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# The interplay of strategy, corporate social responsibility and customer orientation in explaining firm performance: a stakeholder view

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## ABSTRACT

The link between strategy and performance is a well-established topic in the strategic management field, yet few studies have examined the role that corporate social responsibility (CSR) and customer orientation (CO) have on this relationship. Using a stakeholder theory perspective, the objective of this study is to explore these relationships in the context of a transition economy. A sample of Romanian firms was used and the data was tested using partial least square structural equation modelling. The empirical results present findings that while there is a significant relationship between strategic planning and CSR, a significant relationship was not found between strategic planning and performance, nor between strategic planning and CO. However, a partially mediated relationship was found between CSR, CO, and performance. The conclusion is that the embrace of free-market practices is still evolving in transition economies. The implication is that over time learning and accumulation of related knowledge will strengthen the interplay of these firm practices and result in improved performance.

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Strategic planning; corporate social responsibility; customer orientation; firm performance; mediation; transition economy; stakeholder view; structural equation model

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L22; L25; M14

## 1. Introduction

Understanding the formation of competitive advantage and superior performance within the strategic management field has been a constant challenge for researchers. Extensive research has shown that the strategy decision process has a significant impact on a firm's performance. Several studies demonstrate the positive association between strategy and performance in various sectors and contexts (e.g. Castellani et al., 2018). Moreover, recent concerns related to social and environmental issues draw attention to research of corporate social responsibility practices (CSR) in business organizations. There is a general belief that CSR provides firms with multiple

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advantages, which in the end help to increase revenue streams and become more profitable. Existing research recognizes the critical role played by significant investments in CSR on the profitability of companies (Bernal-Conesa et al., 2017). Since both the strategic planning process (SP) and CSR impact firm performance (FP), there is strong motivation to believe that these factors are inter-related. Further, research indicates that there is a positive relationship between CSR and a firm's customer orientation (CO) (Kiessling et al., 2016; Korschun et al., 2014) suggesting a complex relationship between a firm's SP, CSR, and CO on performance results. However, to date, only a limited number of studies have been conducted on these relationships (Lin et al., 2021).

Of interest for this study is the way in which these three factors function in firms found in markets, which have transitioned from a communist-controlled planned economy to a market-driven economy. In general, these markets are characterized as undergoing rapid economic development with the initiation of government policies, which favour free market systems. Early research indicates from a strategic development perspective that the transition can take a considerable amount of time to evolve from change in the external institutional environment to change within a firm's functional activities such as marketing and human resources (Hoskisson et al., 2000). As such, a manager's role in fostering successful firm performance in this context can be garnered through the application of learning and knowledge sharing to enhance its resource capabilities (Eisenhardt & Martin, 2000). Current research such as the finding that firms in emerging economies (of which transition economies are a subset) are commonly characterized by high agency cost between managers and shareholders, resulting in significant pressure on successful performance indicated that differences in economic markets exist (Kao et al., 2018). While firm performance rests in part on diverse external conditions such as political systems (Ellis, 2006), the investigation of how SP, CSR and CO practices within a firm contribute to successful performance is proposed to be of value.

Thus, the research question of interest in this paper, focused on the specific context of firms operating in transition economies is, "What is the nature of the inter-relationship between SP, CSR, and CO with successful firm performance?" The study is focused on Romania, a former Soviet-controlled region of Central/Eastern Europe. Based on World Bank economic classification (World Bank, 2022), Romania held a high-income status in 2021, which is the same as the economic status of other countries in this region that joined the European Union—except Bulgaria, which holds an upper-middle economic status. Thus, we propose that the results of this study will be applicable to other nations in the region.

