

Corporate social responsibility and SMEs' performance: mediating role of corporate image, corporate reputation and customer loyalty

Role of CSR
on SMEs'
performance

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Abstract

Purpose – The purpose of the paper is to evaluate the essential role of corporate social responsibility (CSR) on SMEs' performance by exploring the mediating role of corporate image (CI), corporate reputation (CR) and customer loyalty (CL) between CSR and firm performance (FP) in the context of an emerging country.

Design/methodology/approach – Based on an extended literature review on CSR, CI, CR and CL studies, the authors evaluate the impact of these four constructs on SMEs' performance in an emerging market. The paper follows a quantitative approach. The study sample was composed of 482 responses covering top executives, managers and experts. The Smart PLS SEM version 3.3.2 was used to analyse the data of the small- and medium-sized enterprises (SMEs) of Vietnam in the year 2020–2021.

Findings – The authors' findings reveal significant and positive relationships amongst CSR, FP, CSR and CI, CSR and CR, CSR and CL, and most importantly, the findings add value to the current knowledge by exploring the mediating effect of CI, CR and CL between CSR and FP.

Research limitations/implications – The study was conducted in Vietnam. As a result, the findings of the study might not be applicable for other countries, if the economic and environmental settings are different from that of Vietnam. Therefore, future research should consider for other countries, other regions. Second, due to the purpose and priority of the study, CI, CR, and CL was employed as mediators amongst the relationship between CSR and FP. Thus, future research should consider other mediators or moderators in such a relationship to see how CSR generates outcomes in the new associations.

Practical implications – The study regarding the role of CSR in enhancing the performance of SMEs can motivate firm's chief executive officers (CEOs) to be proactive in getting involved and practising CSR in a consistent manner. Second, the above discussion draws a very important implication for the executive level, the management level of the enterprise, which enterprises should balance the interests of business, customers, other stakeholders, the environment and society in order to optimise CSR outcomes for improving competitiveness and developing sustainably. This implication is particularly important to the survival and development of SMEs in a challenging emerging economy.

Social implications – The study widens the literature regarding relationship between CSR and SMEs' performance. Besides, the study supports stakeholder theory that explains why CSR positively affects firm's performance. The significant mediating roles of CI, CR and CL were positively confirmed in the study. Although previous studies determined that such roles are strategic source of competitive advantages of enterprises, however, how CSR involved in enhancing the roles has not been deeply explored and integrated. Third, the findings of the study support the resource-based view (RBV) and resource-based perspective that explains why firm should engage in CSR activities, and CI, CR and CL can enhance firm's performance by providing strategic source of competitive advantages that facilitate business to improve its performance in sustainable direction.

Originality/value – To the best of the authors' knowledge, the current literature on CSR and FP shows that, to date, there has been little empirical research on the mediating mechanism of CI, CR and CL in the link between CSR and FP for SMEs. The findings of the study may have great implications for entrepreneurs and top management with respect to the strategic perspectives to drive the businesses and to improve firm's performance in a sustainable direction in the context of emerging markets. In addition, the finding might be of great interest to – and motivate – SMEs' managers to engage with CSR actions where such businesses were or are situated during and after the coronavirus disease-2019 (COVID-19) pandemic. By that understanding, the Government might allow for innovative and groundbreaking policies or the reformation of old policies to leverage businesses to promote their strengths towards sustainable development in the new



economic settings. The findings of the study may be a significant contribution to SMEs in Vietnam and in other emerging economies.

Keywords Corporate social responsibility, Corporate image, Corporate reputation, Customer loyalty, Firm performance, Emerging market

Paper type Research paper

1. Introduction

CSR is a unique conception and its literature has undergone particular continuous development according to the research efforts over recent decades (Weiping *et al.*, 2021). Indeed, CSR topics attract broad attention from researchers, academics, economists and business practitioners around the world for their possible outcomes to aid businesses, society and the environment. Therefore, global enterprises are paying more attention to the strategic role of CSR for their business survival and development (Xiangyu *et al.*, 2020). In general, CSR presents the firm's responsibilities to the environment, society and its stakeholders by balancing the businesses' interests with stakeholders' concerns and social environmental issues. In practice, business operations affect the environment, society and stakeholders in many ways (Matten *et al.*, 2020). Therefore, "CSR is considered as a strategic approach to overcome the negative impacts on the external environment" (Tahir *et al.*, 2021).

Previous studies have discovered the nexus between CSR and FP. However, their findings have, in general, remained inconclusive. For instance, the study by Oeyono *et al.* (2011) finds the positive nexus between CSR and FP, yet by contrast, studies by Yang *et al.* (2016) define a negative association between CSR and FP (FP), whilst the studies of Liping *et al.* (2016) discover the non-existence of this relationship. In accordance with this, as long as the results of the studies on this topic still do not reach a consensus, further research on this topic is necessary, taking into account a new context and new approaches.

This aim of this research is to contribute to addressing the stated problem. Accordingly, this study focusses on SMEs in emerging economies in Southeast Asia, which include Vietnam as a developing country. Although Vietnam has recently made significant economic, social and medical achievements during the global crisis caused by the COVID-19 pandemic, the country as a whole is still facing many challenges due to the internal and external factors in today's competitive environment. Therefore, a holistic study to help the reader understand how CSR can facilitate SMEs in an emerging economy to overcome such challenges and then succeed in a highly competitive environment is in high demand. Importantly, the focus of this study leans towards sustainability through balancing the interests of business and stakeholders, society and the environment. Therefore, this study selected CI, CR and CL, although no others, as mediators in the link between CSR and FP. This study has been based on a thorough literature review and the objectives in accordance with the focus of this research.

Furthermore, involving mediating factors into the associations between CSR and an enterprise's performance potentially reinforces studies on this relationship (Servaes *et al.*, 2013). Previous studies have spent much effort in finding the explanation on how CSR associates with specific outcomes. Accordingly, the ways in which CSR affects the performance of an organisation were found to be diverse. For instance, Tian *et al.* (2021) carried out a research on the large-scaled listed-firms in the USA and found that CSR plays a role as "an enabler", which mediates the link between marketing activities and FP. Besides, Tahir *et al.* (2021) conducted a research in Pakistan and argued that CSR can enhance CL, both with and without the mediating role of CR, customer satisfaction and customer trust. In addition, a study by Mai *et al.* (2021) in Vietnam found that CSR implementation, economic responsibility excluded, has a significant impact on CR, whilst "stakeholder influence" positively affects the CSR type. Another study by Weiping *et al.* (2021) in China, found that

CSR activities and investment were negatively influenced by “share pledging” and consequently damaging FP and firm value. Additionally, [Kim et al. \(2020\)](#) conducted a research in South Korea and defined that CSR positively and significantly affects CI. Furthermore, [Dawit et al. \(2020\)](#) carried out a study in Eritrea on the nexus between CSR and FP. The findings indicate that this relationship is positive and significant and additionally that CR mediated in this relationship. Interestingly, a study which was carried out by [Woo et al. \(2019\)](#) in India finds that the relationship between CSR and the firm’s outcomes is U-shaped. Overall, the above discussion importantly resolves that CSR can generate different outcomes depending on the economic settings, research context, approach methodology and its role in the conceptual model ([Sen and Cowley, 2013](#)). Therefore, the necessity for this study has been reaffirmed.

