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**Article**

## Effects of corporate social responsibility on SMEs' performance in emerging market

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## MANAGEMENT | RESEARCH ARTICLE

# Effects of corporate social responsibility on SMEs' performance in emerging market

Tieg Le Thanh<sup>1\*</sup>, Ngo Quang Huan<sup>2</sup> and Tran Thi Thuy Hong<sup>3</sup>

**Abstract:** Corporate social responsibility (CSR) is a growing issue in emerging markets. This study aims to evaluate the impact of CSR on firms' performance by exploring the role of mediating variables such as corporate reputation (CR) and customers' purchasing intention (CPI). We use the quantitative technique of Partial Least Squares Structural Equation Modeling (PLS-SEM) techniques to analyze the data of the small and medium-size enterprises (SMEs) from the Southern Vietnam in 2020. The findings suggest a positive and significant impact of corporate/ social responsibility on firms' performance through mediating role of CR and CPI. This study contributes to the literature on corporate social responsibility and firms' performance of SMEs in the emerging country context. The outcomes of this study can be used by entrepreneurs, top management as an attempt to boost the performance of the SMEs in emerging markets by applying CSR measures for sustainable competitive advantage. A mediating role of corporate reputation (CR) and customers' purchasing intention (CPI) as a value-added contribution to this study.

**Subjects:** Sustainability; Sustainable Development; Corporate Social Responsibility

**Keywords:** corporate social responsibility; corporate reputation; consumer purchasing intention; SMEs' performance; emerging market; Southern Vietnam



Tieg Le Thanh

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### PUBLIC INTEREST STATEMENT

Corporate Social Responsibility (CSR) is a key role in sustainable development in emerging countries. Since the Vietnamese market opened to get the involvement of joining of foreign enterprises, the increase in competition in a sustainable increase in the SMEs performance. Together with this, corporate reputation is still affected by corporate social responsibility. For example, one company did conduct many charity programs; its contribution will bring many benefits to their brand name, reputation. Besides, corporate social responsibility also affects firm's performance. Its contribution is still affected by consumer's purchasing intention. The outcomes of this study can be used by entrepreneurs, top management as an attempt to boost the performance of the SMEs in emerging markets by applying CSR measures for sustainable competitive advantage. The novelty of this study is the integration of corporate reputation and customers' purchasing intention those play a mediating role in the relationship between CSR and firm's performance.

## 1. Introduction

In recent years, the concept of corporate social responsibility (CSR) has been studied widely in the academic research as well as in the business environment. Organizations are using CSR to develop competitive advantage and to establish symbiotic relationship with stakeholders. In developed countries, the concept of CSR is very familiar and the implementation of CSR is an indispensable activity to maintain the ecosystem for sustainable development, which is good for the society, the environment, stakeholders, and business. In developing countries, the concept of CSR is gradually becoming popular; however, the implementation of CSR in a business environment is not entirely voluntary because the potential benefits of CSR are less emphasized, particularly in Vietnam. This study examines the effect of CSR on corporate performance along with the intermediary factors, which are corporate reputation and purchase intention. Data were collected from respondents about their perception of CSR activities and their impact on corporate reputation and purchase intention, affecting firm's performance.

The objectives of this study include (1) assessing the influence level of CSR activities on the growth of corporate reputation, (2) measuring its impact on customer's purchase intention, (3) assessing the impact of corporate reputation on customer's purchase intention, (4) assessing the effect of corporate reputation on the firm's performance and (5) assessing the effect of purchase intention on the firm's performance.

The following parts present an overview of relevant documents, research methods, research results, discussions, and the last part is conclusions and useful recommendations.

## 2. Theoretical framework and hypothesis development

### 2.1. Corporate social responsibility (CSR) measures

Corporate social responsibility is a sustainable development idea, related to different levels of society, from environmental issues to social welfare, education, and global warming (Lai et al., 2010; McWilliams et al., 2006). Corporate social responsibility can include sponsorships, charity events and voluntary employees as well as other creative activities (Lichtenstein et al., 2004; Polonsky & Speed, 2001). Corporate social responsibility is a critical strategy for businesses in their marketing planning. Many multinational corporations promote global businesses to fulfill corporate social responsibility as an important and essential part of business activities (Green & Peloza, 2014; Oberseder et al., 2011). Corporate social responsibility plays an important role in marketing and branding of a business and corporate social responsibility has gradually become the main topic of marketing, in which funding and environmental awareness are more emphasized in corporate social responsibility (Oberseder et al., 2014; Waagstein, 2011). Participation in corporate social responsibility activities will bring great benefits to businesses such as image promotion, brand development, increase sales, reputation formation and change consumer attitudes (Groza et al., 2011; Lai et al., 2010). However, social responsibility requires long-term engagement and can affect the short-term profitability of a business. As a result, Asian businesses are often more concerned with corporate social responsibility than participation. Academically, research on corporate social responsibility has changed from "why to do so" to "what corporate social responsibility is" and how to perform corporate social responsibility, i.e. paying attention to how companies and society realize the maximization of benefits through joining a corporate social responsibility (Basu & Palazzo, 2008).