The importance and originality of this study is four-fold. First, while there has been some study of the constructs of interest in transition economies (Cadez & Guilding, 2008, 2012; Waheed & Zhang, 2022), the investigation of firm practices is largely understudied. Second, the constructs of interest are considered to be context specific (Deshpandé & Farley, 2005; Waheed & Zhang, 2022) lending value to studies of different countries/regions to allow for comparative investigation of both generalizable and context specific conditions (Harrison et al., 2015). Third, international cooperation of the research effort by researchers from Romania and the United States

contribute to international relevance, as well as an increase in the quality of knowledge from the study results (Cadez, 2013). Finally, as the focus of the research is oriented toward practices, which managers perceive to promote successful firm performance, the study results provide practitioners with guidance as to how best manage their firms.

The framework for the research model presented is based on an application of a stakeholder view of the firm, with an emphasis on a stakeholder engagement perspective, as well as integrating contributions from strategic management and market orientation theory contributions. The convergence of these research streams is intended to provide a clearer understanding of the impact that managers can have on creating value through cooperation amongst multiple stakeholders in the generation of firm performance (Bridoux & Stoelhorst, 2022). The research model and research methodology in the study applies complementary configurational logic utilizing suggested SEM methodology (Short et al., 2008), to allow for a simultaneous holistic study of the interplay of SP, CSR and CO on firm performance. As such, the examination of relationships is considered from both a direct and mediated perspective. While a direct approach examines if a relationship exists between variables, a mediated approach allows for a more in-depth examination of how the relationship effects occur (MacKinnon et al., 2012).

The remainder of the paper is organized as follows. In the next section, a brief discussion of relevant contributions from stakeholder theory as advanced by contributions from strategic management and market orientation perspectives, as well as related hypotheses statements and research model are presented. Following is a presentation of research methodology, followed by conclusion and implications. Finally, there is a presentation of study limitations and suggested future research agenda.

## 2. Theoretical development and hypotheses

The basis of this study is derived from a contemporary application of stakeholder theory as presented through a stakeholder engagement lens, as well as integration of contribution from management theories, most notably strategic management and market orientation (e.g. Barney, 2018; Ferrell et al., 2010). The overarching premise of stakeholder theory emphasizes the role managers play to engage in strategic practices aimed at the integration of multiple stakeholder interest to create value and long-term success. Stakeholders include ‘... any group or individual who is affected by or can affect the achievement of an organization’s objectives’ (Freeman, 1984, p. 46).

Evolution of the research stream resulting from the intersection with other theoretical platforms most notable from behavioural, strategic and governance perspectives provide a more pragmatic approach from which to study organizational activity (Bridoux & Stoelhorst, 2022). Two developments of interest for this paper are the address of defining (1) a manageable set of stakeholders and (2) a prioritization of stakeholder importance. First, from a strategic resource-based perspective, consideration of a narrower view of stakeholders as those who are essential and directly contribute value to a firm, addresses difficulties in how managers might facilitate cooperation amongst a limitless number of stakeholder groups (Barney, 2018).

Further, it is the value, which emanates from the cooperative efforts amongst these essential stakeholders to assure firm survival that is worthy of the greatest attention. To this end, essential stakeholders would be customers, firm communities-or employees, and suppliers (Harrison & Wicks, 2013). Second, from a market orientation perspective, consideration of customers and indirectly other related stakeholders who garner improved firm performance position as compared to competitors is emphasized. Thus, the focus on creating value for a customer stakeholder nexus is highlighted over other stakeholder groups whose value focus may change depending on contextual variation (Ferrell et al., 2010).