This study provides important contributions to the appropriate literature. Accordingly, it firstly reinforces the previous evidence regarding the positive nexus between CSR and FP from the standpoint of SMEs. The result of this study supports the stakeholder theory that explains the positive effects of a firm’s socially responsible activities on FP. Second, it significantly expands the literature on the associations between CSR and FP. Indeed, CI, CR and CL are integrated as mediators in the link between CSR and FP. Although previous studies have demonstrated that CI, CR and CL are strategic sources of intangible assets for firms to enhance their competitive advantage, there has actually been very little study examining these three factors in an integrated model as mediators between CSR and FP. Third, the nexus between CSR and CI, CSR and CR and CSR and CL as affiliates that enhance FP are quite new in the current literature. Therefore, applying this to SMEs in new economic settings reinforce the innovations of this study whilst it also provides appreciable contributions to the literature regarding theoretical, practical and policy aspects.

Fourth, this study broadens the scant knowledge about how CI, CR and CL enhance FP in specific contexts and situations. The results of this study theoretically support the RBV theory and resource-based perspective that explains why firms should engage in CSR activities. Meanwhile, it also explains that CI, CR and CL positively and appreciably affect FP by serving as strategic sources of competitive advantages of enterprises. Additionally, regarding the conceptual aspect, all findings of this study support the notion of [Davis \(1973\)](#), whereby CSR require organisations to consider broader issues than “economic, technical and legal requirements”, whilst contrasting with the argument of [Friedman \(2007\)](#), which contended that “the only CSR of a company is to increase its profits”. Fifth, based on a thorough review of the literature, it has so far appeared that this study is the first to establish an integrated association of CSR with the performance of SMEs in Vietnam, whilst CI, CR and CL are integrated as mediators in the link between CSR and SME’s performance.

This paper is composed of five major sections. Sequentially, [section 1](#) presents the introduction. [Section 2](#) has the literature review and develops the hypotheses. Next, [section 3](#) describes the research model and method. [Section 4](#) presents the results. [Section 5](#) concludes the findings, connects to previous studies, provides theoretical and managerial implications and presents limitations for the future scope of studies.

2. Literature review and hypothesis development

2.1 Theoretical underpinning

This study uses the stakeholder theory ([Freeman, 1984](#)), the RBV theory ([Barney, 1991](#)) and the social identity theory ([Tajfel, 1979](#)) as underpinning theories. According to [Freeman \(1984\)](#), there is a close interrelationship between the business and its stakeholders whereby the business outcomes can affect them and they can affect the business performance in various ways. In this way, customers belong to one of the most important groups of stakeholders. Through CSR, businesses fulfil their responsibilities towards balancing the

economic, social and environmental interests of stakeholders in the areas which the stakeholders care about. In return, this generates a positive response from customers through their positive perception of CI and CR, which then leads to CL. As a result, this leads to an improved FP in general.

In addition, according to RBV theory (Barney, 1991), CSR efforts are seen as corporate resources that are critical for a corporate competitive advantage and business performance. In this context, CSR efforts are seen as corporate resources that are important for the firm's competitive advantage in aspects such as CI, CR and CL. In turn, CI, CR and CL serve as corporate resources/intangible assets to improve FP in a competitive manner. This explains how CSR can boost FP through CI, CR and CL. In other words, this shows how CI, CR and CL mediate the link between CSR and FP.

Besides, from a social identity theory point of view (Tajfel, 1979), when customers feel that the business is genuinely responsible, the CI is perceived positively and CR is likewise increased. Consequently, they feel motivated to identify themselves with the business and see the success or failure of the business as their own success or failure. As a result, this stimulates them to support the business continuously in as many ways as possible in order for the business to develop in the long term.

2.2 Corporate social responsibility (CSR)

CSR was specified in the study by Bowen (1953) as being the primary responsibility of a business practitioner to ensure that all actions and behaviours are consistent with the desired goals and values of society. From a managerial perspective, CSR is conceptually defined as a concept of management that drives a firm towards balancing between economic, societal and environmental benefits. Dahlsrud (2008) identified that there were approximately 37 definitions of CSR in literature which were approached from different perspectives. For instance, according to Friedman (2007), the primary responsibility of a business to society is to increase profits whilst ensuring compliance with law and rules, whilst Davis (1973) contended that the requisites of CSR are that a firm has a consideration of the issues that are broader than "economic, technical and legal requirements". In addition, the European Commission confirmed CSR to be voluntary actions of enterprises, not bound by regulations, towards the betterment of the environment and society (European Commission, 2011). In brief, there are two groups of concepts about CSR that have quite opposing meanings, for which one side reflects a group of companies that focus on solely addressing shareholders' economic-related interests in order to maximise the financial performance indicators. By contrast, the other group focusses on the interests of the stakeholders, which means a balance between economic, social and environmental benefits for a sustainability purpose. This view is supported by the stakeholder theory which was first introduced by Freeman (1984). Connecting to the research context and the research purpose of this study, the definition of Davis (1973) and the European Commission (2011) is the most appropriate for a comprehensive understanding of how CSR can boost FP towards sustainability.

CSR interests the various groups of stakeholders such as employees, shareholders, finance partners, consumers, suppliers, society, government and the environment (Jintao *et al.*, 2020). Accordingly, each different stakeholder group has different expectations from an organisation, which are considered to be measures for CSR performance. For instance, employees will expect a safe working environment, reasonable working hours, an adequate wage, non-discrimination, career development and so on. Shareholders expect a high return on their investment, high dividends and information transparency. In addition, finance partners expect to know the "solvency" and "credit status" of an organisation, whilst consumers expect a "high quality of goods and services" and customer satisfaction. Moreover, suppliers expect the firm to comply with their agreement and to trade fairly. Society expects "enhancing access to unemployment and responsibility for communities". The Government expects a firm to comply with tax laws,

fulfil its tax obligations properly and fully and all with a social input. In addition, with respect to the environment, businesses are expected to make optimal use of resources and protect the environment (Jintao *et al.*, 2020).

Socially responsible businesses tend to develop partnerships with firms which respect social and environmental issues. This will result in enhancing organisational reputation, creating professional networks to share ideas and achieve the desired results together (Jintao *et al.*, 2020). From the RBV perspective, it explains why a firm engages in CSR efforts. Branco *et al.* (2006) contended that a firm engages in CSR as it perceives CSR to be the source of competitive advantage from which they can accrue. From the RBV point of view, CSR is seen as a strategic tool for providing “internal and external benefits” in various ways. For instance, investing in CSR initiatives may facilitate internal benefit creation through developing “new resources and capabilities” with respect to “know-how and corporate culture”. In addition, the impact of CSR on CR is seen as an external benefit of CSR (Branco *et al.*, 2006, p. 1). In this context, CR is perceived as a “fundamental intangible resource” whose creation or depletion depends on the extent to which the enterprise engages on CSR.

2.3 Firm performance (FP)

FP conceptually refers to the performance indicators associated with a set of a firm’s objectives aimed at addressing the interests of various stakeholders. From the stakeholder’s point of view, FP reflects the firm’s ability to meet stakeholder expectations (Vij and Bedi, 2016). Therefore, depending on the specific goals of the business, the performance indicators will be determined accordingly. In this study, the FP indicators include financial and non-financial indicators such as return on assets (ROA), return on sales (ROS), return on investments (ROI), market share, revenue growth rate and profitability growth rate (Dawit *et al.*, 2020). From the perspective of RBV and stakeholder theory, these outcomes are considered to be derived from ethical and responsible business practices that enhance competitive advantages in terms of image, reputation and CL, which leads to improved FP in various ways (Jensen, 2017; Nguyen *et al.*, 2021). In this study, the FP indicators were adopted as the subjective measure approach because it is not easy to obtain objective data on the business performance in Vietnam, so, therefore, a subjective approach through respondents’ self-assessment is an appropriate choice (Nguyen *et al.*, 2021). Moreover, according to Santos *et al.* (2012), the subjective approach is more commonly used than objective measure and its correlation with objective measure is positive.