Godfrey (2005) believes that CSR is a multidimensional structure composed of three main parts with the aim of (1) helping business operate on a transparent basis (2) helping to make all well-thought-out decisions about the stakeholders' interests and (3) creating a positive capacity to proactively generate benefits for society in a voluntary spirit, exceeding social expectations and

the law. According to Fombrun et al. (2015), CSR can be assessed through the following measures: product and service quality, innovation and creativity, working environment, compliance, citizenship, leadership and performance. Although CSR represents corporate responsibility to society, it also implies that businesses, providing products and services to consumers, are increasingly sensitive to taking on more responsibility for social welfare and maintaining environmental, ecological balance. In practice, CSR has different meanings for everyone, depending on the context and perspective of each person (Saeidi et al., 2015; Van Beurden & Gössling, 2008).

Corporate social responsibility is often referred to as corporate social performance, and academic researchers are taking this topic seriously. Corporate social responsibility is defined differently by different authors with different contexts and perspectives. In this study, based on the social responsibility's concept of Mohr et al. (2001), the corporate social responsibility's definition is an organization's commitment to minimize or eliminate harmful effects and maximize its long-term beneficial impact on society. The concept of CSR became popular in the 1950s when Bowen (1953) urged entrepreneurs to contribute to community development through company policies. It was followed by Manne & Wallich (1972); Beyer (1972); Drucker (1974) and Carson (1977), and many businessmen, leaders, consumer advocacy organizations and environmental activists, are strong advocates of the concept of social responsibility. The social responsibility's concept assumes that businesses are generating money from using the natural resources directly or indirectly and this affects natural resources over time; moreover, the large-scale and continuous production of corporations also damages the environment and the ecosystem. Therefore, corporations must have responsibility to the community through practical activities aimed at protecting the environment and regenerating ecosystems, which is a great concern of society.

In short, the concept of CSR is broad and therefore, it is also widely understood by different people with different approaches and contexts. According to Mohr (1996), CSR includes multi-dimensional definitions that define the main responsibilities of the business and (2) is defined based on the concept of societal marketing). Carroll's (1991) study received the most attention in this respect. CSR includes 4 main types of responsibilities including (1) economic, (2) legal, (3) ethical and (4) philanthropic, are verified with various organizational stakeholders such as business owners, customers, employees, communities and society at large. Besides, Kotler (1991) defined the concept of social marketing as doing business towards maintaining and improving the customer's well-being and the society's well-being. While Petkus et al. (1992) extended this concept, accordingly, the definition of CSR was expanded to include avoiding doing bad and promoting doing good to stakeholders.

## **2.2. Corporate social responsibility (CSR) and corporate reputation (CR)**

According to Ali (2011), corporations and organizations have shown the role of corporate social responsibility more clearly since the 1990s, and on a much broader scale than people predicted. Accordingly, the scope of the social responsibility they taking is broader, including business ethics, labor practices, social responsibility, and reducing environmental damage from production and other social activities, etc., as the strategic to build and enhance the corporate image in the community and in society. At the same time, thereby building up corporate reputation in society. While according to Kotler (2005), social responsibility will help businesses to improve brand position as well as reputation and image of the business. In addition, the study of Dimosthenis et al. (2015) suggests that social responsibility enhances brand image and corporate reputation, increases sales, creates commitment to employees and maintains employee loyalty, increases productivity, improves quality, and other benefits. With the above theoretical basis, hypothesis H1 is established as follows:

*H1: Corporate reputation (CR) is positively influenced by corporate social responsibility (CSR) practices (+)*

### **2.3. Corporate social responsibility (CSR) and customer purchasing intention (CPI)**

Several studies have investigated the relationship between corporate social responsibility and the different stakeholder's behavior. Ali et al. (2010) analyzed the impact of corporate social responsibility on consumer behavior. Similarly, Ali et al. (2011) studied the effect of CSR on investor behavior. Meanwhile, Ali et al. (2010) studied the effects of CSR on employee behavior in the organization. Berger et al. (1999); Mohr et al. (2001); Nelling et al. (2006) and Sen et al. (2001) studied the effects of CSR on purchase intention. According to Grigore (2011), CSR is a tool that affects consumer behavior positively. Purchase intention is behavior including consumer product reviews or brand attitude influenced by external factors. With the above theoretical basis, hypothesis H2 is established as follows:

*H2: Customer Purchasing Intention (CPI) is positively influenced by Corporate Social Responsibility (CSR) practices (+)*

CPI in this study was measured following Dodds et al. (1991) including major factors (1) perceived quality, (2) perceived value, and (3) perceived sacrifice.

### **2.4. Corporate reputation (CR) and customer purchasing intention (CPI)**

The concept of corporate reputation was formed from the corporate image in 1950 and developed into a corporate identity in 1970 and 1980 (Bennett and Kottasz 2000). Following C.J. Fombrun (1996b), corporate reputation is formed and developed based on a set of beliefs about the ability and willingness to respond to the different stakeholder's interest. Meanwhile, according to Fombrun et al. (1997), the corporate reputation is derived from impressive problem solving skills, which are shared by the community and reach a high consensus from the community. Gray and Balmer (1998); Barnett et al. (2006) argue that the good reputation is the source for the business to survive in today's competitive environment. According to Ali and Zia (2011b), the corporate reputation has a positive effect on consumer purchase intention. With the above theoretical basis, hypothesis H3 is established as follows:

*H3: Customer Purchasing Intention (CPI) is positively influenced by the corporate reputation (CR) (+)*