In defining each of the variables of interest in our research, we employ contribution from a stakeholder engagement approach. As evolved from stakeholder theory research, stakeholder engagement is defined broadly as the ‘... aims, activities, and impacts of stakeholder relations in a moral, strategic, and/or pragmatic manner (Kujala et al., 2022, p. 1139)’. Stakeholder engagement research contribution provides insight into the nature of firm activities including but not limited to strategic planning, knowledge creation and corporate social responsibility (Kujala et al., 2022). Accentuated is the address of positive firm practices; both one-way activities, such as information sharing, as well as two-way activities, such as joint decision-making (Greenwood, 2007; O’Riordan & Fairbrass, 2014). Accordingly, we apply this perspective to the definition of the variables presented in our research model. First, SP is defined as strategic management practices, which provide a proactive approach for a firm to successfully achieve its goals. At center is the communication between managers and employees to encourage commitment to successfully implement strategic intent (David et al., 2020), Second, CSR considered from a narrow community centric focus (Carroll, 1979), as well as in light of positive practices without regard to fulfilling self-interest obligations is defined as ethic driven practices (Maignan & Ferrell, 2004). Third, CO is defined as a firm’s practices, which facilitate the identification and satisfaction of its customer’s needs and expectations (Narver & Slater, 1990).

Finally, as Bridoux and Stoelhorst (2022) point out, in contrast to a traditional strategic management view, which emphasizes the dependent variable of firm performance from a single economic dimension to maximize shareholder wealth, we employ a stakeholder view, which considers performance from two additional dimensions, social, and moral. As applied to the study of firm performance, value is derived from cooperation amongst multiple stakeholders and can suitably be measured from a multiple objective perspective as opposed to a single economic perspective (Harrison & Wicks, 2013; Mitchell et al., 2016). Thus, in concert with Freeman’s basic premise and developed by Harrison and Wicks (2013), we define firm performance in this paper as ‘... the total value created by the firm through its activities, which is the sum of the utility created for each of a firm’s legitimate (essential) stakeholders (p. 102)’.

### **2.1. Strategic planning and firm performance**

The strategy-performance nexus has been widely investigated in the strategic management literature (Parnell, 2018). The role of the strategic management process is to

provide firms with well-crafted strategies to achieve competitive advantage. SP enables firms to find alignment between their resources/competencies and the opportunities identified within the external environment to ultimately lead to higher levels of performance. From a stakeholder engagement perspective, SP is presented as a proactive activity, which fosters value creation by way of the extra attention of manager information sharing with employee stakeholders (Harrison et al., 2010); a key to firm performance success (David et al., 2020). Within strategic management literature there is evidence to suggest that SP and FP are positively associated with a directional causality from SP to FP (Greenley, 1994). Glaister et al. (2008) confirmed this relationship while conducting a study of 135 firms listed on the Istanbul Stock Exchange. Additionally, research focused on different industries found that the impact of SP on firm performance did not vary significantly between the different industry groups (Andersen, 2000). A recent meta-analysis on 183 independent studies showed that SP positively correlates to FP (Hamann et al., 2022). As Glaister et al. (2008) suggest, the majority of previous research carried out on the relationship between SP and FP was performed in the context of industrialized countries (with the US topping the list) with transition countries being largely ignored. However, we argue that the SP to FP relationship is the cornerstone of market driven practices, and would be equally applicable in both industrialized and transition economy settings. Thus, the following hypothesis statement is formulated:

H1: SP has a positive and direct impact on FP.

## **2.2. Strategic planning and CSR**

A classical presentation of CSR by Carroll (1979) classifies CSR as ranging from economic obligation as argued by Friedman (1970) to a community centric obligation with an interest to maximize shareholder value. Likewise, existing research on CSR indicates divergent definitions of the term (Galant & Cadez, 2017). The EU Commission has issued a definition, which states that CSR refers to ‘actions by companies over and above their legal obligations towards society and the environment’ (European Commission, 2011), suggesting that the role of firms is to go beyond the needs of a single stakeholder category (i.e. shareholders) and address the interests of all stakeholders. In concert with a stakeholder engagement perspective, CSR as defined is presented as community centric with an emphasis on positive ethic driven practices.

