, in these alliances, foreign and local stakeholders can jointly develop solutions that may result in the emergence of place-specific nontransferable institutions that are accepted by all parties. This study is far from being without limitations. For instance, since we conducted only one field trip Vietnam, the results might be partially biased because processes of institutional change usually evolves over decades (HUNG & WHITTINGTON 2011; SOTARUTA & MUSTIKKAMÄKI 2015). Therefore, our interpretations should be handled carefully and need further empirical evidence.

Future research should apply a more quantitative approach to provide further empirical evidence on the varying importance of the three embeddedness dimensions for the institutionalization of UVILs and work practices in host regions of emerging economies.

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7. Concluding Discussion

This dissertation can be positioned at the intersection of IB studies and economic geography since it provides new theoretical and empirical insights about the interrelation of MNEs and host regions' institutional environment and how this interplay yields a rise in regional industrial upgrading potentials in a transition economy. In chapter one, three main research gaps were outlined. First, although MNEs are increasingly considered as institutional entrepreneurs in host countries (e.g. FAULCONBRIDGE & MUZIO 2015; MANNING et al. 2012), most studies remain on the national level or mainly consider institutional entrepreneurship within theories of economic geography such as national and regional innovation systems (HUNG & WHITTINGTON 2011; SOTARUTA & MUSTIKKAMÄKI 2015) instead of merging them together in a new theoretical model. Second, economic geographers admit that there is still a significant need to develop applicable policy guidelines about how to remove dysfunctional institutional endowments in certain regions (PIKE et al. 2017: 54), in particular for transition economies which struggle with their socialist heritage or which fail to develop institutions that prevent countries from falling into the middle-income trap. Although economic geography has a long tradition in discussing how regions can escape from lock-ins and path-dependence (HASSINK 2005; MARTIN 2010; MARTIN & SUNLEY 2006), the potentials of CSR as a tool to trigger regional institutional changes has been neglected so far. Finally, whereas IB researchers have recently started to consider spatial proximity between MNEs and local firms as a supportive factor for the diffusion of global CSR certificates (e.g. HUSTED et al. 2016), they have ignored regional institutions as a mediating factor despite their well-known importance for doing business and economic development (e.g. RODRÍGUEZ-POSE 2013; MEYER & REVILLA DIEZ 2015). Therefore, this dissertation pursued two goals. First, it considered when and how MNEs use CSR practices to shape regional institutions in a transition economy. Second, it has examined whether MNEs' institution-building through their CSR practices can indeed contribute towards a regional sustainable economic development.

In order to enlarge the impact beyond academia, this study embraces theoretical, empirical, and policy dimensions (SCHÄTZL 2003: 21f). The following subchapters will answer the RQs, contextualize the outcomes of this dissertation in current academic debates, link empirical insights to previous studies and deliver policy recommendations for decision-makers.

7.1 Theoretical contributions

RQ1: How can MNEs, through their CSR practices, contribute towards a more sustainable economic development in their host regions?

Chapter two has taken up this RQ as a starting point for developing a new theoretical framework which bridges IB studies and economic geography. The CSR—RIU model puts MNEs at the heart of an actor-centered regional institutional change in transition economies. However, it stresses simultaneously the role of regional authorities in these institution-building processes. Transition economies are defined as those countries which are on the move from a factor-driven towards an efficiency-driven economy, according to the global competitiveness report (SALA-I-MARTIN et al. 2007). Typical examples are the Philippines, Ukraine or Vietnam (SCHWAB 2016). Such countries often struggle with a shortage of skilled labor, dualistic economies and inefficient institutions.

The CSR—RIU model presumes that MNEs operate as institutional entrepreneurs through their CSR practices in their host regions, thereby helping them to overcome dysfunctional institutions. On the one hand, the diffusion of global CSR certificates into the regional economy can enable local firms to enter MNEs' global value chains, thereby helping regions to move from a dualistic towards a more interlinked economy. On the other hand, MNEs' local CSR projects at partnering PEOs can enhance the quality of a region's human capital base and foster the institutionalization of UVILs.

The CSR—RIU model can be situated in the emerging branch of literature which aims at developing theoretical frameworks based on a more actor-centered perspective on institutional change in economic geography (BATHELT & GLÜCKLER 2014; GERTLER 2010; SOTARUTA 2017; SOTARUTA & MUSTIKKAMÄKI 2015). However, it deviates from these approaches by explicitly considering MNEs and their CSR practices in the context of transition economies. MNEs might be suitable institutional entrepreneurs because of their potential ability to overcome the *paradox of embedded agency* (BATTILANA et al. 2009; HOLM 1995; SEO & CREED 2002). This paradox poses the question how an actor can envision new practices and make others to adopt them if the same actor is shaped by the prevailing institutional environment (GARUD et al. 2007: 961). According to BATTILANA et al. (2009), field characteristics and an actor's social position are the key determinants for identifying enabling conditions for institutional entrepreneurship. Since MNEs are exposed to various institutional environments through their subsidiaries in host regions and possess the ability to transfer institutional elements throughout their networks (CANTWELL et al. 2010), they are likely to become powerful actors

for triggering institutional changes in their host regions. This has recently been demonstrated both in qualitative case studies and in quantitative analysis (e.g. FAULCONBRIDGE & MUZIO 2015; FORTWENGEL & JACKSON 2016; DANG 2013; LONG et al. 2015).

CSR and its implications for institutional change have been only indirectly captured in existing theories in economic geography so far. There are a few exceptions such as in the field of global production networks, where CSR and its implications for labor agency have been recently explored in case studies (e.g. LUND-THOMSEN & COE 2015; LUND-THOMSEN 2013). Moreover, other widely used theories in economic geography such as clusters and global value chains have been linked to CSR-related issues such as codes of conducts, international environmental and social standards and certifications (BERNZEN & BRAUN 2014; DANNENBERG & NDURU 2013; GIULIANI 2016; GIULIANI et al. 2017; LUND-THOMSEN & NADVI 2010; NADVI 2008). Since clusters can be embedded in global value chains (HUMPHREY & SCHMITZ 2002), CSR concepts might be easily imposed by MNEs on local suppliers in host regions which further diffuse to other firms in the same cluster. However, since many transition economies lack vertical linkages between MNEs and local firms (ERNST 2002; WONG 2001), global CSR certificates with higher environmental and social standards compared to those which are defined in host countries' legal framework are unlikely to diffuse into the regional economy. The CSR—RIU model explicitly takes this obstacle into account, stressing that both MNEs and regional authorities can move beyond national legislations through the regional institutionalization of global CSR certificates.

Complementarily to global CSR certificates, MNEs' local CSR projects in host regions' education sector can trigger institutional changes. The CSR—RIU model can be linked to previous research that discusses whether regional innovation systems in emerging economies can benefit from MNEs (BERGER & REVILLA DIEZ 2008). Regarding their innovation potentials, transition economies are often described as *learning systems* (VIOTTI 2002) since they lack human capital, research capabilities and innovation-based collaborations between private sector and universities (SCHILLER & LEE 2015; SCHILLER & REVILLA DIEZ 2007). The CSR—RIU model presumes that MNEs' local CSR projects can help host regions to overcome these institutional bottlenecks. On the one hand, these programs can be a first step for MNEs to actively embed themselves in their host regions, thereby improving the skill quality of a region's human capital (KLEIBERT 2015; MANNING et al. 2012). On the other hand, it presumes that regional authorities and local firms follow MNEs' attempts or carry out UVILs with local PEOs based on their own needs. These training collaborations can be a starting point for developing more innovation-orientated collaboration in the long run (SCHILLER & LEE 2015). By doing so, local

firms can also develop their own technological capabilities while decreasing their dependence on foreign technology imports (KROLL & SCHILLER 2010). This becomes increasingly important for transition economies for sustaining a successful overall catch-up process (LEE 2013).

To sum up, the CSR—RIU model bridges IB studies and economic geography, by arguing that MNEs can become institutional entrepreneurs in host regions of transition economies through their CSR practices which can result into new regional industrial upgrading potentials.

RQ2: What factors influence MNEs' institution-building attempts, initiated through their CSR practices, in host regions?