### **2.5. Corporate reputation (CR) and firms' performance (FP)**

Following Rose and Thomsen (2004), corporate reputation is as an intangible asset of a company, which affects its financial performance directly or indirectly. Conversely, a company's financial performance can also affect its reputation. According to Ali (2011), corporate reputation includes key factors that are perceived by stakeholders objectively. These factors include (1) brand reputation, (2) corporate image, (3) social contribution value, and (4) operational transparency. Previous studies mentioned that companies must be profitable before they can improve performance by enhancing their company's reputation. This means that they should first fulfill their commitments to shareholders and investors, in order to create the necessary resources to support non-economic activities (e.g. charity) for CSR goals. These activities are considered a strategic tool to improve the organization's reputation (Porter & Kramer, 2002; Walsh et al., 2009). Previous studies have shown that CR is an important factor linking CSR with financial performance. Previous studies have also shown that CR has an intermediate effect on the relationship between CSR and FP. With this theoretical basis, hypothesis H4 is determined as follows:

*H4: Corporate reputation (CR) has a positive influence on Firms' Performance (FP) (+)*

### **2.6. Customer purchasing intention (CPI) and firms' performance (FP)**

Voss et al. (2003) defined purchase intention as a kind of consumer attitude towards a particular product or a particular brand's service that is measurable. In addition, according to Bian and Moutinho (2011), purchase intention is when conscious personal attempts to buy products or services from a particular brand. In other words, purchase intention is when consumers intend



to plan to buy a particular product or a particular brand's service (Dodds et al., 1991). According to Gupta and Zeithaml (2006), from the perspective of customer perception, purchase intention or consumer behavior involves making decisions when to buy, how much to buy, where to buy, etc., for a certain product or service, leading to increased sales, increased profits, and improved business performance. With this theoretical basis, hypothesis H5 is determined as follows:

*H5: Customer's Purchase intention (CPI) has a positive effect on Firm's Performance (FP) (+)*

### **2.7. Firm's performance (FP)**

There are many ways to measure financial performance of a company (Mohiuddin & Su, 2013). Among them, the most common measuring criteria include (1) sales revenue, (2) return on equity, (3) return on assets, (4) rate of return, (5) revenue growth, (6) liquidity ratio, (7) liquidity ratio and stock price, etc. In this study, we adopt Kotler's performance (Kotler, 2005) scales such as:

- Increased sales and market share.
- Increase the ability to attract, retain and motivate employees.
- Cut the cost.
- Improve corporate image and reputation
- Increased appeal to investors
- Strengthen brand positioning

Based on the above theory, the author proposes the following research model:

Corporate social responsibility (CSR) is an independent variable measured through (1) community-oriented CSR (CLCSR), (2) employee-oriented CSR (ECSR), (3) customer-oriented CSR (CCSR), (4) environment-oriented CSR (ENCSR), (5) government-oriented CSR (GCSR), and (6) stakeholder-oriented CSR (SCSR). Corporate reputation (CR) and Customer's purchase intention (CPI) are two intermediate variables of the relationship between CSR and Firm's performance (FP). In which, CR is measured through (1) company's image, (2) quality of company's products and services, (3) contribute to society, community and (4) operational transparency; CPI is measured through (1) intention to use the company's products or services, (2) intention to support the company's branded products or services, (3) no intention to use substitute products or services of competitors. Firm's performance (FP) is measured through scales that reflect financial and nonfinancial values including (1) revenue growth, (2) market share, (3) return on revenue, (4) return on equity, (5) employee engagement metrics, and (6) improvement of competitive positioning in market.

## **3. Research method**

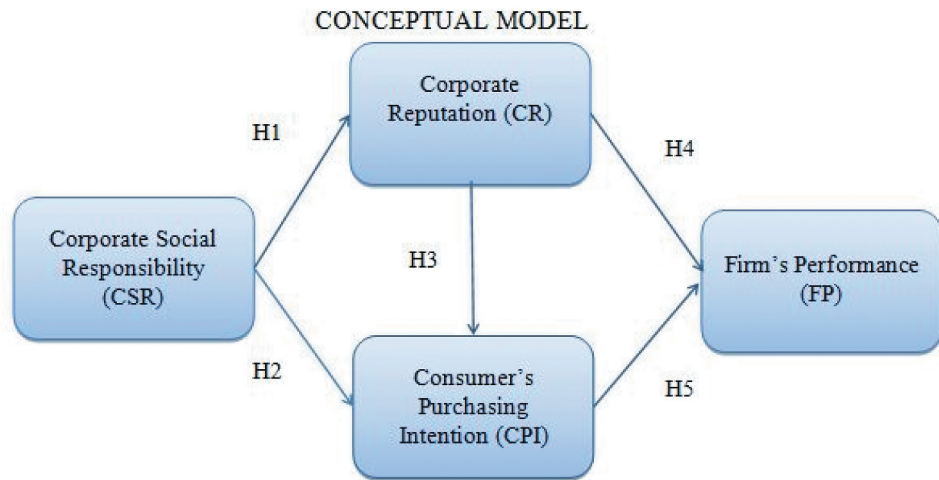
### **3.1. Research approach and design**

This study was conducted in combination with qualitative and quantitative methods. This study evaluates the relationship between the Corporate Social Responsibility (CSR) and Corporate Reputation (CR), Customer Purchasing Intention (CPI) and Firms' Performance (FP) in Figure 1 below.