Initially, many firms took on CSR activities due to the external pressures they faced (Yusuf & Kahar, 2018). Scandals and corrupt business practices accentuated the importance of the role that ethical practices play in creating value for a firm’s stakeholders (Noland & Phillips, 2010). As SP implies an assessment of both internal and external environments, and is based on cumulative knowledge gathered from various stakeholders to allocate appropriate resources (David et al., 2020), we expect that SP as defined will play a significant role in shaping CSR. Further, as argued by Vogel (2006), CSR is the result of strategic choice and not a precondition for SP, implying the directionality of the relationship. Thus, the following hypothesis statement is formulated:

H2: SP has a positive and direct impact on CSR.

### **2.3. CSR and firm performance**

In the past several studies attempted to investigate the relationship between CSR and firm performance (Rettab et al., 2009; Saeidi et al., 2015). However, empirical findings related to the links suggest contradictory views. The inconclusive empirical results were explained through the inconsistency of how the variables were operationalised and measured (Galant & Cadez, 2017). Some studies have indicated that there is a negative impact of CSR on FP suggesting that CSR constitutes a misallocation of resources (Baird et al., 2012; Lin et al., 2021; Peng & Yang, 2014) as managers might try to overinvest in CSR activities to gain personal reputation benefit.

On the other hand, and as presented in this study, we argue that by applying a positive stakeholder engagement perspective CSR engagement can strengthen the relationships between various stakeholder groups and lead to higher levels of performance (Preston & O'Bannon, 1997). For example, an increase of social spending noticed by consumers results in paying more for products and services that are marketed by CSR oriented firms resulting in better market performance. A resulting chain reaction can occur once firms find the way to properly implement CSR, as it can increase employees' satisfaction, which in turn would influence customers to rebuy its products and services (Filbeck et al., 2009). Other research results such as by Rodgers et al. (2013) have found that CSR has a positive impact on both the accounting-based (i.e. financial health) and market based (i.e. Tobin Q's) performance measures. Additionally, positive associations between CSR and FP were found in both reviews (Griffin & Mahon, 1997) and meta-analysis studies (Orlitzky et al., 2003). In a similar fashion, as we define FP from a stakeholder theory perspective, which recognizes the total value derived for a firm's stakeholder groups, we expect that positive ethic-centred CSR activities will present a positive link. Thus, the following hypothesis statement is formulated:

H3: CSR has a positive and direct impact on FP.

### **2.4. Strategic planning and customer orientation**

Firms that have a market-orientated culture will place customers at a focal point of attention by concentrating their efforts to identify, analyse, and satisfy their needs and expectations (Narver & Slater, 1990). As firms in transition economies evolve to internalize market-driven practices, the role of managers as champions of strategic vision to promote the generation and dissemination of customer-oriented knowledge would be emphasized (Kohli & Jaworski, 1990). Strategically, creating customer-oriented firm value is initiated in SP by way of response to external drivers and subsequently evident at the functional level in the implementation of its CO practices (Hoskisson et al., 2000). In this respect, a proactive SP approach as defined by stakeholder engagement activities is argued to drive a firm to engage in market-driven, customer-oriented practices. Thus, the following hypothesis statement is formulated:

H4: SP has a positive and direct impact on CO.

## **2.5. Customer orientation and firm performance**

Studies conducted on the relationship between CO and FP point toward divergent results. On the one hand, there is evidence to suggest that firms that focus on addressing their customers will enjoy better performance, implicitly suggesting a causal positive effect of CO on FP (Appiah-Adu & Singh, 1998; Singh & Ranchhod, 2004). On the other hand, in other studies, either a negative relationship was found between the two constructs (Lukas & Ferrell, 2000; Voss & Voss, 2000) or no relationship (Dawes, 2000; Noble et al., 2002).