Depending on the type of CSR practices, the CSR—RIU model in chapter 2.4 and the subsequent sections of this dissertation discuss different theoretical underpinnings.

Regarding the diffusion of global CSR certificates among local firms, this dissertation proposes that the type and quality of regional institutions are the main influencing factors. This is in line with previous research on CSR which emphasizes the impact of the institutional environment (BAUGHN et al. 2007; CAMPBELL 2007; HUSTED & ALLAN 2006). Based on the *new institutionalism* (e.g. DIMAGGIO & POWELL 1983), it is presumed that firms are increasingly becoming more homogenous in terms of their CSR practices due to isomorphic processes (MATTEN & MOON 2008). For instance, firms implement global standards such as ISO 9001 and ISO 14001 as a result of coercive, normative and mimetic mechanisms (BRAUN 2005). This seems to contradict the actor-centered perspective of institutional change in the CSR—RIU model. Additionally, since the CSR—RIU model presumes the existence of a dualistic economic structure and a low territorial embeddedness of MNEs in their host regions, doubts may arise whether MNEs indeed actively pursue institution-building attempts. For instance, the enforcement of global CSR certificates through their supply chains might be sufficient for MNEs to obtain legitimacy in the eyes of their parent companies, NGOs and customers located in the global North. But according to BATTILANA et al. (2009: 70), actors can also be interpreted as institutional entrepreneurs if their ideas, practices and rules which deviate from existing institutions trickle down into the system even if the respective actors did not intend to trigger an institutional change or did not actively participate in institution-building initiatives. Empirical evidence for this presumption can be found in the case of Mexican firms which adopted ISO 14001 as a result of mimetic pressure from their geographical closeness to MNEs (HUSTED et al. 2016). Furthermore, the CSR—RIU model proposes that regional authorities may implement elements from global CSR certificates into regional law systems in case they perceive MNEs' environmental and social standards as superior compared to existing national legislation. This also reflects

ideas from community isomorphism literature (e.g. MARQUIS et al. 2007) which declares that the nature and level of firms' social actions is shaped by local institutions.

However, in contrast to the existing literature which argues that institutional pressure drives firms to adopt international environmental and social standards (e.g. BLACKMAN & GUERRERO 2012; FIKRU 2014), the CSR—RIU model additionally highlights incentive structures such as CSR support systems as another means to make local firms adopt global CSR certificates. Sanction mechanisms might be inefficient because most local firms in transition economies possess weak productivity levels and insufficient financial and human resources (ALTENBURG & LÜTKENHORST 2015; ERNST 2002), and thus are more likely to implement global CSR certificates as 'window-dressing' (GIULIANI 2016). Instead, tax reductions, subsidies, and consultations may ensure a comprehensive application of international environmental and social standards among local firms because of their enlarged financial leeway and the knowledge they have gained about how to implement sophisticated working practices and technologies in their plants.

To sum up, MNEs can even become an institutional entrepreneur unintentionally in their host regions in case regional authorities enforce the diffusion of global CSR certificates among local firms. Moreover, the CSR—RIU model enriches debates on institutional theory and CSR by suggesting that regional CSR support systems should be considered as an alternative, or at least complementary, institution to sanction mechanisms for the diffusion of global CSR certificates among local firms.

Regarding MNEs' local CSR projects in host regions' education systems, the CSR—RIU model claims that MNEs' degree of territorial embeddedness in their host region may matter. However, it remains unclear whether a high degree of territorial embeddedness is a prerequisite for MNEs to conduct local CSR projects. On the one hand, MNEs seek collaborations with local PEOs in order to actively embed themselves in their host regions where they have not had any previous investments (KLEIBERT 2015; MANNING ET AL. 2012). On the other hand, the interviewed German MNEs involved in the formation of a dual apprenticeship system in Vietnam are deeply embedded in their host regions through vertical linkages with Vietnamese firms, large-scale future investments, and network relations with political decision-makers. Therefore, they were able to set up an institutional entrepreneurship alliance. Hence, they can be labelled as an *insider* or *native* which is a precondition to change institutions (CANTWELL et al. 2010; SHIRLEY 2008).

The formation of an institutional entrepreneurship alliance has been intensively theorized in chapter five by applying the proximity approach (BOSCHMA 2005) to MNEs and their

selection of local PEOs as collaboration partners for the establishment of dual apprenticeship programs. The proximity school has developed various dimensions such as geographical, institutional, cognitive and organizational proximity to explain the rise of innovations based on research collaboration networks (BROEKEL & BOSCHMA 2012; BOSCHMA 2005; KIRAT & LUNG 1999), also in the context of UVILs (e.g. HONG & SU 2013; PONDS et al. 2007). However, the formation of institutional entrepreneurship networks between MNEs and host regions' PEOs deviates from UVILs in the following manner. The transfer of institutions from one place to another is indeed often linked to the emergence of new industries or technologies in the host region (e.g. BINZ et al. 2015). Nevertheless, innovations in Southeast Asian emerging economies are mostly based on the import of foreign technologies rather than on domestically developed cutting-edge technologies (REVILLA DIEZ & KIESE 2006), thereby causing a continuous technological gap between MNEs and local actors in their host regions. Therefore, MNEs' institution-building efforts in host regions' TVET systems are more likely to include the transfer of existing technical knowledge rather than processes of knowledge creation. Hence, the problem of the *proximity paradoxon* (BOSCHMA 2005; BROEKEL & BOSCHMA 2012) between two collaboration partners is negligible. For instance, if a PEO possesses a high cognitive proximity towards the business sector as a result of their investments into new technologies and training programs for lecturers, then MNEs will be even more willing to cooperate with the respective PEO. This is because they save costs and face less uncertainty in the outcome of the UVILs due to the fact that they share a similar or even the same knowledge base. This is in line with the results of chapter five which show the higher the proximity between MNEs and Vietnamese PEOs, the better for a successful institutional co-evolution of new UVILs as in the case of dual apprenticeship programs. Consequently, the application of the proximity approach to the formation of institutional entrepreneurship networks follows previous attempts which adapt spatial and non-spatial proximity dimensions to other domains which go beyond innovation such as land use conflicts (TORRE & ZUNDEAU 2009), Merger & Acquisition activities (ELLWANGER & BOSCHMA 2015) or knowledge exchange regarding environmental management standards in global value chains (DANNENBERG 2012).

In conclusion, local CSR projects in the education sector, might be undertaken by MNEs which already possess a high territorial embeddedness. Moreover, the proximity framework turns out to be an appropriate tool for understanding how MNEs select collaboration partners in their host regions in order to build up institutional entrepreneurship networks with the goal to reform local TVET systems.

7.2 Empirical evidence

RQ3: To what extent do global CSR certificates diffuse into host regions' economy? What is their impact on local firms, and do MNEs or regional institutions matter for them to adopt these certificates?

This RQ aims at delivering empirical evidence for the theoretical underpinnings of the CSR—RIU model in terms of global CSR certificates. Chapters three and four have shown that only a small number of MNEs (thirteen percent) and local firms (nine percent) have implemented global CSR certificates. Since more MNEs possess global CSR certificates compared to their Vietnamese counterparts, MNEs belong to the main drivers for the introduction of global CSR certificates in their host regions as proposed in the phase two (institutional co-evolution) of the CSR—RIU model. Compared to previous studies on the diffusion of international standards, the implementation rates in Vietnam are relatively low. For instance, GOEDHUYS & SLEUWAEGEN (2013: 91) show in their cross-country study that, on average, 22 percent of all firms possess an international certificate, although this shrinks to 17 percent in lower institutional-quality countries.

The CSR—RIU model proposes that the adoption of global CSR certificates has a positive impact on private sector development. However, the PSM analysis in chapter four reveals a negative effect on a firm's short term productivity development, similar to a previous study on Ethiopian firms (FIKRU 2014) but in contrast to GOEDHUYS & SLEUWAEGEN (2013). Additionally, a study by NADVI (2004) reveals that the adoption of ISO standards among export-orientated firms in the Sialkot cluster in Pakistan has led to better firm efficiency. Nevertheless, ISO standards did not lead to a better reputation of the Sialkot cluster and did not avoid the loosening of value chain ties within the cluster and with global buyers. Thus, the implementation of global CSR certificates among local firms might be an elusive business, and it challenges the underlying implications of the CSR—RIU model that global CSR certificates can push a positive private sector development in transition economies. Nevertheless, since international standards are a voluntary business concept, they may result into a better business performance in the long run (FIKRU 2014: 295).