### **3.2. Sampling and data collection**

The data was collected through a structured questionnaire survey with 1–7 Likert scales of which level 1 corresponds to completely disagree, the level of consent increases gradually with higher level, whereby the level 7 corresponds to completely agree. The sample size in this study is

**Figure 1. Conceptual model.**



determined based on the number of observed variables included in the study. Accordingly, the sample size is determined based on the ratio of questions in the study and this ratio would have from 5/1 to 10/1 (Hair et al., 2010). This study has 45 observed variables, so the number of samples needed is 330 samples. However, in order to avoid the risks during sample collection, the author decided to generate 360 surveys. Probability random sampling method is selected. Research subjects include experts (about 10%), business owners (about 10%) and management (heads of departments, specialists in the sales and marketing, about 80%). There is no age limit for the subjects involved in the interview. Survey samples are collected in several cities and provinces in the Southeast, including Ho Chi Minh City, Tay Ninh, Binh Duong, Binh Phuoc, Dong Nai and Ba Ria—Vung Tau, and several cities and provinces in the Southwest including Long An, Tien Giang, Ben Tre, Vinh Long, and Ca Mau. The survey is done through the method of sending questionnaires and synthesized via google docs and direct survey (flexible depending on the subject). The research results are collected and filtered will be analyzed according to the SEM model (Smart PLS) to determine the correlation and influence level of the factors in the proposed model.

### 3.3. Measurement of variables

Corporate Social responsibility (CSR) is an independent variable that is measured through six items include (1) CSR towards to community (CLCSR), (2) CSR toward to employee (ECSR), (3) CSR towards to customer (CCSR), (4) CSR toward the environment (ENCSR), (5) CSR toward the government (GCSR) and (6) CSR toward the stakeholders (SCSR). Company reputation (CR) and Customer Purchasing Intention (CPI) are two intermediate variables of the relationship between CSR and Firms' Performance (FP). In which CR is measured through scales (1) corporate image, (2) product and service quality of the company, (3) social and community contributions and (4) transparency; CPI is measured through (1) the intention to use the company's products and services, (2) the intention to support the company's branded products and services, (3) not the intention to use substitute products and services. Firms' Performance (FP) is measured through scales that reflect financial and non-financial values including (1) revenue growth; (2) market share; (3) profit on revenue; (4) return on equity; (5) employee cohesion index; and (6) improved competitive position in the market.

## 4. Empirical results

### 4.1. Testing research model

According to Williams et al. 1991 the purpose of research model testing is to ensure the model and its factors are accepted and appropriate to the particular context within the research



#### 4.2. Verify the reliability of the scale

Reliability testing of the scale is done through Cronbach's Alpha test or composite reliability index, at the same time, checking observed variables whether to measure the same concept or not, thereby eliminating non-conforming variables. Observed variables with total correlation coefficients greater than or equal to 0.3 and Cronbach's Alpha's value greater than or equal to 0.6 is an acceptable scale. Cronbach's Alpha is calculated using the following formula:

$$\text{Cronbach's } \alpha = \frac{K \cdot \bar{r}}{1 + (K - 1) \cdot \bar{r}}$$

In this study, the author concurrently performs Cronbach's Alpha and composite reliability in order to determine one of the most reliability of the scale, the purpose is to get the most appropriate research results in the research context, which can be applied in practice to increase the business performance. The composite reliability is determined by the following formula:

$$\text{Composite Reliability } \rho_c = \frac{\left(\sum_{k=1}^K l_k\right)^2}{\left(\sum_{k=1}^K l_k\right)^2 + \sum_{k=1}^K \text{var}(e_k)}$$

Analysis results in Table 1 show that all variables have Cronbach's Alpha coefficients > 0.7 from 0.713 of the concepts of customer's purchase intention (CPI) and to 0.904 of the concept of CSR towards to community (CLCSR). Besides, the composite reliability has a value > 0.7, from 0.834 of the concept of CSR towards to customer (CCSR) to 0.933 of the concept of CSR towards to community (CLCSR). According to Hair et al. (2016), the composite reliability between 0.7 and 0.95 represents a satisfactory level of reliability. Therefore, this result confirms that the reliability of this scale is good and acceptable.

#### 4.3. Validity test

The purpose of the validation check is to help researchers assess the practicality of the data collected, or in other words, the data collected during the survey reflects true conditions or is not. According to Anderson and Gerbing (1988), the validity of research concepts includes convergent validity and discriminant validity of scales for these concepts.