As presented in the CSR to FP relationship, we present that the FP definition influences the nature of the CO to FP relationship. There is a general belief within the strategic management literature that superior performance is created once the company is able to create sustainable superior value for its customers (Porter, 1985). In order to achieve such a goal, a company must develop a CO culture, which enables behaviours needed for providing superior value to customers and ultimately a higher firm performance. In this sense, companies will enjoy more satisfied customers resulting in a positional advantage that will ultimately lead to better performance (Day, 1994; Narver & Slater, 1990). In this regard, as FP is defined in this paper to consider the value created for essential stakeholder groups with an emphasis on the customer group, we expect that CO practices will generate positive FP outcomes. Thus, the following hypothesis statement is formulated:

H5: CO has a positive and direct impact on FP.

## **2.6. CSR and customer orientation**

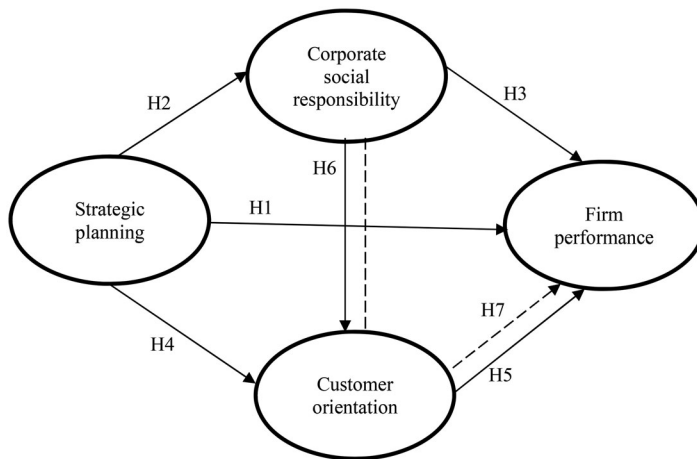
The results of studies that focused on the CSR and CO based on both developed and emerging economy contexts, indicate that the direction of the CSR and CO relationship are mixed. While Korschun et al. (2014) and Hu et al. (2020) found CSR to be related to CO, other studies found a CO to CSR relationship (Felix, 2015; Kiessling et al., 2016). Discussion of results related to the directionality of the relationship vary from an indication that CO in a firm is an easier perspective for employees to embrace (Felix, 2015) to consideration that CO is harder to grasp for firms transitioning from a state-controlled environment (Hu et al., 2020). As the perspective taken in this study is on firms operating in a transition economy, the directionality of a CSR to CO relationship is the line of logic presented. Moreover, as the employment of positive ethic-centred CSR is argued to promote open and fair engagement of stakeholder interest (Noland & Phillips, 2010), we contend that firms with this cultural foundation will follow by implementing beneficial knowledge-seeking CO practices (Amoako et al., 2018). Thus, the following hypothesis statement is formulated:

H6: CSR has a positive and direct impact on CO.

## **2.7. The mediating effects CO on the CSR to FP relationship**

In a market-driven economy, firm success depends on its ability to create long-lasting relationships with its customers. Putting customers first, considering their expectations





**Figure 1.** Proposed research model.  
Source: Authors' own elaboration.

and preferences, requires a customer-oriented organization which in turn leads to competitive advantage and improved performance outcomes (Karim & Habiba, 2020; Valenzuela et al., 2010). Studies that draw on social identity theory have demonstrated that CSR practices can improve CO (Amoako et al., 2018) by creating a sense of affiliation with customers resulting in superior competitive advantage (Shah & Khan, 2019). Further, market orientation has been found to mediate the CSR to non-economic value creation relationship in an emerging economy setting highlighting the positive influence of trust and fairness in framing customer expectations (Mubushar et al., 2020). Likewise, while we maintain that there is a significant relationship between the positive ethic-centred CSR of a firm and its stakeholder focused FP, we argue that it is also through the manifestation of visible/tangible CO practices through which the value creation benefit of CSR is transmitted. Considering this line of logic, it is argued that the inter-relationship between CSR, CO and FP is such that CO mediates the CSR to FP relationship. Thus, the following hypothesis statement is formulated:

H7: CO positively mediates the relationship between CSR and FP.