2.4 Corporate social responsibility and firm performance

Current literature shows that the relationship between CSR and FP has been widely explored and has provided mixed results or a consensus of opinion has not been reached (Javed *et al.*, 2020; Sharma, 2019). A recent study by Le *et al.* (2021a) suggested that CSR has a direct and indirect relationship with FP in which the indirect relationship was examined through the mediating mechanism of brand trust and brand loyalty. In addition, another research also found that CSR has both a direct and an indirect influence on FP (Le *et al.*, 2021b). In particular, the indirect relationship was demonstrated through the intermediary role of customer retention and business continuity. Meanwhile, others stated that CSR has no significant association with FP (Huang *et al.*, 2020) or even that it has a negative relationship with FP (Lima Crisóstomo *et al.*, 2011). Moreover, Yoon and Chung (2018) distinguished CSR efforts as internal CSR and external CSR. They found contradictory results amongst these on corporate performance indicators. Specifically, although internal CSR has a positive effect on profitability, it has no effect on the market value of the business. On the contrary, external CSR gives the opposite outcomes.

Besides, the direct relationship between CSR and FP has been examined by previous studies and has provided inconclusive results (Oeyono *et al.*, 2011) due to different research

settings or contextual factors (Javed *et al.*, 2020; Sharma, 2019). Moreover, Saeidi *et al.* (2015) contended that “this direct test seems to be spurious and imprecise” due to the possible indirect effects of other factors in this relationship. In this research scenario, the relationship between CSR and FP is in line with the notion of Saeidi *et al.* (2015). Accordingly, in order to understand the real impact of CSR on FP, it is necessary to involve suitable mediators that can transform CSR efforts into results for the business in a competitive and sustainable way. This argument is based on the emphasis that CSR is seen as one of the primary responsibilities of enterprises towards stakeholders, customers included, so businesses should, therefore, consider CSR as a long-term strategy and incorporate into the core business strategy in a voluntary manner towards sustainability on the basis of balancing the economic, social and environmental benefits. Based on the literature review as discussed below, it is shown that CI, CR and CL are predicted to mediate the relationship between CSR and FP. In this context, FP is assumed to include financial and non-financial related metrics in which market share is an important non-financial indicator of competitiveness and is also a compelling factor to improve the financial performance of enterprises. Therefore, the hypothesis of the relationship between CSR and FP is reasonably assumed to be as follows:

H1. CSR has a positive relationship with FP.

2.5 The mediating role of corporate image (CI) in the relationship between CSR and firm performance (FP)

The mediating role of CI in the link between CSR and FP can be explained by stakeholder theory (Freeman, 1984) and RBV theory (Barney, 1991). Specifically, from a stakeholder theory point of view, socially responsible actions and behaviours of the enterprise reflect that business activities are oriented towards its various stakeholders. This leads to a positive customer attitude towards the business through a positive perception of the corporate responsibility which leads to enhanced CI and, ultimately, leads to improved FP. In this study, the relationship between CSR and FP is assumed to be mediated by CI. Therefore, the inner relationships (CSR–CI and CI–FP) between CSR and FP need to be examined. The literature review shows that CSR has a positive relationship with CI (Kim *et al.*, 2020). This finding is supported by various studies over recent decades. For instance, studies by Maldonado-Guzman *et al.* (2017a, b) reveal that CSR initiatives can improve CI for SMEs; likewise, Valdez-Juárez *et al.* (2018) assert that socially responsible activities can enhance CI. In addition, previous studies by Sen and Bhattacharya (2001) find that CSR practices can lead to customers’ positive attitudes towards business which is considered as a significant element for business’s prestige and CI, according to Arendt *et al.* (2010). In this context, the scope of CSR is aimed at the interests of the stakeholders, customers, society, the environment and employees, which shows the commitment of the business to society, compliance with ethical principles in business, institutional conformity and respect for the interests of consumers. In turn, this positively affects the CI (Matten *et al.*, 2020).

CI was defined by Gray *et al.* (1998) as a condensed picture of an enterprise that remains in the mind of those interested in the business which shows up immediately whenever they hear the company’s name or see its logo. In addition, Abd-El-Salam *et al.* (2013) contend that CI is seen as a valuable asset that is very important in making differentiation for the business. This will result in maximising the “market share” and “profits” and will also “attract new customers”, “retain existing customers” and “invalidate competitors’ actions”, which will lead to outstanding performance beyond competitors in the market. In addition, Martínez and del Bosque (2013) determine that CI is considered as a critical factor for sales advantage. From the wider perspective, CI can affect the FP by serving as a strategic source of competitive advantages and increasing customers’ positive perceptions of the business. This will result in improving FP through increased access to the premium market, premium price and attain CL.

Chang *et al.* (2006) explained that as long as customers have a good awareness of a firm, their relationship with that company will be sustainable and their behaviour towards the company tends to be positive. This leads to customer emotional engagement and customer support and hence improving FP in a sustainable manner. Based on the above discussions, the hypotheses regarding the mediating role of CI in the relationship between CSR and FP are assumed to be as follows:

- H2a. CSR has a positive relationship with CI.
- H2b. CI has a positive relationship with FP.
- H2. CI mediates the relationship between CSR and FP.

2.6 The mediating role of corporate reputation (CR) in the relationship between CSR and firm performance (FP)

The mediation mechanism of CR in the relationship between CSR and FP can be explained by stakeholder theory (Freeman, 1984) and RBV theory (Barney, 1991). Specifically, from a stakeholder theory point of view, through socially responsible actions and behaviours of enterprises, it suggests that business activities are oriented towards stakeholders. This leads to a positive customer attitude towards the business through a positive perception of its corporate responsibility (Dawit *et al.*, 2020), which leads to improved CR and ultimately leads to improved business performance. From the RBV perspective, according to Margolis *et al.* (2009), CSR efforts can be a strategic resource for intangible assets such as CR that leads to improved FP.

CR is conceptually defined to be amongst the most valuable resources of the business which is considered as its intangible asset that distinguishes one company from another in the marketplace (Dawit *et al.*, 2020). Current literature has confirmed the positive nexus between CSR and CR. For instance, Gallardo-Vázquez *et al.* (2019) found that CSR has a strong effect on firm reputation for the context of SMEs. In addition, Maldonado-Guzman *et al.* (2017a, b) found that CSR practices can elevate firm reputation. Likewise, Lai *et al.* (2010) revealed that CSR practices have a positive and significant relationship with CR. This finding is supported by Valdez-Juárez *et al.* (2018) in that socially responsible activities can improve CR. Moreover, Cadez *et al.* (2019) argued that the positive awareness of customers and partners on the organisational CSR practices positively affect the CR. According to Dawit *et al.* (2020), a firm with a good reputation can facilitate that firm's alignment with "market demand", attracting investors and motivating employees. CR "works as a means" to enhance a firm's competitive advantages that lead to distinguishing their products or services from the others in the market (Dawit *et al.*, 2020).

From the RBV perspectives, the benefits that CSR generates externally are considered to be an important resource associated with its influence on CR (Branco *et al.*, 2006). In other words, the degree of CSR engagement is closely associated with strengthening or depleting CR. Specifically, firms that have a proper investment in CSR initiatives and CSR disclosure may enhance their CR and vice versa. According to Fombrun (1996), CR primarily reflects stakeholder perceptions and judgements about a company's behaviour in ensuring valuable offerings. CI can be maintained and managed by consistency in CSR-related initiatives and CSR practices towards ethics and responsibility in their business conduct. According to Xiangyu *et al.* (2020), CR is sensitive and vulnerable to any shortcomings of the organisation such as discrimination, insincerity, irresponsibility or behaviour that violates ethics. Consequently, any of these shortcomings makes all other efforts worthless. In this context, CSR strategy is very important for CR. In addition, according to Branco *et al.* (2006), a good CR is positively related to the quality of relationships with external actors. This may result in improving the engagement of stakeholders with a company.