Regarding the determinants which impact how local firms implement global CSR certificates, chapter four revealed that regional institutions rather than MNEs have a positive impact. This confirms previous studies that identify local consultants and state authorities as key actors for local firms' upgrading efforts and the diffusion of non-local work practices since MNEs rarely provide technical assistance or training support (HANSEN et al. 2009; NADVI 2004;

SUZUKI et al. 2014). Generally, the results show the better the business climate, the more local firms adopt global CSR certificates, thereby supporting the underlying assumption of the CSR—RIU model that global CSR certificates become a local proto-institution in dualistic economies if regional institutions are improved. This is an important insight since previous studies demonstrated that CSR strategies, in particular the global CSR certificates, are realized by firms to signal to potential customers their ability to overcome dysfunctional institutions and the benefits for a firm that adopts such strategies have been observed to be larger in countries with a lower institutional quality (e.g. GHOU et al. 2017; GOEDHUYS & SLEUWAEGEN 2013). However, most of these studies focus on export-orientated MNEs rather than on local firms which drastically deviate from MNEs in terms of firm capabilities, market orientation, and government support in emerging economies (ERNST 2002; REVILLA DIEZ 2016; WONG 2001). Consequently, a smooth business climate as a driver for local firms' willingness to adopt global CSR certificates as demonstrated in chapter four and theorized in the CSR—RIU model must not be underestimated.

Although regional institutions play a key role, chapter four has shown an indirect impact of MNEs on the implementation degree of global CSR certificates among local firms through their positive influence on a province's business climate. Therefore, these results strengthen previous research which has proved that MNEs can shape regional institutions in transition economies such as China and Vietnam (DANG 2013; LONG et al. 2015; MALESKY 2008). Compared to other institutional aspects such as the quality of business support systems, the establishment of a CSR support system which consists of tax reductions, subsidies and consultation, turns out to be the key institution that pushes local firms to apply for certification programs regarding environmental and social concerns. The positive impacts of these support systems are even larger in regions with a lower enforcement of market-based institutions or which did not belong to the main recipients of FDI. These results are in line with a study by HANSEN et al. (2009) who demonstrate that credit support systems are generally more beneficial for firm growth in rural areas of Vietnam. Nevertheless, CSR support systems are also meaningful in FDI regions, although to a lesser extent.

To sum up, the quality of regional institutions has a direct impact on local firms' implementation of global CSR certificates, whereas MNEs indirectly affect local firms through their influence on regional institutional change in transition economies.

RQ4: Can MNEs build up new institutions through their local CSR projects at partnering PEOs in their host regions? Which factors matter whether MNEs' co-evolved organizational practices trickle down into host regions' local economy?

Empirical evidence for this RQ is provided by chapters five and six. Chapter five can be linked to the second phase of the CSR—RIU model, in which MNEs transfer new organizational practices from their home countries to their host regions which represents a process of institutional co-evolution (CANTWELL et al. 2010).

German and Japanese MNEs have successfully set up pilot projects with Vietnamese PEOs based on dual apprenticeship approaches in their home countries' TVET systems. However, chapter five and six also clearly demonstrate the limited spillover effects of these new organizational practices into the local economy.

Local firms have hardly adopted MNEs' cooperative training practices with local PEOs because of their non-involvement in MNEs' institutional entrepreneurship initiatives and due to their differing perspective on the role of the state and private business sectors in the provision of TVET services. In short, dual apprenticeship models, in particular, and UVILs, more general, have not become a local proto-institution (Lawrence et al. 2002), indicating that MNEs' host regions in Vietnam have yet not moved into the third phase of the CSR—RIU model.

These results extend previous empirical evidence on private firms and the institutional change which that initiated in Vietnamese provinces (DANG 2013; MALESKY 2008; SCHMITZ et al. 2012; SCHMITZ et al. 2015). The low diffusion of institutional elements into the local economy reveals that it seems to be more difficult for MNEs to trigger institutional changes that go beyond the field of economic institutions.

Moreover, whereas MNEs in Vietnam have shaped economic institutions in the dimensions of regulative business environment, property rights, and accountability within a period of less than three years (DANG 2013), reforming an entire education system, even on the regional level, may take more time. Although a *conjunctural moment of instability* (FAULCONBRIDGE & MUZIO 2015) occurred through the prevalent shortage of skilled labor, it was insufficient to enable MNEs and collaboration partners to replace Vietnam's TVET system by their home countries' dual apprenticeship models. Instead, chapter five demonstrated that German and Japanese MNEs have experienced strong host country effects for their institution-building initiatives which has been observed previously in similar attempts in China and India (PILZ & LI 2014). Consequently, a complete *export* of dual apprenticeship programs from Germany to other countries seem to be impossible (EULER 2013).

Nevertheless, MNEs can indeed satisfy their demand for human resources through training collaborations with host regions' PEOs based on the German dual apprenticeship model or other cooperative training systems (FORTWENGEL & JACKSON 2016; FUCHS 2014; FUCHS et al. 2016; JICA 2014; MANNING et al. 2012; KLEIBERT 2015). However, this dissertation has shown that MNEs' institution-building initiatives in Vietnam hardly go beyond satisfying firm-specific skill demands since local firms are not included in institutional entrepreneurship networks.

On the opposite side, chapter six also reveals that some local firms possess the potential for institutional entrepreneurship activities and, thus, the formation of domestically built UVILs based on bricolage processes (CAMPBELL 2004). This confirms recent research on private domestic SMEs and their ability to actively participate in economic institutional reforms in Vietnamese provinces (SCHMITZ et al. 2012; SCHMITZ et al. 2015). Further evidence is provided by AMAESHI et al. (2016) who shows that SMEs in Tanzania and Nigeria also use local CSR projects in the education sector as a means for institution-building while compensating for state failure in the provision of public goods.

In order to understand why MNEs' organizational practices have not become a proto-institution as proposed by CSR—RIU model, this dissertation has made use of the embeddedness approach. Chapter six has concluded that local firms do not imitate MNEs' dual apprenticeship approaches because they are, partially, located in non-industrialized regions (low territorial embeddedness), possess weak linkages with MNEs and PEOs (low network embeddedness) and, most importantly, view the state as the main provider for TVET services rather than the private sector (traditional, Vietnamese-based societal embeddedness).

The embeddedness approach has already been used as a theoretical model for explaining the rise of proto-institutions (LAWRENCE et al. 2002). In economic geography, the similarities of institutional theory and the embeddedness approach have been pointed out (BATHELT & GLÜCKLER 2003). Therefore, this dissertation has applied the embeddedness approach to diffusion processes in the context of institutional changes, by considering a territorial, societal and network dimension (HESS 2004). Furthermore, this dissertation enriches scholarship on regional development in the global South through the extension of the embeddedness approach on domestic firms, whereas past research has mainly applied this concept to MNEs and their localization degree in host regions (e.g. KLEIBERT 2015; MEYER et al. 2012). In short, the embeddedness approach can supplement the CSR—RIU model since it examines type and extent of social relations regarding the diffusion of organizational practices on the micro level.

Above all, chapter five provides empirical evidence for the theoretical underpinnings of the CSR—RIU model regarding MNEs' local CSR projects in the education sector for the first

two phases, whereas chapter six reveals that MNEs' organizational practices such as dual apprenticeship approaches have not become institutionalized in the local economy as proposed in the phases three and four of the CSR—RIU model.