**Table 1. Cronbach's alpha evaluation results and composite reliability**

Variables	Composite reliability	Cronbach's Alpha
CSR towards to customer (CCSR)	0.834	0.735
CSR towards to community (CLCSR)	0.933	0.904
Customer purchasing intention (CPI)	0.837	0.713
Corporate reputation (CR)	0.880	0.818
Corporate social responsibility (CSR)	0.915	0.889
CSR towards to employee (ECSR)	0.852	0.783
CSR towards to environment (ENCSR)	0.862	0.800
Firms' performance (FP)	0.896	0.860
CSR towards to government (GCSR)	0.866	0.797
CSR towards to stakeholders (SCSR)	0.835	0.743

**Notes:** Cronbach's Alpha ≥ 0.7 and Composite Reliability > 0.7

Source: Author's analysis

#### 4.4. Convergent validity

Assess the convergence value to illustrate the full convergence of the measurement items on their respective structures (Fornell and Larcker, 1981). Typically, the evaluation of convergence is calculated by means of Average Variance Extracted (AVE) and external loading factor (Outer loading) (Gotz et al., 2010). Hair et al. (2010) suggested that the AVE index should be over or equal to 50 percentage, the extracted factors could be more explainable than any other extract combinations. This proves that the structure has convergence. The convergence value is calculated by the following formula:

$$AVE = \frac{\left( \sum_{k=1}^K l_k^2 \right)}{K}$$

Outer loading has the limit value of 0.7. The results of Table 2 also show that these values of latent structures are > 0.7. This means that all observed variables converge on the research concept to which they are participating. Since both metrics pass, convergent validity has been verified.

#### 4.5. Discriminant validity

According to Fornell and Larcker (1981), discriminant validity is satisfied when the square root of AVE for each structure in the research model is greater than all the internal correlation values of the other structures. Table 3 confirms that the latent structures used are distinct from each other. This shows that the discriminant validity test of research concepts is satisfied. This study can move on to analysis of the next steps. Assessment of discriminant validity is an independent assessment method of different concept's scales to prove these concepts are not correlated with each other. The following Table 3 shows the values in discrimination analysis table, where the diagonal line value in bold is the square root value of the factors. Values shown to the lower left of the diagonal values in bold are partial correlation values. This result shows the square root value of the factor's mean values greater than the partial correlation value. Therefore, it can be concluded that the discriminant validity of the research concepts is determined satisfactorily.

#### 4.6. Evaluation of structural models

According to Falk and Miller's (1992), the model is said to be good when the R<sup>2</sup> index is satisfactory, it means that the R<sup>2</sup> index is greater than 0.1. The results in Table 4 show that the R<sup>2</sup> values of the factors are all greater than 0.1, of which R<sup>2</sup> of corporate social responsibility (CSR) is 0.607; R<sup>2</sup>

**Table 2. Convergent validity**

Variables	External loading factor	AVE
CSR towards to customer (CCSR)	0.704–0.786	0.557
CSR towards to community (CLCSR)	0.871–0.893	0.776
Customer purchasing intention (CPI)	0.706–0.872	0.634
Corporate reputation (CR)	0.758–0.843	0.647
Corporate social responsibility (CSR)	0.734–0.835	0.643
CSR towards to employee (ECSR)	0.701–0.797	0.535
CSR towards to environment (ENCSR)	0.709–0.784	0.555
Firms' performance (FP)	0.731–0.792	0.589
CSR towards to government (GCSR)	0.739–0.833	0.619
CSR towards to stakeholders (SCSR)	0.708–0.812	0.560

**Notes:** External Factor Loading > 0.7.

Source: Author's analysis

**Table 3. Fornell—Larcker criteria**

	CCSR	CLCSR	CPI	CR	CSR	ECSR	ENCSR	FP	GCSR	SCSR
CCSR	<b>0.747</b>									
CLCSR	0.141	<b>0.881</b>								
CPI	0.390	0.236	<b>0.796</b>							
CR	0.285	0.584	0.414	<b>0.804</b>						
CSR	0.302	0.703	0.398	0.475	<b>0.802</b>					
ECSR	0.512	0.433	0.501	0.448	0.580	<b>0.731</b>				
ENCSR	0.434	0.326	0.430	0.456	0.448	0.593	<b>0.745</b>			
FB	0.331	0.535	0.454	0.508	0.723	0.681	0.510	<b>0.767</b>		
GCSR	0.414	0.487	0.396	0.516	0.514	0.578	0.535	0.481	<b>0.787</b>	
SCSR	0.418	0.257	0.455	0.309	0.362	0.501	0.487	0.455	0.455	<b>0.748</b>

**Notes:** the square root value of the average of the factors is greater than the partial correlation value.

Source: Author's analysis

**Table 4. Value R<sup>2</sup>**

Variables	R <sup>2</sup>
Corporate social responsibility (CSR)	0.607
Customer purchasing intention (CPI)	0.224
Corporate reputation (CR)	0.226
Firms' performance (FP)	0.330