Likewise, the relationship between CR and FP was found to be positive and robust from a different perception. From the market-oriented point of view, according to [Sarbutts \(2003\)](#), CR is perceived as a strategic factor that is able to reinforce the competitive advantage for SMEs. In addition, [Roberts and Dowling \(2002\)](#) contended that a high CR can enable a firm to remain in its excellent position in the market leading to sustained higher income over time. This finding was supported by [Tan \(2007\)](#) in that CR associates with higher earnings. Furthermore, from the internal resource point of view, organisations with a high reputation are more likely to attract a competent workforce. As a result, this will help the firm to save operational costs by retaining a skilled workforce, lessening their expenses for recruitment and improving employee engagement. Moreover, CR is built on a transparent and accountable foundation that can help businesses to improve efficiency by minimising the transactional cost, which can lead to a reduced cost of capital, increasing stakeholders' wealth and attaining "win-win" outcomes. This will result in sustaining the interactions and relationships between the firm and its stakeholders according to [Wagner-Tsukamoto \(2019\)](#) and [Costa-Climent et al. \(2018\)](#).

Based on the above discussions, the hypotheses associated with mediating mechanism of CR in the relationship between CSR and FP are proposed as follows:

H3a. CSR has a positive relationship with CR.

H3b. CR has a positive relationship with FP.

H3. CR mediates the relationship between CSR and FP.

2.7 The mediating role of customer loyalty (CL) in the relationship between CSR and firm performance (FP)

In this study, stakeholder theory ([Freeman, 1984](#)), RBV theory ([Barney, 1991](#)) and social identity theory ([Tajfel, 1979](#)) are used to explain how CSR affects FP through CL in which stakeholder theory explains that socially responsible activities help the business to obtain a positive attitude from customers, leading to CL and results in an improving business performance. From the perspective of the social identity theory, customers' perceptions of genuine CSR are positively associated with their affective and cognitive perceptions of CI and CR. Consequently, they feel motivated to identify themselves with the business and see the success or failure of the business as their own success or failure. As a result, this stimulates them to support the business continuously in as many ways as possible in order to for the business to develop in the long term. From the RBV perspective, according to [Margolis et al. \(2009\)](#), CSR involvements can be a strategic resource for intangible assets. In this context, the relevant intangible asset is CL, which is considered to be a very important resource for FP.

CL is conceptually defined by [Oliver \(1999\)](#) as the deep and consistent commitment of customers to continue to support products and services despite the efforts of competitors in the market to influence customer behaviour otherwise. According to [Martínez and del Bosque \(2013\)](#), CSR has a positive relationship with CL. In addition, [Jintao et al. \(2020\)](#) contended that CSR can create "a loyal customer base". Customer awareness of how firms respect the interests of customers and society through a commitment to create safe, clean and lawful aspects of the community is meaningful to their buying decisions. According to [David et al. \(2019\)](#), "CSR policies" positively influence customer's value, customer's satisfaction and customer's loyalty to the company. According to [Marquina et al. \(2013\)](#), CSR practices have been shown to influence consumers' behaviours in certain ways. From the stakeholder theory, customers, as a group of firm's stakeholders, are affected by organisational operations ([Freeman, 1984](#)), so companies should perform well in CSR as a way to eliminate or minimise its negative effects, whilst creating value for the customers and stakeholders ([Jonikas, 2013](#)). This explains why customers are highly concerned about how the business performs with its social responsibilities. Consequently, this affects customers' behaviours in terms of loyalty and purchase decisions.

CL is a popular concept that “has become a cornerstone for competitive success” (Oliver, 1999). It reflects the customer’s positive attitude towards the business and this attitude positively affects their future intention to support the business’s offerings continuously (David *et al.*, 2019). Meanwhile, CL also generates a “resistance in consumers to (listen to) possible offers from the competitors” (Oliver, 1999). According to David *et al.* (2019), retaining existing customers is much more economical than finding new customers. From the resource-based perspective, CL enhances FP by serving as a source of competitive advantage for a firm to achieve beyond its competitors’ sales growth, cost efficiency, possibility of increased profitability, possibility of expanding markets and customer base (Yang *et al.*, 2004). As a result, this helps firms to ensure their business sustainability (Gürlek *et al.*, 2017). According to Kim *et al.* (2004), CL is commonly considered through three main approaches, namely “behavioural approach”, “attitudinal approach” and “integrated approach”, which explain how CL relates to FP. More specifically, behavioural loyalty is defined as the frequency of purchase by customers according to Kandampully *et al.* (2000). “Attitudinal approach” is defined as a customer’s psychological and emotional commitment to the products and services of a particular business. “Integrated approach” relates to the customer’s ability to re-like the business’s product and the ability of the customer to introduce the business to their community according to Bowen *et al.* (2001).

Based on the above discussions, the hypotheses related to the mediating role of CL in the relationship between CSR and FP are proposed as follows:

- H4a. CSR has a positive relationship with CL.
- H4b. CL has a positive relationship with FP.
- H4. CL mediates the relationship between CSR and FP.

2.8 Corporate image (CI) and corporate reputation (CR)

CI is conceptually defined as the “overall impression” that is stored in the customers’ minds regarding emotions, feelings, attitudes and experiences with a firm that are accumulated during their time spent with that firm. From the RBV perspective, CI is conceptually perceived as an intangible resource that can reinforce customer attitudes or behavioural intentions such as “customer satisfaction”, “repurchase intention” and “willingness to recommend”, according to Pérez *et al.* (2015). These can be converted to positive or negative connotations that are retrieved to recreate the image and are evoked in a circumstance in which the name of the organisation is somehow recalled (Fombrun, 1996). Regarding the connection between CI and CR, according to Abd-El-Salam *et al.* (2013), they are considered to be a critical resource for making a firm differentiate itself from others in the market. Kandampully *et al.* (2007) contend that CI includes two major components that are inclusive of a functional aspect for intangible characteristics and emotional aspect for one’s feelings, attitudes and beliefs towards the organisation which are the result of accumulated experiences that customers have during their time when dealing with the organisation. From the RBV perspective, CI positively influences CR by serving as a source of intangible asset that elevates CR. More importantly, only positive CI can positively affect CR. A positive CI reflects the positive awareness of customers towards socially responsible activities that will result in increasing CR amongst customers. From the above discussion, the relationship between CI and CR is proposed as follows:

- H5. CI has a positive relationship with CR.

2.9 Corporate reputation (CR) and customer loyalty (CL)

CR is conceptually perceived as a critical intangible asset of a firm, according to Jang *et al.* (2016) and Kanto *et al.* (2016), which is very important for a firm’s competitive advantage.

In this context, from the customer's side, CR reflects genuine CSR towards the interests of various stakeholders as a way in which a business responds to stakeholder expectations. According to Porter (2008), CR is seen as "a strategic technique" that is crucial for achieving the organisational "strategic objectives". A recent study by Tahir *et al.* (2021) revealed that CR has a positive relationship with CL. The logic used is that a high CR is associated with highly perceived socially responsible companies, and as a result, this leads to enhanced CL. Therefore, the nexus between CR and CL is hypothesised as follows:

H6. CR has a positive relationship with CL.

2.10 Relevant studies

Table 1 below shows that the recent studies on CSR-related topics provide a mixed depiction of CSR associations in businesses from a different context. It indicates the diverse role of CSR in an organisation, which consequently affects particular outcomes. Amongst the list below is a study which was conducted by Mai *et al.* (2021) in a Vietnamese context. However, the focus of their study was on the nexus between the CSR programme and stakeholders with CR, whereby the CSR programme and stakeholders were assumed to be "key sustainable development strategies" for promoting "corporate reputation". The findings of this study confirm the positive and significant role of the CSR programme and stakeholders in promoting CR. More interestingly, out of CSR's major components, economic responsibility was found to be neutral with CR.