7.3 Policy Implications

The successful catching-up process of late-industrialized Asian economies such as Korea, Taiwan and Singapore was based on a centrally-organized and strong state (HOU & GEE 1993; KIM 1993; WONG 2001). However, these countries also benefitted from specific geopolitical circumstances between 1950 and 1990 such as the preferred access to the US market, financial aid, and credit from Japan and USA which boost their industrialization (YEUNG 2017). This has changed dramatically since the 1980s due to an increasing deregulation of markets and a stronger global economic integration (YEUNG 2017). Hence, it is questionable whether past developmental state models with a top-down approach are still appropriate for responding to the current challenges of transition economies such as the middle-income trap (OECD 2013), dualistic economic structures (ERNST 2002; WONG 2001), slow evolvments of human capital and institutions (ABRAMOVITZ 1986) and the increasing importance of regions for development (SCOTT & STORPER 2003). As a result, *regional competitiveness* has become the prevailing paradigm in world economic development policy (PIKE et al. 2017: 52) which is often linked to institutions (RODRÍGUEZ-POSE 2013) and, to a lesser extent, to MNEs' CSR practices (ALTENBURG & LÜTKENHORST 2015). However, it remains unclear which policy tools might help to overcome dysfunctional institutional endowments in certain regions (PIKE et al. 2017: 54). Therefore, this dissertation will develop on the following pages policy recommendations for decision-makers in transition economies under which circumstances MNEs' CSR practices, in particular global CSR certificates and local CSR projects in the education sector, can become a suitable means to help host regions to overcome institutional bottlenecks, thereby starting them down a more sustainable economic development path.

RQ5: In which way can policy makers ensure that global CSR certificates are beneficial for local firms in a transition economy?

According to the CSR—RIU model, the diffusion of global CSR certificates into the regional economy enables local firms to strengthen vertical linkages with MNEs which help regions to develop industrial upgrading potentials. The empirical outcomes of this dissertation reveal no positive impacts on local firms' productivity growth in the short run, thus limiting their chances to enter global value chains. This gives support to voices which criticize most global standards,

including global CSR certificates, for being created in the global North and functioning as a barrier for export-orientated businesses from the global South (DANNENBERG & NDURU 2013; NADVI 2008). However, emerging economies are also deeply involved in standard-building initiatives. For example, Brazil belonged to the key drivers for international environmental and social standards such as the UN Global Compact, the Global Reporting Initiative and the ISO 26000 on social compliance (KNORRINGA & NADVI 2016; PEÑA 2014). Another example can be found in the case of South Africa, where endogenous public-private partnership initiatives were able to establish a new sustainability standard in the domestic tourism sector which has been eventually become an internationally accepted standard from Africa by the Global Sustainable Tourism Council (STRAMBACH & SURMEIER 2017).

As these examples show, governments from the global South can indeed articulate nation-specific circumstances in the formulation of new privately regulated sustainability standards on the global level. In the Vietnamese context, workers stress that flexible working times, living wages, and good relations with management and colleagues can improve the quality of their work life. However, these issues are partially contrary to global buyers' requirements (TRAN & JEPPESEN 2016). Moreover, small-scale farmers and firms are either excluded from global value chains or become marginalized from global markets as in the case of the Vietnamese shrimp industry (TRAN et al. 2013) because new standards impose additional costs on local firms to upgrade their plants which they often cannot afford. The negative impacts of global CSR certificates on Vietnamese firms' productivity growth, shown in chapter four, underscores the necessity for Vietnam's government to enlarge her involvement in international institution-building efforts regarding sustainability standards. Consequently, this dissertation makes its first policy recommendation (PR):

PR 1: *Political decision-makers in transition economies should foster a stronger involvement in international standard-building alliances, thereby ensuring that nation-specific circumstances and interests are taken into account.*

However, global CSR certificates can indeed have positive impacts for MNEs' host regions as proposed in the CSR—RIU model. In the Vietnamese context, the implementation of these standards among local firms has reduced a firm's environmental pollution and has led to fairer wages for workers (NGUYEN & HENS 2015; TRIFKOVIC 2017), thereby contributing towards a more sustainable development in the respective regions. Since the private sector is still discriminated against because of the central governments' preference for SOEs (MALESKY & LONDON 2014; PINCUS 2015), regional authorities have become key players in the rise of a more

competitive private domestic sector. For instance, the most significant progress in reform processes that aim at creating a favorable provincial business climate has been made when stable and competent regional authorities interacted frequently with firm managers or business associations of local industries (SCHMITZ et al. 2015: 182f.). Hence, regional decision-makers should avoid imposing new regulations on local firms in a top-down manner. Otherwise, local firms may implement the new required standards just as ‘window-dressing’ (GIULIANI 2016) which will not yield significant reductions in environmental pollutants and improved working conditions. Instead, the establishment of a CSR support system in combination with efficient and frequent monitoring of a firm’s progress in implementing more sophisticated environmental and social standards might be a promising policy tool to improve the business performance of private firms, as shown in chapter four. This can also help regions to shift towards a more sustainable development path. Consequently, this dissertation suggests the following second PR:

PR 2: *Regional decision-makers should continue reform processes that aim at improving the business climate for local firms and they should set up, in collaboration with the private sector, a balanced policy mix of sanction and incentive mechanisms in order to enforce social and ecological regulations among local firms.*

RQ6: How can policy makers ensure that MNEs’ local CSR projects at partnering PEOs will create benefits for all actors located in MNEs’ host regions?

According to the CSR—RIU model, MNEs’ local CSR project at partnering PEOs can improve a region’s human capital base and can lead to the institutionalization of novel UVILs in their host regions. Nevertheless, the empirical outcomes of this dissertation revealed the low diffusion of skills and organizational practices such as dual apprenticeship systems from MNEs’ CSR programs into the local economy. These results are likely to support the critics of CSR whose concepts and views prefer the developmental state of successful catching-up economies such as Taiwan, Singapore and Korea as a role model for current transition economies such as Vietnam, Philippines and Indonesia. They point out that, for instance, Singapore and Taiwan avoided falling into the middle-income trap because they were able to build up a professional TVET system with high student enrollment rates and training in advanced skills. This was critical for establishing a local industry that could absorb MNEs’ technical knowledge and, eventually, was able to develop domestically technological capabilities (HOU & GEE 1993; LIM 2014; WONG 2001).

However, centrally-organized top-down approaches might be inadequate for the following reasons. First, transition economies experience different geopolitical circumstances nowadays compared to the successful Asian catching-up economies (YEUNG 2017) as outlined at the beginning of this chapter. Second, the emergence of a professional TVET system which prevented Asian catching-up economies from falling into the middle-income trap was also supported by partnerships between domestic TVET organizations and international MNEs and overseas training institutes, at least in the case of Singapore (WONG 2001: 556). Third, transition economies, in particular those which shift towards a socialist economy such as China and Vietnam, often favor the emergence of SOEs or large private conglomerates with state relationships, similar to the case of *Chaebols* in Korea, as drivers for a country's overall catch-up process (e.g. PINCUS 2015). Nevertheless, these close relationships can significantly create institutional distortions in the private domestic sector (DOH et al. 2017; MALESKY & LONDON 2014; PINCUS 2015; REVILLA DIEZ 2016), thereby hampering the full exploitation of long term technological upgrading and innovation potentials. Fourth, transition economies experience a high concentration of FDI projects in a few regions (DICKEN 2015; NGUYEN & REVILLA DIEZ 2017), which create uneven regional economic and institutional dynamics. As pointed out, regions with a large FDI stock are more likely to experience institutional changes (DANG 2013; LONG et al. 2015; MALESKY 2008). Hence, one-size-fits-all approaches by central governments are unlikely to foster sustainable development across all regions. Finally, the criticisms that contend that the ability of MNEs' CSR practices to promote sustainable development is generally overestimated cannot hold when considering the case of Vietnam. For instance, the low diffusion of organizational practices such as dual apprenticeship systems among local firms could be explained by the fact that MNEs and their institution-building alliance favored a top-down approach without involving local firms as outlined in chapter six. Thus, we can legitimately doubt whether CSR practices can indeed create a shared value both for society and business (PORTER & KRAMER 2011). Nevertheless, the CSR—RIU model explicitly suggests that institution-building initiatives through CSR practices should be based on networks between MNEs, local firms, regional authorities and PEOs that balance the interests of all stakeholders.