**Notes:** R<sup>2</sup> index > 0.1

Source: Author's analysis

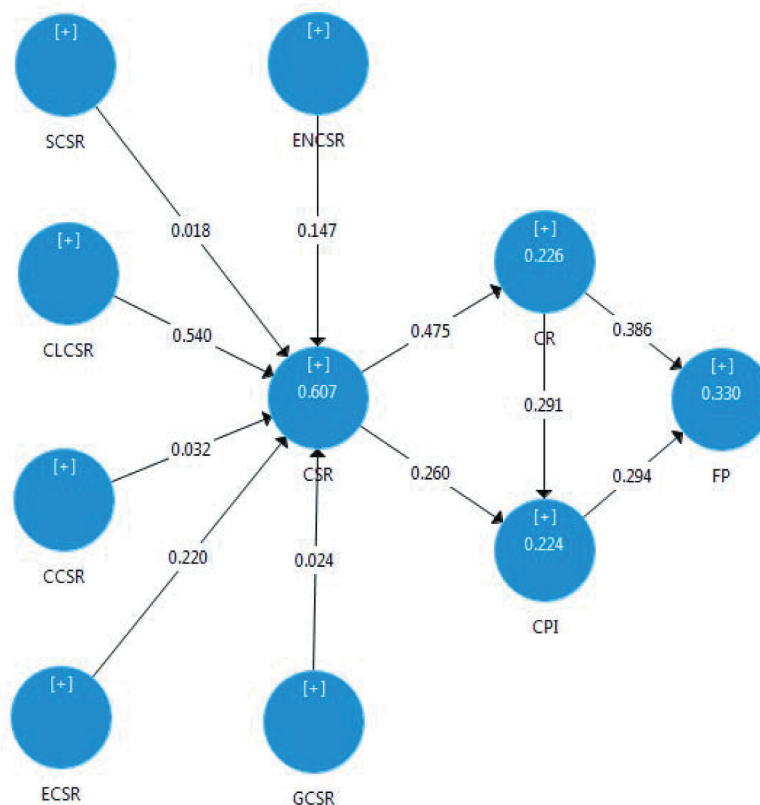
of customer's purchase intention (CPI) is 0.224; R<sup>2</sup> of corporate reputation (CR) is 0.226 and R<sup>2</sup> of firm's performance (FP) is 0.330. Therefore, the structural model is considered satisfactory.

Figure 2 shows that all path coefficients are positive, meaning that the relationships among the research concepts have a positive relationship. This means that the proposed research hypotheses are accepted.

The results in Table 5 have shown that, in order to have good firm's performance, the most important thing is the implementation of CSR toward to community (CLCSR). Society is developing, people's lifestyle has been improved, at the same time, people's living standards and awareness have been raised. This leads to the increasing demands of people in society from the quality of the products and services to the ecosystem. The businesses have the responsibility to the community first and foremost to ensure that business activities do not pose any harm to the society and the ecosystem. In addition, businesses will take practical strategies to add value to society such as contributing to the construction of utilities, activities supporting difficult social situations due to natural disasters and epidemics (e.g. in the case of the global epidemic Covid-19 which is taking place and manipulating more than 200 countries around the world, accordingly, governments have imposed social isolation, at the same time, small traders or manual workers also lose their jobs and income. Therefore, businesses carrying out community responsibility can provide financially or nonfinancially for these people to support their lives and overcome difficulties caused by epidemics, etc.). This is a practical activity to help the society, the community, thereby improving the reputation of the business to the society and community.

**Figure 2. Results of analysis of the research model.**

# RESULTS OF ANALYSIS OF THE RESEARCH MODEL



**Table 5. Path coefficient**

Variables		CR	CSR	FP
CSR toward to customer (CCSR)			0.032	
CSR toward to community (CLCSR)			0.540	
Customer purchasing intention (CPI)				0.330
Corporate reputation (CR)	0.291			0.300
Corporate social responsibility (CSR)	0.260	0.475		
CSR toward to employee (ECSR)			0.220	
CSR toward to environment (ENCSR)			0.147	
CSR toward to government (GCSR)			0.024	
CSR toward to stakeholders (SCSR)			0.018	

Source: Author's analysis

The second concern for businesses to improve a firm's performance is to fulfill CSR towards to employee (ECSR). ECSR includes building a friendly and creative working environment where employees maximize their potentials and capabilities; Development orientation, building and engaging employees to the general development of the business; respecting and promoting equality in capacity assessment, creating promotion opportunities at work; Training and developing staff's capacity, etc. Indeed, these will improve employee satisfaction and the satisfied employees will stay with the company for longer (loyalty), engage with the company, and make the best contribution to the firm's performance. They are corporate communications ambassadors, they are proud to talk about the company, they are proud of corporate image those contribute to the company's success in terms of image, reputation, and financial results.

Table 6 shows that corporate social responsibility (CSR) has a significant effect on corporate reputation (CR) and customer's purchase intention (CPI) and has a significant effect on firm's performance (FP). In particular, community-oriented CSR (CLCSR) and employee-oriented CSR (ECSR) have a very high proportion in the corporate social responsibility and have the strongest impact on the corporate reputation (CR), customer's purchase intention (CPI) and firm's performance (FP). The remaining factors of corporate social responsibility include customer-oriented CSR (CCSR), environment-oriented CSR (ENCSR), stakeholder-oriented CSR (SCSR) and government-oriented CSR, have the negligible effect on corporate reputation (CR) and customer's purchase intention (CPI), accordingly, there is the poor effect on firm's performance (FP).

#### 4.7. Discussion of the result

*H1: Corporate reputation (CR) is positively influenced by corporate social responsibility (CSR) practices (+)*

*H2: Customer Purchasing Intention (CPI) is positively influenced by Corporate Social Responsibility (CSR) practices (+)*

**Table 6. Total effects**

Variables	CPI	CR	CSR	FP
CSR toward to customer (CCSR)	0.013	0.015	0.032	0.010
CSR toward to community (CLCSR)	0.215	0.257	0.540	0.162
Customer purchasing intention (CPI)				0.294
Corporate reputation (CR)	0.291			0.472
Corporate social responsibility (CSR)	0.398	0.475		0.301
CSR toward to employee (ECSR)	0.088	0.105	0.220	0.066
CSR toward to environment (ENCSR)	0.058	0.070	0.147	0.044
Firms' performance (FP)				
CSR toward to government (GCSR)	0.010	0.011	0.024	0.007
CSR toward to stakeholders (SCSR)	0.007	0.008	0.018	0.005