3. Research model and methodology

3.1 Research model

A research model was designed by the above intensive literature review and stated reasons as under section 2.10 above. Therefore, the proposed model will be of the integration of CSR, CI, CR, CL and FP, for which CSR is an independent variable, FP is a dependent variable and CI, CR and CL are assumed to mediate the relationship between CSR and FP. Figure 1 below is the proposed conceptual model of this research.

3.2 Methodology

3.2.1 *Sampling method and data collection.* This research aims to examine the relationship between CSR and FP through the mediating roles of CI, CR and CL in this relationship. This study was conducted for SMEs in an emerging economy, taking Vietnam as one of the emerging economies which is receiving much attention from around the globe due to its recent socio-economic growth. The sampling method used was a randomised method. SMEs are defined on the basis of the total number of firm's employees, where there are less than 250 employees (IFC, 2009). The target population includes SMEs from the food sector that have been in the food industry for over ten years. The choice of the SMEs in the food sector for this study is based on the following arguments. First, SMEs are seen as an important force for the national economy, accounting for an average rate of over 90%. This rate is especially high in emerging economies such as Vietnam, which accounted for about 97% and provided 60% of employment opportunities for the society and contributed over 40% to the gross domestic product (GDP) (Nguyen *et al.*, 2020). Second, this study focusses on the food manufacturing industry because of its potential to affect the environment adversely (Ritchie and Roser, 2020). Simultaneously, the food industry is considered to be sensitive to changes in the environment, especially in the context of the outbreak of the COVID-19 pandemic. Moreover, in the context of high uncertainty, in-depth research is important to be able to make relevant and specific implications that can be applied. Therefore, by considering the compatibility of

Sources	Research context	Research methodology	Findings	Limitations
Tahir <i>et al.</i> (2021)	Pakistan (Islamabad, Lahore and Karachi) Telecom	Quantitative	CSR initiatives have a significant and positive association with corporate reputation (CR), customer satisfaction (CS) and customer trust (CT) CR, CS and CT mediated the relationship between CSR and customer loyalty (CL) CSR has a direct, positive and an appreciable relationship with CL	Research context Sampling technique (purposive)
Tian <i>et al.</i> (2021)	United State Listed large-scaled firms	Regression	CSR was found to be an enabler for firm performance (FP) as the mediator between marketing activities and FP	Research context Research method Research context
Mai <i>et al.</i> (2021)	Vietnam Public, private and foreign direct investment firms	Quantitative	CSR practices in legal, ethical, environmental and charitable responsibilities has an appreciable effect on the reputation of the company "Stakeholder influence" positively affects CR and significantly affects CSR type	Research context
Weiping <i>et al.</i> (2021)	China Listed firms	Regression	CSR-related activities and investment was found to be negatively affected by "share pledging" and that consequently damages FP and firm value	Research context Research method
Kim <i>et al.</i> (2020)	South Korea Food service industry	Quantitative	CSR positively and significantly affects corporate image (CI) and customer citizenship behaviour	Research context Variables Research data
Jintao <i>et al.</i> (2020)	Lithuania	Qualitative	CSR positively affects CI and CR. CSR positively influences firm competitiveness on the basis of different CSR components and has different effects on a firm's competitiveness dimensions	Research context Research method Sample limitation
Dawit <i>et al.</i> (2020)	Eritrea SMEs	Quantitative	CSR positively and significantly affects FP. CR mediates the relationship between CSR and FP	Research context
David <i>et al.</i> (2019)	Spain Supermarket and hypermarket	Quantitative	CSR policies positively and significantly affect consumers' loyalty, trust, satisfaction and commitment	Research context
Woo <i>et al.</i> (2019)	India Listed firm	Regression	The relationship between CSR and firm value was found to be "U-shaped". It was noted that CSR was measured using the ESG score, and firm value was measured based on Tobin's Q	Research context Research method
Kuo-Jung (2019)	Taiwan Listed firms	Regression	CSR performance is proportional to the value of the company	Research context Research method

Table 1.
Studies on the topic of corporate social responsibility

Source(s): Author's work

these two factors with the scenario of this study, it shows that SMEs in the food industry are worthy of the highest priority. This study was taken place from December 2020 to May 2021.

Data were collected from the independent survey of CEOs and experts of manufacturing SMEs, using a questionnaire. This questionnaire was developed by adapting those from the previous studies with adjustments where necessary to be well matched with the research context. The content of the questionnaires was then validated by experts to ensure its clarity and that no irrelevant questions were included. The pilot survey was then performed to make sure that the survey's questions are correctly understood for responses accuracy. Survey questions used an adapted version of the five-point Likert-scale. According to

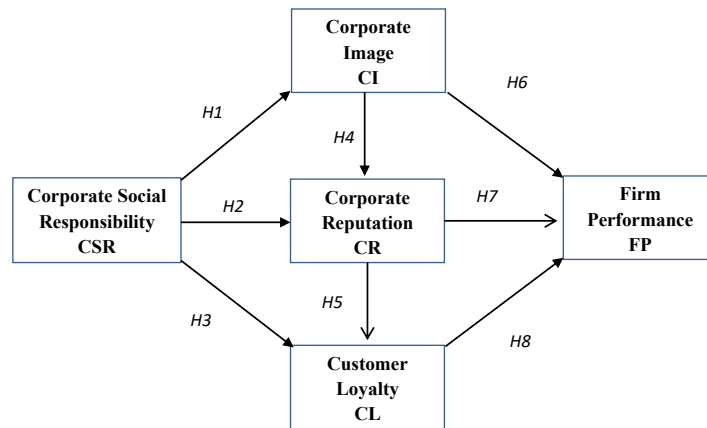


Figure 1.
Proposed
conceptual model

Source(s): Author's work

Gallardo-Vázquez *et al.* (2014), the five-point Likert-scale is widely used for studies on CSR-related topics for SMEs. More importantly, the questionnaire was purposefully structured both for collecting data for statistical analysis and also for gaining respondents' insights into CSR knowledge, perspectives and their views on the status quo of CSR with SMEs in Vietnam. Therefore, the structure of the questionnaire includes three sections, whereby Section 1 is for respondents' information, Section 2 is for close-ended questions for getting data for analysis and Section 3 is for open-ended questions for getting the insights, views, perspectives and knowledge related to CSR with SMEs in Vietnam. This is very helpful for in-depth understanding of the status quo of CSR in Vietnam and intensive implications.

Samples for this study were employed from LinkedIn, which is a global professional social network. Information about potential respondents was collected from LinkedIn, including their title, number of years working at the current company, general information about the company and contact information. The information collected was classified and aggregated to consider its representativeness to the target population for this study. This study applies the principle of "10-times rule" to calculate the number of samples needed for the study (Hair *et al.*, 2011). However, as a precaution against non-response bias, this study also determined that the initial sample size should be 510. The survey was performed using the Google platform to facilitate participants involved in this process. After the survey, there were 495 questionnaires received which accounted for a 97.05% response rate. The collected questionnaires were then rechecked to eliminate those which were incomplete. As a result, there were 482 complete answers selected for the final analysis, which accounts for a 94.50% response rate. The sample's characteristics are presented in Table 2 below.