Based on the previous discussion, this dissertation formulates the following third PR:

PR 3: *Regional political decision-makers should request MNEs and local PEOs to include local firms in alliances that aim on improving a region's human capital base and on the institutionalization of UVILs from the very beginning.*

One example for realizing such a policy can be derived from chapter five. This chapter has drawn the conclusion that MNEs and international development agencies can remove dysfunctional institutions in Vietnam's TVET system through the establishment of a committee on occupational skill profiles between private businesses and PEOs. The institutionalization of such committees can foster the exchange of knowledge on current labor market development and changing skill demands which can help to update curricula and, thus, better prepare students in obligatory practical internship programs at the firm site. However, two issues should be considered. First, such committees should include local firms. MNEs can indeed claim their *active embedding* processes through training collaborations with local PEOs (KLEIBERT 2015; MANNING et al. 2012) as socially responsible behavior, because local firms are no longer third parties who experience negative consequences as a result of their exclusion from institution-building processes (DOH et al. 2017).

Second, such multilateral partnerships should be based on businesses and PEOs which are located in the same region and belong to the same or similar industries. This helps PEOs to respond relatively flexibly to changing skill demands and, thus, improve the supply of better-skilled graduates for the local economy. Moreover, it enables the rise of trust-building partnerships. As pointed out in chapter six, spatial proximity between the members in institutional network alliances ensured the enforcement of informal non-poaching agreements which was a crucial factor for the rise of new UVILs, including dual apprenticeship approaches, in MNEs' host regions (FORTWENGEL & JACKSON 2016; MANNING et al. 2012).

As a final remark, chapter six has also demonstrated that some local firms are capable of carrying out UVILs based on their own ideas. These institution-building attempts, based on endogenous bricolage processes, reveal that local firms also have the potential to operate as institutional entrepreneurs in their local environment. This confirms previous studies which show that SMEs use local CSR projects for institution-building processes (AMAESHI et al. 2016). Moreover, local firms can actively participate in institutional development processes, thereby contributing to an improved provincial business climate (SCHMITZ et al. 2015). However, these progresses are sometimes undermined by the fact that regional authorities shift their focus to MNEs once they have the chance to attract large-scaled prestigious FDI projects through lower tax rates and preferred land access which disadvantages local firms (SCHMITZ et al. 2012: 27f). Consequently, regional authorities should not only attempt to foster the alignment of local institutions with MNE strategies as expressed in the concept of active embedding (MANNING et al. 2012). Instead, they should also link institutional reforms to endogenous development potentials (VÁZQUEZ-BARQUERO & RODRÍGUEZ-COHARD 2016), e.g. in the fields of

building up domestic technological capabilities (KROLL & SCHILLER 2010). As pointed out in the CSR—RIU model, local CSR projects in the education sector can lead to the institutionalization of UVILs which include teaching collaborations between private firms and PEOs on sophisticated technical skills, business practices and soft skills. Since these linkages have the potential to become more research-orientated in the future (SCHILLER & LEE 2015), thereby becoming potential drivers of regional economic growth, regional authorities should also pursue endogenous development strategies. Therefore, this dissertation formulates the following final PR:

PR 4: *Regional political decision-makers should institutionalize regulatory frameworks that actively encourage local firms to carry out local CSR projects at PEOs which may evolve towards UVILs and, thus, foster the development of domestic capabilities.*

7.4 Limitations and recommendations for future research

The theoretical frameworks and the empirical outcomes in this dissertation enrich current debates in economic geography and IB studies. The CSR—RIU model follows novel approaches for considering institutional change from an actor-centered perspective. It theorizes the circumstances under which MNEs can operate as institutional entrepreneurs through their CSR practices in their host regions, thereby building up regional industrial upgrading potentials. However, chapters five and six reveal the difficulties for MNEs and their collaboration partners in changing regional institutions in a transition economy. Hence, this dissertation goes beyond simplistic views that either perceive institutions as taken for granted and, thus, unchangeable, or overemphasize the ability of single actors and networks to change a complete institutional environment. Instead this dissertation provides a balanced mix of theoretical insights and empirical evidence regarding small success and failure stories of MNEs' institution-building efforts in their host regions.

However, as the following remarks reveal, this dissertation has its limitations.

First, the CSR—RIU model proposes that the adoption of global CSR certificates enables local firms to build up vertical linkages with MNEs. Since data on buyer-supplier relationships only exist for one year (2013), it was not possible to investigate this presumption directly. However, local firms are mainly excluded from global value chains due to their weak productivity levels (KETELS et al. 2010; REVILLA DIEZ 2016). As data on productivity development are available for two years (2013 and 2014), a direct impact on a firm's TFP growth through its implementation of a global CSR certificate could be analyzed. However, this analysis is just a second best

solution and future research should collect data which allow to examine directly to what extent global CSR certificates have allow the respective firm to enter global value chains or to build up vertical linkages with MNEs.

Second, the dependent variable global CSR certificates in the multilevel regression models in chapter four could not be disaggregated into social and ecological CSR certificates due to a lack of data. This is certainly a disadvantage, in particular, when considering that the adoption of environmental and social standards can vary depending on the different institutional environments. Furthermore, it was not possible to examine whether the adoption of global CSR certificates has indeed improved a firm's performance on the social and ecological dimension of sustainability. Recently, scholars have started to overcome these statistical problems, by combining firm and employee level data (e.g. TRIFKOVIC 2017) or by collecting primary data which allow a decoupling of sustainability certificates from ecological and social practices (e.g. GIULIANI et al. 2017).

Third, the empirical outcomes in chapters five and six may indicate that MNEs' local CSR projects in regional education sectors are unlikely to trigger a complete institutional change in a local bottom-up way. However, two circumstances must be considered when interpreting these results. First, the three field visits to Vietnam were conducted in less than two years. Second, the selected case studies consist of local CSR projects at Vietnamese PEOs, which were recently conducted by MNEs. For example, the German MNEs started their dual apprenticeship programs in 2013. Hence, the empirical outcomes only allow limited interpretations. The investigation period is likely to be too short to describe an entire institutional change as previous research was able to do (e.g. FAULCONBRIDGE & MUZIO 2015; SOTARUTA & MUSTIKAMÄKI 2015). Nevertheless, the results generate added value for current debates by exploring in a detailed manner the motives and mediating factors for MNEs and their partners in starting programs that aim on changing institutions and by identifying limiting factors for the diffusion of MNEs' introduced organizational practices in the local economy.

Fourth, there is the threat that the empirical outcomes in chapter five and six are partially biased due to complications during the data-gathering phases. Cultural and linguistic misunderstanding in interviews might be not completely resolved since the data collecting members of the research team possess little experience in doing such explorative research. Furthermore, some interview partners were only able to provide 30 minutes at maximum for an interview. Hence, not all questions could be asked, thereby diminishing the robustness of the results. Nevertheless, this was the case for only a few interviews. Furthermore, some interview partners

were not willing to answer fully because they did not feel comfortable providing answers which may contain sensitive information. This problem could be resolved in most cases through the use of informal networks. For example, friends and relatives of the Vietnamese members in the research team were asked to identify and contact suitable interview partners or to join interview sessions in order to create a relaxed and trust-based atmosphere.

Finally, since the CSR—RIU model is one of the first attempts to link CSR practices to economic geographical theories, MNEs and institutional entrepreneurship, it needs stronger formalization. In particular, the causal mechanisms behind the regional diffusion processes of new institutional elements in transition economies and the internal and external circumstances that push MNEs to start institution-building initiatives should be theorized in more detail. Furthermore, the empirical results have not yet fully supported the theoretical underpinnings of the CSR—RIU model since MNEs were unable to trigger a local bottom-up institutional change in Vietnam's education systems. Therefore, the CSR—RIU model needs more empirical evidence from other regions in order to confirm or revisit the basic underlying theoretical presumptions. Derived from the above summarized limitations, the following future research implication can be recommended.

First, the type and extent of a MNEs' territorial embeddedness in host regions should be linked to CSR practices more in detail. For instance, it remains unclear which dimensions of territorial embeddedness are crucial to making MNEs carry out local CSR projects and to ensure that these projects generate spillover effects which drives a region's sustainable development path. One might explore to what extent vertical linkages with domestic or foreign suppliers in host regions or the establishment of research and development units have a varying impact on MNEs' CSR practices and institution-building initiatives.