Source: Author's analysis

*H3: Customer Purchasing Intention (CPI) is positively influenced by the corporate reputation (CR) (+)*

*H4: Corporate reputation (CR) has a positive influence on Firms' Performance (FP) (+)*

*H5: Customer's Purchase intention (CPI) has a positive effect on Firm's Performance (FP) (+)*

The results of this study accepted H1 hypothesis that corporate social responsibility (CSR) positively significantly impact on the corporate reputation (CR) (+0.475). This result supported the findings of Lu et al. (2020) and Lu et al. (2019). This finding indicates that when a firm improves its CSR performance, its reputation will be progressively improved. The statistical results proved that the influence of CSR and CR is strongest among the other relationships of the model of this study. Interestingly, the findings disclosure that the awareness of the importance of CSR is increasing on both business side and stakeholders' side. From the corporate perspective, CSR is very important for improving corporate reputation. Therefore, CSR should be strategically at the heart of the organization's development strategy as a guideline for the organization towards sustainable development orientation. While, from the stakeholders' perspective, CSR is expected as the organizational contributions of value chains at the transparency manner to the community, the environment and society those will return in enhancing the organizational reputation in the stakeholders' perception. Among the six items of CSR components, CSR toward community (CLCSR), is the most important item for CSR performance (+0.540). CSR toward employee (ECSR) is the second most powerful one (+0.220) and CSR toward environment (ENCSR) appeared the third most significant criteria (+0.147).

H2 hypothesis is confirmed in this study that corporate social responsibility (CSR) has the positive influence on customer purchasing intention (CPI) (+0.260). This finding confirmed the previous studies of Olšanová et al. (2018) and Bae et al. (2019). The statistical result showed that this relationship is significant that when an organization improves its CSR performance, it will return in increasing customer purchasing intention in some ways. It's specifically revealed that strategic CSR activities towards community, employee, and environment are have the greatest impacts on consumer behavior and buying intention. Interestingly, it is added that a correct, adequate and transparent communication of these strategic CSR activities is sufficient to raising customer's awareness of the social responsibility of organization, which in turn will obtain the continued support of the customers.

This study results concluded in accepting H3 hypothesis that corporate reputation (CR) positively impact on customer purchasing intention (CPI) (+0.291). This relationship is proved significant by the statistical result. Therefore, increased corporate reputation will in turn enhance customer purchasing intention. This result supported the findings of Jung and Seock (2016) and Sridhar and Mehta (2018). It's interestingly found that improved corporate reputation enhances the company's image, increases stakeholders' perception of the quality of its products and services, and enhances stakeholders' awareness of corporate transparency and its contribution to the community, society and environment in a practical manner which in turn will increase customer purchasing intention.

H4 hypothesis is accepted that corporate reputation (CR) has a positive influence on firm performance (FP) (+0.300). This impact is significant so increased corporate reputation will enhance firm performance. This findings supported the previous studies of Sayilir and Victor (2019), Edi et al. (2020), and Haleblian et al. (2017). The findings specifically revealed that from the business perspective, corporate reputation is increasingly important for businesses for sustainable development, particularly in the context of increasingly fierce competition pressure because of international integration of the world economy and trade. It found that as corporate reputation improved, corporate image will be perceived better by its stakeholders, its product's quality is perceived better by customers, its transparency and contributions to the community, environment and society is perceived better by its stakeholders those in turn will obtain continuous supports from its stakeholders in many ways. Consequently, it helps firm improve its overall performance.



Results accepted the H5 hypothesis that customer purchasing intention (CPI) has a positive impact on firm performance (FP) (+0.330). This relationship is significant, therefore when customer purchasing intention increases for company's products or services, it will improve firm performance in a certain manner. This result confirmed the findings of Kumar (2013) and Gupta et al. (2004). It found that customer purchase intention stems from the customer's desire to use products and services of one company but not another, interestingly, as purchase intention affirmed, customers tend to be willing to recommend a company's products and services to those in their relationships. The statistical result of this study showed that this relationship is the strongest among the two that effect firm performance.

#### **4.8. Theoretical and managerial implications**

##### **4.8.1. Theoretical implications**

Our research contributes to existing literature in a number of main ways. First, we significantly extend the literature by expanding our research on the comprehensiveness of the impact mechanism of CSR on firm performance, particularly in the context of SMEs emerging economies and under competitive pressure due to world economic and trade integration. This study integrates the mediating roles of corporate reputation and customer purchasing intention between the relationship of CSR and firm's performances. Our findings affirm the significant positive impacts of CSR on firm's performance and this relationship is reflected by corporate reputation (CR) and customer purchasing intention (CPI). Therefore, improving CSR performance will increase CR and CPI, thereby enhancing firm's performance. Interestingly, this finding shows that the priority factors to consider for CSR implementation are the CSR toward to community (CLCSR); CSR towards to employees (ECSR); CSR toward to environment (ENCSR); CSR toward to customer (CCSR); CSR towards to government (GCSR) and CSR toward to stakeholders (SCSR). In which, CSR toward to community is the most important factor that drives CSR performance. Continuously, CSR toward to employee and CSR towards to environment are the second and third most powerful factors those drive CSR performance.