3.2.2 Variable measurement. The variables' items were basically adapted from the previously verified studies. However, they were adjusted where necessary to adapt to the research context. More specifically, CSR has seven items that are adapted from Dawit *et al.* (2020) and David *et al.* (2019). CI has four items that are adapted from Gürlek *et al.* (2017), CR includes five items that are adapted from Dawit *et al.* (2020) and CL has five items that are adapted from David *et al.* (2019). Finally, the FP variable is constructed by six items that adapted are from Dawit *et al.* (2020). We apply a five-point Likert scale to all variables. For the seven-item scale of CSR and 6-item scale of FP (1 indicates "strongly disagree" and 5 indicates "strongly agree") and for the fourfour-item scale of CI, five-item scale of CR and five-item scale of CL (1 indicates "definitely no" and 5 indicates "definitely yes"). Respondents were asked to

point to the pole closest to their thought of the corresponding item. Table 3 below presents the items and sources.

3.2.3 *Analysis of data.* Data were analysed using a variance-based structural equation model (SEM) technique, namely smart partial least squares (Smart-PLS). Smart-PLS has been applied in the implementation of SEM, and path analysis was developed for testing hypotheses. According to Farooq *et al.* (2017), PLS-SEM fits appropriately with explanatory studies, and therefore matches well for this study type. In essence, SEM is classified as a measurement model and a structural model (Anderson *et al.*, 1988), whereby a measurement model is used for testing the constructs' validity and reliability, whilst a structural model is used for testing the relationships between the variables (Smith, 2003). These results support the conclusion about data quality and the structural model consistency (Hair *et al.*, 2016b).

4. Results

4.1 Measurement model

The measurement model was tested to assess the reliability and validity of the items that were used to measure CSR, CI, CR, CL and FP. Table 4 below clearly presents the relevant indicators to assess the reliability and validity as stated. In detail, Cronbach's Alpha values of all variables and all composite reliability amongst the identified constructs are greater than 0.7, which confirms the reliability of all scales in this study (Hair *et al.*, 2014, 2016a). Regarding the convergent validity, the results show that all factors loading and average variance extract (AVE) for all items are, respectively, greater than 0.7 and 0.5, which are satisfactorily accepted against the acceptance thresholds (Henseler *et al.*, 2009). Therefore, convergent validity was supported.

Regarding discriminant validity, according to Hair *et al.* (2014), discriminant validity proves whether one structure is sufficiently distinct from the others. According to Fornell and Larcker (1981), discriminant validity is established when the square root of the AVE of each construct is greater than that of the correlations between the constructs. Table 5 below presents these values for which they meet the stated criteria of Fornell and Larcker (1981). Therefore, this supports the conclusion that the discriminant validity is established.

4.2 Goodness of fit (GoF)

"The goodness of fit (GoF)" is used purposely for measuring the fitness of the model in Smart-PLS. GoF is defined as "the geometric mean of the average AVE and average R^2 (for dependent variables)" (Henseler *et al.*, 2016). By performing a calculation based on the stated

Characteristics	Distribution	Frequency	%
Gender	Male	247	51.24
	Female	235	48.76
Age	38–45	129	26.76
	46–50	227	47.10
	51–58	126	26.14
Education	Bachelor	192	39.83
	Master	215	44.61
	Above master	75	15.56
Firm age	11–15	135	28.01
	16–20	189	39.21
	Above 20	158	32.78
Employees	50–100	154	31.95
	101–150	217	45.02
	151–245	111	23.03

Source(s): Author's work

Table 2.
Sample characteristics

Variables	Items	Description	Sources
CSR	CSR1	Our corporate takes into account stakeholders' interests for decision making	<i>Dawit et al. (2020), David et al. (2019)</i>
	CSR2	Corporate's products/services functionally respond to the society's needs	
	CSR3	Our company is transparent in its communication with our stakeholders regarding products, services, social responsibility and policy	
	CSR4	Our processes keep improving to enhance product quality, save resources and increase efficiency	
	CSR5	Our company pays attention to investing in upgrading the technology system to improve product quality and reduce emissions and pollution	
	CSR6	Our company is adapting social media to facilitate interaction with customers on a real-time basis	
	CSR7	Our company policies provide a clear career path and competence development to its employees	
Corporate Image (CI)	CI1	Our customers commonly have a good impression of our company	<i>Gürlek et al. (2017)</i>
	CI2	Our customers commonly believe that our corporate image is better than that of competitors	
	CI3	Our stakeholders generally have a good impression of our company	
	CI4	Our stakeholders generally believe that our corporate image is better than that of our competitors	
Corporate Reputation (CR)	CR1	Customers see us as being a very professional organisation	<i>Dawit et al. (2020)</i>
	CR2	Customers view our firm as one that is successful	
	CR3	Our firm reputation is highly regarded	
	CR4	Customers view our firm as being one that is stable	
Customer Loyalty (CL)	CR5	Our firm is viewed as well-established by customers	<i>David et al. (2019)</i>
	CL1	Customers repeatedly purchase with increasing frequency	
	CL2	Customers recommend our products and services to their acquaintances and relatives	
	CL3	Customers talk positively about our company, our products and our services	
	CL4	Customers continue to support our new product even if a competitor has similar products	
Firm Performance (FP)	CL5	Customers are always interacting and sharing their valuable contributions with us, behaving as members of our company	<i>Dawit et al. (2020)</i>
	FP1	Definite return on assets (ROA)	
	FP2	Real return on sales (ROS)	
	FP3	Actual return on investments (ROI)	
	FP4	Market share	
	FP5	Revenue growth rate over the past 5 years	
FP6	Profitability growth rate over the past 5 years		

Table 3.
Constructs

Source(s): Author's work

formula, we attained a GoF of 0.62. According to *Wetzels et al. (2009)*, there are three thresholds to assess the GoF, for which "0.1" indicates "a small GoF"; "0.25" indicates "a medium GoF" and "0.36" indicates "a large GoF". Taking the defined GoF value into consideration against the standard thresholds of *Wetzels et al. (2009)*, it's satisfactory to conclude that the model fitness was assertively supported.

Constructs	Items	Factor loading	Cronbach's Alpha	Composite reliability	AVE
CSR	CSR1	0.834	0.924	0.939	0.686
	CSR2	0.809			
	CSR3	0.830			
	CSR4	0.815			
	CSR5	0.847			
	CSR6	0.829			
	CSR7	0.835			
CI	CI1	0.788	0.778	0.857	0.600
	CI2	0.709			
	CI3	0.782			
	CI4	0.816			
CR	CR1	0.753	0.822	0.876	0.586
	CR2	0.769			
	CR3	0.717			
	CR4	0.796			
	CR5	0.788			
CL	CL1	0.814	0.850	0.893	0.626
	CL2	0.783			
	CL3	0.762			
	CL4	0.803			
	CL5	0.792			
FP	FP1	0.822	0.891	0.917	0.647
	FP2	0.810			
	FP3	0.799			
	FP4	0.782			
	FP5	0.817			
	FP6	0.797			

Role of CSR on SMEs' performance

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Source(s): Author's work

Table 4. Results support reliability and convergent validity

	CI	CL	CR	CSR	FP
CI	0.775				
CL	0.397	0.791			
CR	0.357	0.377	0.765		
CSR	0.495	0.446	0.458	0.828	
FP	0.601	0.612	0.542	0.604	0.804

Source(s): Author's work

Table 5. Results support discriminant validity

4.3 Structural model

After the measurement model's validity and reliability and the overall model fit were adequately confirmed, the bootstrapping technique was then applied with 1,000 samples loop for testing the proposed hypothesis and path coefficients. Prior to this step, multicollinearity and common method bias were checked by utilising the variance inflation factor (VIF). The threshold of 3.3 was used according to the criteria of Diamantopoulos *et al.* (2006) and Hair *et al.* (2014) to evaluate whether or not the multicollinearity and common method bias problem happened in this research model. This confirmation supported taking the next step to assess the hypotheses by utilising coefficients and *p*-values. Table 6 and Figure 2 demonstrate the SEM analysis results below.