Second, the proximity approach can also be combined with MNEs' institution-building initiatives more in detail. It can be applied to a MNE's selection procedure of further co-located MNEs and, in particular, domestic firms which should join its institution-building initiatives and, thereby contribute to a successful and long term institutionalization of new practices in its host region's institutional environment. Furthermore, it could be theorized how single proximity dimensions can be substituted by each other (HANSEN 2015) or may develop over time (BALLAND et al. 2015) between collaborations partners in institutional entrepreneurship networks.

Finally, future research should favor a more comparative approach, both in qualitative and quantitative research. On the one hand, in-depth interviews with numerous MNE and local

firm managers can help to formulate more general hypotheses regarding the role of embeddedness or proximity dimensions in the context of MNEs and their institutional entrepreneurship networks. On the other hand, quantitative data must be collected in order to examine the impact of MNEs' local CSR projects. For example, more research is needed that answers the question to what extent skills and practices carried out in MNEs' local CSR projects at partnering PEOs have been trickled down into the broader education system or to what extent local firms imitate and adjust MNEs' institution-building initiatives or carry out projects based on their own ideas.

8. References for chapter 1, 3, and 7

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Summary

After thirty years of impressive economic growth, Vietnam is currently threatened by the middle-income trap since the country struggles with skill mismatches on regional labor markets and with a private domestic sector with little linkages to export-orientated MNEs, due to its low productivity levels.

Therefore, some MNEs have started to step in these institutional voids through CSR practices with the goal to shift their host regions on a more sustainable economic development path. On the one hand, they enforce the diffusion of global CSR certificates, which consist of international labor and environmental standards, in host regions' local economy. This is supposed to help local firms to become future suppliers in global value chains. On the other hand, they carry out local CSR projects at partnering universities and vocational training institutes in order to improve their host regions' human capital base.

However, it remains unclear whether MNEs' CSR practices are a suitable means to unlock regions from institutional path-dependence. Following recent attempts in economic geography, this dissertation considers a more actor-centered perspective on institutional change. Its goal is to discuss to what extent and under which circumstances MNEs become institutional entrepreneurs through their CSR practices in Vietnamese regions, thereby fostering regional industrial upgrading (RIU) potentials. More precisely, this dissertation presents with the CSR—RIU model a new theoretical framework which explains how global CSR certificates can diffuse into the local economy and how local CSR projects in the education sector may help MNEs' host regions to overcome skill mismatch problems on regional labor market.

Based on statistical data from Vietnam's *Technological and Competitiveness Survey 2014* and own-conducted qualitative in-depth interviews with representatives from the business sector and education sector, this dissertation makes the following empirical contributions.

First, global CSR certificates does not have a positive impact on short-term productivity growth among local firms. Hence, it is unlikely that the diffusion of global CSR certificates into the local economy will yield in rising linkages between local firms and MNEs. Furthermore, regional institutions such as CSR support system rather than MNEs belong to the key drivers for the diffusion of global CSR certificates in Vietnam's private domestic sector.

Second, MNEs can indeed establish parts of their home countries' TVET systems through local CSR projects at partnering PEOs in their host regions albeit some adaptations to

the local context are inevitable. The case studies also reveal that those public educational organizations are integrated into institution-building initiatives which possess a high spatial, institutional, cognitive and social proximity towards the respective MNEs.

Third, collaborative training models between the business sector and public educational organizations introduced by MNEs have not become institutionalized in the local economy. This can be explained by two facts. First, local firms have not been included in such initiatives. Second, they show a deviating territorial, network and societal embeddedness compared to MNEs.

To sum up, although numerous MNEs and their partners have undertaken substantial efforts in Vietnam to shift host regions towards a more sustainable development path, their institution-building attempts have so far fizzled out.

Based on these results, the following conclusion can be drawn. MNEs, development agencies and regional authorities might be more successful in triggering a regional institutional change in Vietnam if they include local firms in their alliances from the very beginning and equally consider MNEs' and local firms' needs and ideas in these reforms attempts.

Zusammenfassung

Nachdem Vietnam 30 Jahre lang beeindruckende ökonomische Wachstumszahlen vorweisen konnte, steht das Land angesichts der sich abzeichnende „Middle-Income Trap“ vor neuen Herausforderungen. Vietnams Wirtschaft leidet zunehmend unter einem Fachkräftemangel auf regionalen Arbeitsmärkte und unter einem einheimischen Privatsektor, der aufgrund eines geringen Produktivitätsniveaus kaum mit exportorientierten MNU verflochten ist.

Einige MNU bemühen sich diese institutionellen Schwächen durch CSR-Praktiken zu kompensieren und dadurch ihre Zielregionen auf einen nachhaltigeren ökonomischen Entwicklungspfad zu bringen. Einerseits, versuchen MNU die Diffusion internationaler Arbeits- und Umweltstandards durch globale CSR Zertifikate in die Lokalwirtschaft zu fördern. Hierdurch sollen lokalen Firmen die Chance bekommen als zukünftige Zulieferer in globale Wertschöpfungsketten aufgenommen zu werden. Andererseits unternehmen einige MNU lokale CSR-Projekte an Bildungseinrichtungen, um die Humankapitelbasis in ihren Zielregionen zu verbessern.

Allerdings ist es aus wissenschaftlicher Sicht bislang unzureichend geklärt, inwiefern MNU durch solche CSR-Praktiken Regionen tatsächlich aus institutionellen Pfadabhängigkeiten herauslösen können. Deshalb verfolgt diese Dissertation das Ziel neue Erkenntnisse zu liefern, inwiefern und unter welchen Umständen MNU durch ihre CSR-Praktiken als institutionelle Entrepreneurere in vietnamesischen Regionen operieren. Hierbei folgt die Dissertation den jüngsten Beispielen einer Akteurs-orientierten Perspektive institutionellen Wandels in der Wirtschaftsgeographie und präsentiert ein neues theoretisches Konzept, das auf die Schaffung regional-industrieller Upgrading (RIU)-Potenziale durch CSR-Praktiken der MNU eingeht. Hierbei präzisiert das CSR—RIU Modell, wie globale CSR-Zertifikate in der Lokalwirtschaft verankert werden können und inwiefern lokale CSR-Projekte durch MNU im Bildungssektor Regionen helfen können den Fachkräftemangel zu überwinden.

Auf Basis der *Technological and Competitiveness Survey 2014* und eigener qualitativer Interviews mit Vertretern von Unternehmen und vietnamesischen Bildungseinrichtungen, präsentiert die Dissertation die folgenden empirischen Befunde.

Erstens, globale CSR Zertifikate haben keinen positiven Einfluss auf das kurzfristige Produktivitätswachstum einheimischer privater Unternehmen. Folglich ist es unwahrscheinlich, dass die Diffusion globaler CSR Zertifikate in die Lokalwirtschaft zu einer stärkeren Vernetzung mit MNU führt. Zudem sind regionale Institutionen wie zum Beispiel CSR Support Systeme wesentlich entscheidender für die Diffusion globaler CSR Zertifikate in die Lokalwirtschaft als MNU.

Zweitens, MNU können teilweise Berufsbildungssysteme ihrer Heimatländer durch lokale CSR Projekte an Bildungseinrichtungen in ihren Zielregionen aufzubauen, wenngleich Anpassungen an den lokalen Kontext unvermeidbar sind. Die Fallstudien zeigen zudem, dass Bildungseinrichtungen als Projektpartner ausgewählt werden, die eine hohe räumliche, institutionelle, kognitive und soziale Nähe zu den jeweiligen MNU aufweisen.

Drittens, duale Ausbildungsprojekte, die die MNU eingeführt haben, werden kaum von privaten vietnamesischen Firmen aufgegriffen, da sie zum einen nicht in diese Initiativen aufgenommen worden und zum anderen eine gegenüber den MNU abweichende räumliche, netzwerk-bezogene und gesellschaftliche Einbettung besitzen.

Zusammenfassend lässt sich sagen, dass einige MNU und ihre Partner zwar große Anstrengungen in Vietnam unternehmen, um ihre Zielregionen durch einen regionalen institutionellen Wandel auf einen nachhaltigeren ökonomischen Entwicklungspfad zu bringen. Allerdings sind die Effekte dieser Initiativen bislang eher marginal.