Based on the literature review and the hypotheses developed in the above sections, a conceptual research model is presented (Figure 1).

### 3. Research methodology

#### 3.1. Research design, sampling and data collection

A questionnaire survey was used to collect the data. Surveys were administered with the help of graduate students from the Faculty of Economics and Business Administration and were addressed to middle and top managers throughout Romania. The need for an appropriate sample size calculation has become a major trend in research (Kang, 2021). As a first step in establishing minimum sample size, the 'ten times rule' was used as a rough guideline (Hair et al., 2017), which led to a

minimum sample size of 30 cases. Second, following existing prescriptions for sample calculation within the SEM literature (Hair et al., 2017), the sample size was adjusted considering power. Hence, the sample size and power analysis were determined with the help of G\*Power software (latest version G\*Power 3.1.9.6; Heinrich-Heine-Universität Düsseldorf, Düsseldorf, Germany; <http://www.gpower.hhu.de/>). Given the nature of our research, we calculated a sample of 67 cases based on the following factors: effect size ( $f^2=0.2$ ), power ( $1-\beta=95\%$ ), significance level ( $\alpha=5\%$ ) for linear multiple regression. The sample size is considered adequate for structural equation modelling (Kline, 2010). Moreover, it is well-known that studies from the strategic management field that use structural equation modelling rely on much smaller sample sizes compared to other fields (Hair et al., 2012). The sample consists of a diverse group of managers in a variety of manufacturing (23.88%) and service industries (76.1%). Among the firms analysed, 77.62% were small and medium sized enterprises (less than 250 employees); while 22.38% were large enterprises. Within the sample, the vast majority of firms were private-owned (97.01%).

### 3.2. Research instrument and measurement of variables

In order to measure the variables, the European Foundation for Quality Management (EFQM) excellence model self-assessment questionnaire was adapted and modified to suit the purpose of the present study. The EFQM questionnaire has a high level of validity being used in numerous contexts (Bou-Llusar et al., 2009; Nabitz et al., 2000). The four constructs were each operationalized with three items as presented in Table 1. All items were measured with a five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). Firm size, age and sector of activity were included as control variables for better estimation of the hypotheses.

**Table 1.** Factor loadings, reliability and AVE.

Construct	Coding	Items	Loadings	CR	Cronbach's alpha	AVE
Strategic planning	SP1	Company's goals reflect the strategy	0.797	0.814	0.657	0.595
	SP2	All employees are aware of the strategy	0.687			
	SP3	The company guides through a strategy	0.802			
Corporate social responsibility	CSR1	The company favours CSR actions	0.866	0.803	0.625	0.581
	CSR2	The company develops an ethical behaviour in regard to business partners	0.793			
	CSR3	The company develops an ethical behaviour in regard to employees	0.603			
Customer orientation	CO1	The company performs customer satisfaction surveys	0.815	0.820	0.670	0.604
	CO2	The employees are trained to respond quickly to customer demands	0.792			
	CO3	Company's products reflect customers' expectations	0.721			
Firm performance	FP1	There is an increase in quality of the products/services	0.866	0.899	0.830	0.747
	FP2	The business results show an increase in customer satisfaction	0.866			
	FP3	In comparison to other companies, our profitability is superior	0.861			

Source: Authors' own elaboration with Smart-PLS Software.

### 3.3. Data analysis

In order to analyse the data, structural equation modelling (PLS-SEM) technique was used utilizing SmartPLS 3.3.3 software package (Ringle et al., 2020). Previous studies demonstrated that PLS-SEM technique is appropriate when dealing with small sample size and non-normal data (Hair et al., 2011). Additionally, the PLS-SEM is believed to be suitable in cases of theory development and for studies that are exploratory (Hair et al., 2011). The technique uses two stages: the assessment of measurement model and evaluation of the structural model (Hair et al., 2011; Ringle et al., 2020). Additionally, following existing guidelines (Sarstedt et al., 2020), we checked for structural model robustness through non-linear effects by creating a polynomial model and adding a quadratic term. Findings suggest the non-significant interaction term provides evidence of the linear effect's robustness of the model.