The statistical results as shown in Table 6 indicate that CSR has significant and positive relationships with CI (+0.495; *p* < 0.001); CR (+0.373; *p* < 0.001) and CL (+0.346; *p* < 0.001).

Table 6.
Path analysis

Paths	Coefficients	t-statistics	p-values	Conclusions
CSR → CI	0.495	14.431	0.000	Accepted
CSR → CR	0.373	8.291	0.000	Accepted
CSR → CL	0.346	8.556	0.000	Accepted
CI → CR	0.173	3.819	0.000	Accepted
CI → FP	0.357	10.942	0.000	Accepted
CR → CL	0.218	4.974	0.000	Accepted
CR → FP	0.276	7.591	0.000	Accepted
CL → FP	0.366	11.913	0.000	Accepted

Source(s): Author's work

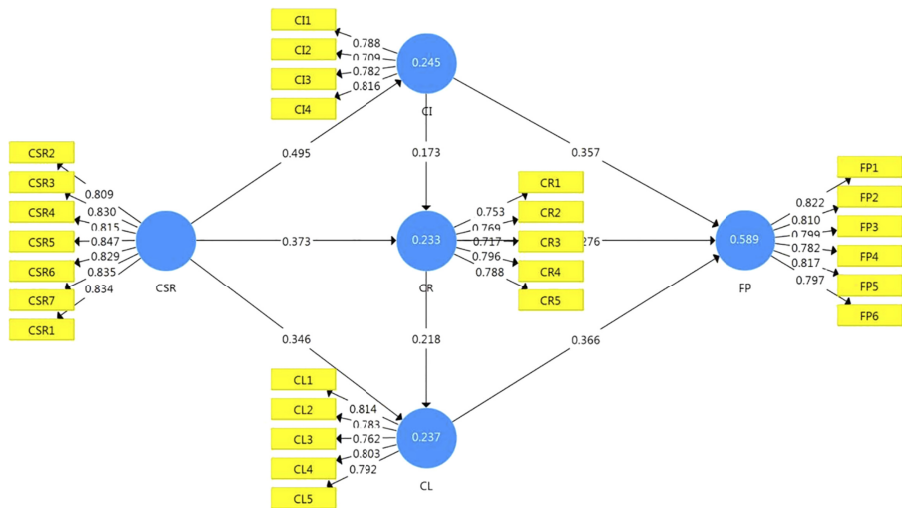


Figure 2.
SEM analysis result

Source(s): Author's work

In addition, the statistical results also confirm that the relationships between the remaining variables are positive and significant, whilst being more specifically between CI and CR (+0.173; $p < 0.001$) and FP (+0.357; $p < 0.001$); between CR and CL (+0.218; $p < 0.001$) and FP (+0.276; $p < 0.005$) and between CL and FP (+0.366; $p < 0.001$). Therefore, all hypotheses in this research were confirmed.

4.4 Mediation analysis

Analysis of the intermediate influence of CI, CR and CL in the relationship between CSR and FP was performed using relevant parameters including path coefficients, p -value and VAF (values accounting for) (Hair *et al.*, 2014, 2016b). Accordingly, a positive path coefficient and a p -value which is smaller than 0.001 indicates a positive and significant corresponding relationship. In addition, VAF shows whether or not the mediating influence of CI, CR and CL in the relationship between CSR and FP. The results give VAF values of 39%, 37 and 33%, respectively, for the relationships CSR → CI → FP, CSR → CR → FP and CSR → CL → FP. The results show that the VAFs are all greater than 20%, and therefore, it is concluded that

CI, CR and CL mediate the relationship between CSR and FP. In other words, in this research scenario, CSR affects FP through CI, CR and CL (see Table 7).

5. Discussions and implications

5.1 Discussions

The statistical results confirm the proposed hypotheses of this study as shown in Table 6 above. First, this indicates that CSR has a positive and significant relationship with CI. This finding supports the previous findings of Kim *et al.* (2020), Maldonado-Guzman *et al.* (2017a, b) and Valdez-Juárez *et al.* (2018) in that socially responsible activities of firm can elevate customers' emotions towards a positive perception of how well that company cares for its customers' interests and stakeholders' concerns, as well as environmental and societal issues. This will lead to enhanced CI (Matten *et al.*, 2020). Secondly, CSR positively and significantly impacts CR. This finding supports those of Gallardo-Vázquez *et al.* (2019), Maldonado-Guzman *et al.* (2017a, b), Valdez-Juárez *et al.* (2018), Cadez *et al.* (2019) and Graafland (2018) in that socially responsible activities of a firm associate with positive customers' awareness of the company regarding its professionalism, successes, sustainable development, good governance and respect towards the interests of its stakeholders. This will result in enhancing CR.

Third, the relationship between CSR and CL is positive and significant. This affirmation supports the findings of Jintao *et al.* (2020), Martínez and del Bosque (2013) and David *et al.* (2019) in that, as long as CSR is seriously performed by an organisation, it reflects the respect of the organisation for the interests of its customers' interests, stakeholders' concerns as well as its own interests. This has significant meaning to customers in that it demonstrates the corporate sustainability through balancing the interests of businesses and their stakeholders accordingly and also respecting social and environmental issues. As a result, CL will be enhanced accordingly. Regarding the relationships between the three mediating variables, the findings reveal that CI has a positive and significant relationship with CR. Likewise, CR has a positive and significant relationship with CL. Importantly, the findings also reveal that these factors are complementary to reinforce the strategic source of intangible assets for a firm to improve its competitive advantages and not interchangeably. These findings support the previous studies of Tahir *et al.* (2021), Porter (2008), Abd-El-Salam *et al.* (2013), Jang *et al.* (2016) and Kanto *et al.* (2016).

In addition, the statistical results confirm the positive and significant relationships between CI and FP, CR and FP and CL and FP. The findings reveal that these three variables work as enablers that enhance FP by serving as an integrated source of intangible assets for a firm to improve its competitive advantages. This will, in turn, facilitate the firm in attaining a competitive position in the market, enjoy the premium markets, premium prices, market expanding, customer-base expanding, increase efficiency by a reduced operational cost and enhanced profitability and so on, which will lead to an increasing FP towards sustainability. These support the findings of previous studies of Martínez and del Bosque (2013), Chang *et al.* (2006), Gürlek *et al.* (2017), Dawit *et al.* (2020), Tan (2007), Roberts and Dowling (2002) and David *et al.* (2019).

Moreover, the finding indicates that the relationship between CSR and FP is mediated by CI, CR and CL. This result particularly supports the notion of Saeidi *et al.* (2015) that

Path	Coefficients	<i>t</i> -statistics	<i>p</i> -values	Conclusion
CSR → CI → FP	0.177	7.826	0.000	Positive and significant
CSR → CR → FP	0.103	4.962	0.000	Positive and significant
CSR → CL → FP	0.127	6.197	0.000	Positive and significant

Source(s): Author's work

Table 7.
Mediation test

examining the direct relationship between CSR and FP “seems to be spurious and imprecise” because it really depends on different contextual factors. Therefore, it’s necessary to involve mediating factors for specific context to be able to see the real effect of CSR on FP. In this study, the roles of CI, CR and CL in transforming CSR efforts into the business outcomes are supported by stakeholder theory, RBV theory and social identity theory as stated below. Importantly, in this study, CSR is approached as a strategy for sustainable development on the basis of balancing economic, social and environmental benefits; so accordingly, it boosts FP in a positive and competitive manner. This is in line with the trend of realising CSR towards sustainability in emerging Asian economies because it has demonstrated a positive effect on FP (Sardana *et al.*, 2020). However, emerging economies such as India, China and Vietnam still lack those CSR practices, as CSR is still being considered as being charitable or donated activities rather than a strategy for sustainable development (Arora and Puranik, 2004; Kolk *et al.*, 2010; Nguyen *et al.*, 2021).