Auf Basis dieser Ergebnisse lässt sich die folgende Schlussfolgerung ableiten. MNU und ihre Partner können einen regionalen institutionellen Wandel in Vietnam möglicherweise erfolgreicher einleiten, wenn die Lokalwirtschaft von Anfang an in solchen Initiativen aufgenommen wird und wenn die Bedürfnisse und Ideen der MNU sowie der privaten einheimischen Firmen gleichermaßen in diesen Reformbemühungen berücksichtigt werden.

Appendix A

Guiding questions for interviews with MNEs¹⁶

1.) Summary of the CSR project in the education sector

- Fill in here information from newspapers and internet sources

2.) General information about the MNE / interview partners

- Fill in here information from newspapers and internet sources

3.) Interview block

a. Beginning phase of the interview: MNE xxx in Vietnam

1. Can you please explain the development of MNE xxx in Vietnam since 2000 / in recent years?
 - Have you expanded your economic activities? Why?
 - What kind of relations do you have with Vietnamese suppliers?
 - Share of Vietnamese suppliers compared to international suppliers
 - E.g. longterm contracts
 - Projects to help them to fulfill ISO standards, technological upgrading, productivity etc...
2. In your opinion, how would you describe the development of Vietnam since 2000 / in recent years and what role has MNE xxx taken in during this development process?
3. Currently, what are the biggest challenges for Vietnam to maintain its economic competitiveness and to keep on being an attractive investment location (MNE xxx)?
4. In your opinion, which kind of skills must Vietnamese labours possess in order to ensure a sustainable economic development of the FDI enterprises located in Vietnam?
 - **Blue collar workers** (craftsman, operators, manual workers)
 - behavioral skills like: problem solving, communication, team work...
 - Job-specific skills: for example at MNE xxx?
 - **White collar workers** (Mgmt.; Professionals; Technicians)
 - E.g. Leadership, Problem solving, Creative & critical thinking; Communication?

¹⁶ This questionnaire has been adapted to an interviewee's background as explained in section 3.3.2, depending on whether the interviewee is a MNE manager, a representative of a PEO of further collaboration partners.

- Job-specific skills: for example at MNE xxx?

b. Type and extent of MNE's societal commitment in Vietnam

Now, we would like to get some information about your CSR activities in Vietnam:

5. Can you please tell us what kind of projects you are undertaking here in order to help Vietnam to become more sustainable, especially in the education sector?

In case, the representatives do not tell us something about their CSR projects related to the education sector or the training of human capital:

“I read some newspaper articles that you also have cooperation projects with xxx, for example scholarships for students or common vocational training projects. Can you please tell us a little bit more about these projects?”

6. What kind of resources have you devoted to this project?
 - e.g.: money, new (technological) equipment
 - Employees of MNE xxx: sharing experience and transfer knowledge

7. How many students / pupils have already participated in this project?

8. What kind of skills can the students / pupils learn during this project?
 - E.g. job-specific / behavioural skills?

9. What do they learn about MNE xxx in this project?
 - E.g. Business Culture / Philosophy
 - History and importance of MNE xxx in Vietnam
 - Home country of MNE xxx: e.g. Culture, Language, People, etc...

10. What was the main reason for doing such a project in Vietnam?

11. Who did come up with the idea of this project?
 - Vietnamese partners / government
 - Own idea: who was the main driver?
 - Decision of the board of management?
 - Idea / wish of a specific person in the company?

12. Who are your cooperation partners in this project and how did you choose them?
 - E.g. state authorities: ministries, people's committee etc...
 - Schools / universities?
 - Vietnam Business Council for Sustainable Development
 - German Chamber of Commerce and Industry & NGOs

13. Do you also cooperate with universities in Hanoi?
- If not: Why?

Other Channels in order to influence the education system:

14. Additionally to your CSR project:

Do you cooperate with one or more of the aforementioned actors in order to examine which changes the education system needs to increase the supply of well-educated labourers in Vietnam?

- If yes: Can you please specify with which actors and through which channels you provide suggestions how to improve the Vietnamese education system?
 - E.g. direct or informal talks to official authorities, People's committee, the government etc..?
 - participation in law development processes?
 - press releases or comments about draft versions of laws?
 - Workshops or conferences about the education system in Germany?

c. Institutional environment for the CSR project of MNE xxx

Now, we would like to know something about the circumstances of the implementation process of your project:

i. The implementation process and the role of official authorities

15. When you came up with your idea: Which state representatives did you have to contact in order to get the permission for doing your project?

- Local authorities
- Provincial People's committee
- Ministries and departments
- Government?

16. Did you need to change something from your original idea?

- If yes: What was your original intention and plan of the development project
- How did it change during the negotiation process with the authorities?

17. Which were the biggest challenges you needed to solve before conducting this project?

- E.g. convincing official authorities on different levels:
 - How many talks / meetings => formal vs. informal
- Finding cooperation partners
- Bureaucratic procedures / law changes etc...

18. Have you ever stayed in touch with the aforementioned authorities in other fields of your activities here in Vietnam before doing your CSR project?

- If yes: What kind of cooperation have you done with them before?

19. Do you think that other FDI Enterprises also wanted to do such a project with your co-operation partners?

- If yes: In your opinion, why do you think that you received an official permission to do this project and not your competitors?

ii. The role of the parent company

20. Does your parent company expect you to do local CSR projects in Vietnam?

- If yes: In which way does your parent company support you?

21. Has your parent company suggested to you in which projects you should invest?

- If no: How did you come up with the idea of your project?

22. Have you already done such a project in another Vietnamese region or in another country?

- If yes: What differences and parallels can you see?
- Are the projects similar or did have to adapt your project to the local environment?

d. The Impact of the CSR projects in the local community?

Now we come to the last section of our interview. We would like to know your opinion about the outcome of your CSR project.

Impact on cooperating partners:

23. What were your expectations of your project in advance?

24. Has the outcome of your local CSR project fulfilled your expectations?

- If not: Why not?

25. To what extent are you satisfied with the learning process of the participating pupils / students?

- What have they really learned and what further skills do they need?

26. What are the benefits for your company and which benefits do the cooperation partners have due to your common project?

27. Have you hired some students / pupils of this university / school who had participated in your project, after finishing their education?

- If yes: Can you please tell us how many?
- If yes: To what extent have these people fit into the employee profile of your company?
 - E.g. familiar with the business culture => behavioural skills etc...

- E.g. They already possess the required job-specific skills etc...
- Do you know what happened to the other students of your courses?
 - E.g. did they get jobs in the same economic sector of your company?
 - Type of enterprise: FDI firm, domestic private firm, SOE
 - Other working field: non-related to the vocational training program?

28. Do you think that your project has some long term effects at your partnering school / university? If yes, how do you know? For instance...

- Have you monitored your project to make sure the new knowledge you provided persist over time?
- Is the project annually so that the next generations can also profit?
- Have there been changes in the curriculums of the participating universities and schools?

29. As a result of your successful CSR project: Do you think that your cooperation partners would like to continue such CSR projects with you or other companies?

Impact on the provincial / national level:

30. Do you think that there are some spillover effects in **your province**?

- E.g. legislative changes to enhance cooperation between universities / schools and private companies?
- Rising cooperation projects between universities / schools and private sector?
- Curriculum changes in other universities / schools?

31. Do you think that there are also spillover effects on the national level ongoing because of your successful project in **your province**?

- E.g. legislative changes to enhance cooperation between universities / schools and private companies?
- Rising cooperation projects between universities / schools and private sector?

Appendix B

Guiding questions for interviews with local firms

Part I: Introduction - Current Situation of the company

1. Please describe your personal career
 - Type of education?
 - Start working in this company
 - Since when you have this position
 - Former jobs at other companies / organizations (SOEs?)
 - Experience from abroad

2. In which year was the company founded?

3. How many employees do you have in 2014 and in year of foundation?

4. Please describe your firm's development in recent years.
 - Major investments
 - Development in main markets => % on Vietnamese market?