## 4. Results

### 4.1. Measurement model assessment

This stage implies an assessment of the constructs' reliability, composite reliability, convergent validity and discriminant validity. All factor loadings were above 0.60, which satisfies the condition of indicator reliability (Hair et al., 2011). The values of Composite Reliability (CR) and Cronbach's alpha, are above 0.60 and below 0.90 meeting the suggested criteria. Convergent validity was established through Average Variance Extracted (AVE). The results showed in Table 1 demonstrate that AVE values of all constructs are above the acceptable cut-off value of 0.50 (Fornell & Larcker, 1981).

Discriminant validity was assessed first by Fornell-Larcker criterion. The square-root of AVE for the construct was greater than the inter-construct correlation. Discriminant validity was also assessed by the Heterotrait-Monotrait method. The results show that HTMT ratios between constructs are below the cut-off value of 0.90 (Table 2). The above analysis demonstrates that reliability and validity of the constructs is established and the measurement model is adequate for structural analysis.

### 4.2. Structural model evaluation

Structural model evaluation includes the assessment of path coefficient and their statistical significance (Hair et al., 2011). Bootstrapping technique using 5,000 subsamples was applied in order to generate t-values and p-values to test statistical significance of

**Table 2.** Discriminant validity.

	CSR	CO	FP	SP
CSR	<i>0.762</i>	<b>0.609</b>	<b>0.837</b>	<b>0.841</b>
CO	<i>0.393</i>	<i>0.777</i>	<b>0.719</b>	<b>0.312</b>
FP	<i>0.609</i>	<i>0.537</i>	<i>0.864</i>	<b>0.578</b>
SP	<i>0.535</i>	<i>0.202</i>	<i>0.427</i>	<i>0.771</i>

*Note:* Values in italic are the square root of AVE. Values below the diagonal elements are correlations between constructs. Bolded values above diagonal elements are the HTMT ratios. CSR = Corporate social responsibility, CO = Customer orientation, FP = Firm performance, SP = Strategic planning.

Source: Authors' own elaboration with Smart-PLS Software.

**Table 3.** Test of hypotheses.

Relationships	Path coefficients	T values	p values	Hypothesis
Direct effects				
SP → FP	0.146	1.141	0.254	H1: Not supported
SP → CSR	0.535	6.676	0.000	H2: Supported
CSR → FP	0.391	3.264	0.001	H3: Supported
SP → CO	-0.011	0.078	0.938	H4: Not supported
CO → FP	0.353	2.739	0.006	H5: Supported
CSR → CO	0.399	3.392	0.001	H6: Supported
Specific indirect effects				
CSR → CO → FP	0.141	2.102	0.036	H7: Supported (partial mediation)

Note: CSR = Corporate social responsibility, CO = Customer orientation, FP = Firm performance, SP = Strategic planning.

Source: Authors' own elaboration with Smart-PLS Software.

path coefficients for the relations that were hypothesized. In order to test mediation effects, Preacher and Hayes method (Preacher & Hayes, 2008) was used together with recommendations and guidelines suggested by Nitzi et al. (2016). Table 3 shows structural path coefficients and the results of the structural model evaluation. As can be observed, hypothesis statements H2: SP is positively related to CSR, H3: CSR is positively related to FP, H5: CO is positively related to FP and H6: CSR is positively related to CO are supported. Further, H7 was supported with results that CO partially mediates the CSR to FP relationship. Two of the seven hypotheses' statements were not supported; H1: SP is positively related to FP, H4: SP is positively related to CO. Finally, when the impact of control variables was tested no significant impact on the FP variable was established.