In the context of developed countries, enterprises face more pressures on CSR practices and disclosure from stakeholders and institutional regulations (Kim and Kim, 2019; Kowalczyk and Kucharska, 2020) than enterprises in emerging countries. This affects CSR practices and, in turn, affects CSR outcomes. The current literature on CSR and FP shows that the majority of studies conducted in the context of the developed countries focus on the influence of CSR efforts on non-financial performance metrics, whilst it is the opposite for the context of emerging countries (Tsou *et al.*, 2021). This shows that in developed countries, CSR is geared towards sustainability, whilst in emerging countries CSR is still geared towards financial benefits. However, in the context of integration and globalisation, the trend of CSR in emerging countries is gradually shifting its comprehensive values towards sustainability on the basis of balancing economic, social and environmental benefits. Therefore, financial indicators are no longer appropriate to measure CSR outcomes. However, current literature shows the least number of studies that address this issue (Tsou *et al.*, 2021; Javed *et al.*, 2020). Therefore, this study is a timely contribution in terms of the significance of CSR for the sustainable performance of enterprises.

5.2 Theoretical implications

This study provides some highlighted theoretical implications. First, this study widens the existing literature on the domain of CSR and FP by providing an intensive mediating mechanism in this relationship. More importantly, the current literature on the CSR–FP relationship shows inconclusive results as discussed above, whilst the concept of CSR is still being constantly adjusted and supplemented to be applicable in different socio-economic contexts (Javed *et al.*, 2020; Sharma, 2019). Therefore, the contribution of this study is important in elucidating this relationship, particularly in the context of an emerging economy. Second, the mediating mechanism involved in this research model includes important factors such as CI, CR and CL that are strongly predicted to optimise CSR efforts to improve FP for SMEs in an emerging economy. Although previous studies determine that these are strategic resources of competitive advantages of enterprises, how CSR actually became involved in enhancing them for improving FP has not been intensively explored. Third, this study highlights that the three mediating variables are complementary rather than interchangeable in terms of reinforcing the strategic source of intangible assets for SMEs.

Fourth, this study advocates stakeholder theory (Freeman, 1984) by affirming that, through CSR, businesses fulfil their responsibilities towards balancing the economic, social and environmental interests about which stakeholders care. In return, this generates a positive response from customers through their positive perception of CI and CR and this leads to CL. As a result, this also leads to improved FP in general. Fifth, this study supports the RBV theory (Barney, 1991) by confirming that CSR efforts play as corporate resources

creating competitive advantages in terms of CI, CR and CL. In return, these competitive advantages play as corporate resources to boost FP in a competitive manner. Sixth, this study supports social identity theory (Tajfel, 1979) by asserting that customers' perception of CSR genuineness is very important in generating a positive CI and strengthening it. As a result, this stimulates how customers identify themselves with the business, engage with the business and continuously support the business in as many ways as possible in order for the business to develop in the long term.

5.3 Managerial implications

In addition to the above, this study provides some major managerial implications as follows: first, this study provides empirical evidence about the important role of CSR in improving FP through the mediating mechanism of CI, CR and CL, through which the business's leaders are strongly encouraged to invest in CSR in the long term and consider CSR as a long-term strategy of enterprises. At the same time, the CSR strategy must be integrated into the core business strategy of the enterprise for consistent implementation. The second managerial implication of this study is the provision of insight into shaping CSR practices, whereby the business's leaders are boldly recommended to balance the interests of the business, customers, other stakeholders, the environment and society in order to optimise CSR outcomes for improving competitiveness and sustainable performance. From this perception, enterprises should take into account the stakeholder's concerns for decision-making; be transparent in communications with stakeholders; be consistent between words and actions; respect social and environmental issues; respond timely to the social issues; keep improving the quality and characters of products and services to meet the needs of society promptly; improve the customer relationship management system to facilitate real-time interaction with customers for a timely response and care for employee development and life quality.

For businesses that consistently and sincerely commit to these practices, they will facilitate them to inspire their customers and their stakeholders in general. This will result in promoting positive emotions from their customers, whilst at the same time creating admiration from their customers for what the business contributes and motivating customers to stick with the business because they see their part in it. This implication is particularly important to the survival and development of SMEs in a challenging and emerging economy. Specifically, in the context of international integration, pressure increases the density of the competition, and in the context of a global pandemic causing a comprehensive crisis, making customers act more strictly in their purchasing decisions. Accordingly, environmental and social factors can dominate their buying decisions. Therefore, businesses that proactively and seriously perform their social responsibility will be able to improve their source of intangible assets for enhancing their competitiveness and moving towards a sustainable development journey.

The concept of CSR in emerging economies such as India, China and Vietnam is still stuck with charitable or donative activities rather than a strategy for sustainable development (Arora and Puranik, 2004; Kolk *et al.*, 2010; Nguyen *et al.*, 2021). In addition, the current literature shows that research on CSR is mainly dominated by developed countries in the West (Tilt, 2016) and remained ambiguous as to whether it is applicable in developing or emerging countries (Sardana *et al.*, 2020). In the context of emerging economies, most SMEs operate as more profit-oriented than sustainability-oriented, particularly in Vietnam (Vuong *et al.*, 2020). This affects CSR practices and ultimately affects the CSR outcomes. In order for businesses to be able to apply the findings of CSR studies in practice, it is essential to consider contextual factors specifically because they have a certain influence on CSR outcomes. Furthermore, there is a lack of empirical research on the relationship between CSR and FP for emerging countries, specifically in Vietnam (Nguyen *et al.*, 2021). Therefore, this study is considered to have an important practical contribution to SMEs in Vietnam in particular and

emerging economies in the region in general, especially in the context of international integration and globalisation (Huang *et al.*, 2020; Tangngisalu *et al.*, 2020).

Moreover, in the context of the outbreak of the COVID-19 pandemic affecting various socio-economic aspects, SMEs in emerging economies simultaneously fell into crisis because of sales disruption that led to an increased unemployment rate and the lives of employees becoming severely affected (Adian *et al.*, 2020). In addition, SMEs report higher uncertainty over sales than large enterprises (Adian *et al.*, 2020). Moreover, in Vietnam, many SMEs have faced shutdowns. In the context of economic difficulties, there are many choices in the market, and the choice of customers will give priority to the businesses that genuinely implement their social responsibilities. Therefore, this highlights the importance of considering CSR as a long-term strategy for sustainable development.

6. Conclusion, limitations and idea for further research

The findings of this research confirmed the positive and significant association of CSR with FP, wherein CI, CR and CL mediate the link between CSR and FP for SMEs in an emerging economy. This study provides insights into how and why CSR can boost the performance of SMEs in a sustainable manner and how CI, CR and CL mediate the relationship between CSR and SME's performance. In addition, the highlighting of the strategic role of CSR in improving FP for SMEs in new economic and environmental setting, in an emerging economy with increasing competitive pressure, reinforce the innovations of this study. CSR is widely known for its formation and development in developed countries, although it is less well known in emerging countries (Alon *et al.*, 2010). Therefore, the findings of this study make an important contribution to the current literature on the field of CSR and FP.

There are some limited points in this study that provide a meaningful basis for further studies. First, this study has been conducted in Vietnam. As a result, the findings of this study might not be applicable to other countries, especially if their economic and environmental settings are different from that of Vietnam. Therefore, future research should consider other countries and other regions. Second, due to the purpose and priority of this study, it employed CI, CR and CL as mediators amongst the relationship between CSR and FP. Thus, future research should consider other mediators or moderators in this relationship to see how CSR generates outcomes in the new settings.

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