5. To what extent do you export your products?

6. To what extent do you have R&D activities (at this site, somewhere else in Vietnam)?

7. Do you also cooperate with domestic firms in the same commune / district / province or in the rest of Vietnam?

8. Where are the three most important (foreign vs.Vietnamese) **SUPPLIERS** located?

1. Supplier	Spatial level	2. Supplier	Spatial level	3. Supplier	Spatial level
	Same commune		Same commune		Same commune
	Same district		Same district		Same district
	Same province		Same province		Same province
	Red River Delta		Red River Delta		Red River Delta
	Other area in VN		Other area in VN		Other area in VN

Presence of MNEs: Threat or Chance?

9. What kind of opportunities / chances do you experience from the presence of MNEs in the same commune / district / province / in Vietnam for your business?

10. What kind of threats do you experience from the presence of MNEs in the same commune / district / province / in Vietnam for your business?

- E.g. Brain Drain => Poaching of skilled labor
- Rising costs for labor and real estates
- Authorities may prefer supporting MNEs than domestic firms

11. If you see presence of MNEs as a threat rather than as a chance: What are you actively doing to change this situation?

Part II: Linkages with MNEs in the same locations

12. Do you supply for any MNEs? yes / no

If firm is already a supplier of a MNE:

13. Where are three most important foreign **BUYERS** located?

1. Buyer	Spatial level	2. Buyer	Spatial level	3. Buyer	Spatial level
	Same commune		Same commune		Same commune
	Same district		Same district		Same district
	Same province		Same province		Same province
	Red River Delta		Red River Delta		Red River Delta
	Other area in VN		Other area in VN		Other area in VN

14. If you sell your products to a MNE, from which country does it originally come from?

- Germany
- Japan
- South Korea
- Taiwan
- USA
- Others

15. Do your foreign buyers provide any assistance? (e.g.: technology transfer, sharing information or finance support)

- If yes, could you please provide in more detailed?

If firm is not a supplier of a MNE:

16. Do you intend to improve your capabilities to become a supplier for MNEs or to start exporting / increasing export share?

Part IV: Technological Capabilities

Process upgrading

17. What did you undertake to enhance productivity in the past?
 - Introduction of new technologies
 - Training issues
 - Etc...
18. Does your firm apply TQM/JIT or any similar quality management program?
 - If no: Why do you not have any QM program?
19. In which way does your firm plan to improve production processes?

Product upgrading

20. What are the differences between your products and the products of your main rivals?
21. Have you changed or improved your product?
 - If Yes: how did you do it? (by technology improvement, R&D...)
22. Have you introduced new products?
 - If yes, what was the source?
 - To what extent did the co-location of foreign firms play a role?

Functional upgrading

23. Has your firm acquired new functions? If yes, How?
24. Has your firm moved into a higher value stage? If yes, how?
25. Does your firm have any plans to move into a higher value stage?
 - If yes: What chances and threats do you see for such a movement?
 - If no: Why not (barriers, obstacles and other reasons...)?

Intersectoral upgrading

26. Has your firm moved into a new sector?
 - If yes, can you please explain the development?
 - If no, does your firm have any plan to improve and extent its competencies in order to move into a new sector?

Part V: Human capital and (vocational) education in Vietnam

Firm's Training Programs

27. Which type of skills are demanded by your company for...?
- Blue collar workers (craftsman, operators, manual workers)
 - White collar workers (Mgmt.; Professionals; Technicians)
 - Type of skills: technical, soft, cultural etc...
28. Can you please specify the content of your training programs?
- Internal vs. external
 - New vs. permanent employees
 - Duration
 - On the job vs. Off the job training
 - Workshops on health and security, machines etc...
 - Training methods: e.g. circle training, group work etc...

Firm's collaboration with MNEs and familiarity with foreign skill formation systems

29. To what extent do you cooperate with MNEs in terms of training programs?
- MNEs send in-house trainers for our employees / provides workshops
 - Differences between training methodologies to common training programs
 - Etc...
30. What do you know about collaborations between MNEs and Vietnamese universities / vocational colleges?
- German Dual training system
 - Japanese Way of Internal training and collaborations with universities
 - Korean Firms and training collaborations
 - US-American Firms and training collaborations
 - Others...

If question 30: 'nothing' => question 35

31. Where did you get information about these foreign training systems from?
- (Partnering) MNE
 - Development agencies such GIZ, JICA, KOICA etc...
 - Collaborating universities and colleges
 - State authorities
 - Staff (managers) who have worked for a MNE before
32. Have your firm ever tried to join such vocational training programs of MNEs?
- If yes: please specify!
 - If not: Why not?
33. Have you ever implemented elements of these foreign skill systems into your training programs? If yes:
- Which elements have you overtaken

- Which elements are you planning to introduce?
34. Which obstacles do you face for setting up such a ‘foreign’ training system?
- Outdated technical equipment
 - Lack of experienced teachers
 - Too high costs for Training of Trainers, salary for students, commuting of students

Firm’s collaboration with universities / vocational training schools / vocational colleges

35. To what extent do you cooperate with universities / vocational colleges?
- Internship programs: Please specify
 - Duration
 - Supervisor for students
 - Type of tasks / job placement for students
 - Communication / exchange of information with teachers from school
 - Report / certificate for the student after returning to school
 - Preparatory workshops for students in advance
 - Training of teachers
 - Spending (technical) equipment
 - Long term training programs (more than three months)

Impact of interviewed firm’s training project with partnering university / vocational college

36. Has the outcome of your cooperation project fulfilled your expectations?
- If yes: Is there space for improvements?
 - If not: Why not?

37. To what extent have you already hired students of this university / college?

38. Do you think that your project has some long term effects at your partnering college / university? If yes, please specify

Challenges in Vietnam’s current education system

39. Which changes are needed to improve Vietnam’s vocational education system?
- More practical modules / vocational training
 - Curriculum changes
 - Training of trainers and teachers

Appendix C

Own contributions made to publications in chapters 2, 4, 5 and 6

All article included in this dissertation were co-authored by Javier Revilla Diez. The data analyzed are based on empirical data that has been collected during three research trips to Vietnam between May 2014 and September 2015. Further secondary data which was used in this dissertation is derived from Vietnam's annual enterprise census and the Technology and Competitiveness Survey 2014, conducted by the General Statistics Office Vietnam in collaboration with the Central Institute of Economic Management and University of Copenhagen. All research trips and visiting of international conferences have been financed by the German Research Foundation (Deutsche Forschungsgemeinschaft), the Geoscience Graduate School at the University of Cologne and the German Academic Exchange Service (Deutscher Akademischer Austauschdienst).

I have contributed to the four papers in this dissertation which have been published, are accepted for publication or which are currently under review (chapter 2, 4, 5 and 6) in the following way:

- Identification and review of literature relevant to the respective foci of the articles
- Development of the theoretical frameworks in all manuscripts
- Design and adaptation of the semi-standardized questionnaires for all in-depth interviews in Vietnam
- Cross-checking of all interview protocols and transcripts
- Cleaning of all empirical data
- Independent estimation of multivariate regression, using STATA
- Independent analyzes of interview transcripts, using MAXQDA
- Selecting, contacting and conducting of all in-depth interviews in collaboration with Vietnamese translators in all data-gathering phases
- Independent writing of all manuscripts
- Revision of the manuscripts under the guidance of Javier Revilla Diez for publication in the journals mentioned

Appendix D

Eigenständigkeitserklärung

Ich versichere, dass ich die von mir vorgelegte Dissertation

Multinational Enterprises, Corporate Social Responsibility, and Regional Institutional Change in Vietnam

selbständig angefertigt, die benutzten Quellen und Hilfsmittel vollständig angegeben und die Stellen der Arbeit – einschließlich Tabellen, Karten und Abbildungen –, die anderen Werken im Wortlaut oder dem Sinn nach entnommen sind, in jedem Einzelfall als Entlehnung kenntlich gemacht habe; dass diese Dissertation noch keiner anderen Fakultät oder Universität zur Prüfung vorgelegen hat; dass sie – abgesehen von unten angegebenen Teilpublikationen – noch nicht veröffentlicht worden ist, sowie, dass ich eine solche Veröffentlichung vor Abschluss des Promotionsverfahrens nicht vornehmen werde. Die Bestimmungen der Promotionsordnung sind mir bekannt. Die von mir vorgelegte Dissertation ist von Prof. Dr. Javier Revilla Diez betreut worden.

Köln, den