Second, our research contributes to micro-level research on CSR by developing multidimensional measurements of CSR with a deep focus on the impact mechanism of CSR on CR, CPI, and FP for SMEs in emerging economies. Although CSR is a very popular concept, however to comprehensively understand this concept and its aspects is still controversial as it depends on the research context and research point of view. Finally, this study contributes to CSR's literature in the context of emerging economies and under competitive pressure due to the world economy and trade integration as increasingly emerging bursting now a day. Importantly, the finding sheds light on CSR's role in firm's performance with the intermediary associations of CR and CPI.

##### **4.8.2. Managerial implications**

This study makes useful contributions to managerial implications. The first one is for management to comprehensively understand how to improve the firm performance in priority order by understanding the impact mechanism of every aspect of CSR on CR, CPI. Simultaneously, how CR and CPI function as mediators to improve firm performance. This provides an useful insight for managerial level in developing strategies and strategic plans in a sustainable development manner. Accordingly, strategic CSR should be at the heart of a firm strategy and proper implemented for improving the business outcomes, particularly for SMEs in the context of emerging economies and under high competitive pressure in the domestic and international markets. Results implied that SMEs can improve their CSR performance in the given context by prioritizing their strategic CSR activities toward community, environment and employee at most. The outcomes will in turn increase CR and CPI those contribute to improve firm's performance as a whole.

The second thing is for relevant government agencies to comprehensively understand how firm performance can be improved in a sustainable development manner, particularly in the given context that SMEs are facing many challenges for survival and development. Such comprehensive understanding is very important for the relevant government agencies and policymakers because SMEs are the driving force for not only the national economy but also the world economy (Castela

et al., 2018). Results implied that at the macro level, the government needs to put in place practical support programs to promote SMEs for continuing their CSR implementation and improving their CSR performance in a sustainable manner. Importantly, government and policy makers should needs to offer practical-related policies as incentives for SMEs to increase their engagement into community and environment projects, respectively, human related. In addition to this, when the CSR performance increases, it will contribute to improve firm's advantages those are crucial for improving firm performance. This implication supports the statement of Cavusgil et al. (2013) that the role of governments, especially in emerging and developing markets, is very important, and their role in supporting SMEs to enhance their competitiveness is no exception.

## 5. Conclusion

The values of this study is in providing the insight into the roles of CSR on firm performance improvement and its impact mechanism for improving firm performance. Importantly, this study determined the mediating roles of corporate reputation (CR) and customer purchasing intention (CPI) and how those mediators reflect the relationship of CSR and firm performance. Interestingly, results implied that strategic CSR should be properly understood as the heart of SMEs' business for sustainable development in the given context. Accordingly, CSR activities are strategically purposed not for profitability but for firm competitive advantages which in turn will improve firm performance at the sustainable manner. This result supported the statement of the previous study that "campaigns that are not directly aimed at selling the products or services, but those that demonstrate the company's values, responsibility, sustainability and goodwill" (Haski-Leventhal, 2018, p. 311).

In this study, the role of CSR is very important in enhancing the corporate reputation (CR) and increasing customer's purchase intention (CPI). Meanwhile, CR and CPI have the significant influence on the firm's performance (FP). Therefore, the enterprises that actively exercise their social responsibility, will help improve their reputation and purchase intention, which in turn will improve firm's performance. Furthermore, the results indicate specifically that community-oriented CSR (CLCSR) and employee-oriented CSR (ECSR) are the two most important components of corporate social responsibility in this context. Our results corroborate with findings of Ting et al. (2020).

Besides that, the findings of this study differ from the previous studies' findings whereas the mediating roles of corporate reputation (CR) and customer purchase intention (CPI) that both have significant impact on the firms' performance (FP) meanwhile CR has significant impact on CPI too. As a whole, this study's findings as a chain of causal relationships from the effect of social responsibility to enhancing corporate reputation and enhancing purchasing intention to improving business performance. While, most of previous studies' findings were about the effects of CSR on the firms' performances with the mediating roles of either firms' identification, access ability to finance, business model innovation as Valdez-Juárez et al. (2018); differentiation and outside investment as Lee and Jung (2016) or without any mediator for some cases as Okolie and Igbini (2020); Olufemi and Banjo (2019) or contradicted results as Moslemany and Etab (2017) whose findings indicated an insignificant relationship CSR and a firm's financial performance.

Enterprises should have a social responsibility strategy that focuses on the community and employees to optimize resources for optimal results. Especially, SMEs' performance will be changed via corporate social responsibility in a positive direction. In order to achieve this result, the study also shows that corporate social responsibility increases the corporate reputation; thereby increasing customer's purchase intention. Therefore, business executives must be those who have a vision towards a comprehensive operational goal. These entrepreneurs need to find solutions to change society for the better and vice versa, their businesses will have the conditions for more sustainable development. Besides, CSR also helps improve the corporate reputation in relations with customers and stakeholders, creating competitive advantages and advantages in calling for investment, especially foreign investment.

## 6. Limitation and future research

This study is conducted for businesses in the context of the Southern Vietnam. The output of the research is responding to the emerging country. As a consequence, the results of this study may not cover all type of businesses in different contexts. We have been limited the cost and time to do the survey at all areas in Vietnam. Thus, the future research should be conducted in other countries and collected more samples at many areas in a country to confirm the research results of this model in other contexts.

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