## 5. Conclusion and implications

### 5.1. Conclusion

The purpose of the study was to explore the inter-relationship between SP and CSR and CO practices in firms found in transition economic settings. The interest emanated from an understudy in research agenda with an intention to clarify the nature of complex patterns, which lend toward successful performance. Past research results indicate that firms in transition economies are faced with numerous challenges when employing market-driven practices because of knowledge deficit, as well as cultural and economic development variations when compared to developed economy settings (Ellis, 2006; Roersen et al., 2013). The theoretical foundation of a stakeholder engagement perspective with specific attention to the role managers play in creating value was used to develop the seven hypotheses presented. The development of direct and mediated relationships was used to dissect and clarify relationship patterns. The following paragraphs present a discussion of plausible explanations for the study results.

### 5.2. Theoretical implications

To begin, the address of the two hypotheses found to be non-significant is considered. Although lack of a significant finding does not indicate a conclusive result, a brief address of potential implication is considered to be of value. First, a significant

positive relationship between SP and FP was not found. Given that, in general, past research results present SP as a positive influence, the result of this study may be because of small sample size. However, a plausible explanation may also be based on the existing context within which the study was carried (i.e. transition economy). Although this lack of follow through may also be found in developed economy settings, the presence in a transition setting may be more pronounced given the novelty of market-driven strategic practices on the value of intra-organization communication and employee participation. Further, the finding that the SP to CO relationship was not significant again may be the result of a small sample size, but may also result from a continuing lack of understanding of the importance of using communication of goals/strategy to drive CO practices in a transition economy context. This conclusion aligns with previous findings by Ellis (2006) and Roersen et al. (2013).

Of greater importance is discussion of the five significant hypotheses statements. Overall, these results present a pattern of organizational behaviour interpreted to indicate that when a firm in a transition economy employs stakeholder engagement SP practices, ethic-centred CSR can result, which foster both CO practices and positive stakeholder FP results. Thus, this study's results support previous studies in which CSR practices garnered results such as favourable financing (Yusuf & Kahar, 2018). The results also support the perspective that CSR is a result of strategic choice and not a precondition of SP (Vogel, 2000). Further, from a global perspective, the emphasis on corruption conditions and the need for more open and transparent business practices has been identified as an important indicator of a firm's ability to embrace market-driven practices (e.g. Global Competitiveness Index). That CSR was operationalized in this study as a firm's ethical practices with both its employees and business partners suggests that the presence of CSR activities align with both national and global institutional pressures. Additionally, the finding of a significant relationship between CSR and FP challenges past indications that CSR detracts from firm performance when FP is considered from a stakeholder perspective to create long term value. Of note, is that the questionnaire used, assessed the promotion of an organizational culture in which employees are valued in the development and execution of a responsible business. A study by Shahzad et al. (2020) provides a plausible explanation for these findings. They contend that it is not only awareness of external knowledge (i.e. a knowledge absorptive capacity, aka KAS), but rather a commitment to CSR practices which results in effective performance. As KAS has been found to be linked to strategic planning (Camisón & Forés, 2010), the results of the study presented in this paper suggest that a firm, which engages in effective SP and a commitment to CSR as exemplified in its culture will be especially prone to enjoy positive FP.

The more interesting relationship between CSR and FP as mediated by CO suggests that while attention to CO may not result from SP, it may be a residual artifact of a firm's CSR. The study directional results indicate that CSR result in CO, which complements similar findings by Hu et al. (2020) in a transitional setting. Further, the partially mediated results suggests that the more tangible CO practices (i.e. training and surveying customers) provide evidence that the firm is operating in an ethical manner (aka CSR). For example, employees treated in an ethical manner are more

satisfied (Korschun et al., 2014) and exhibit greater engagement, and when engaged in training/surveying activities feel a closer connection to customers. This generated greater customer satisfaction-performance link supports the findings of Scridon et al. (2019) in their study of customer satisfaction practices in Romania. Further, as multiple firm capabilities can engage together (Eisenhardt & Martin, 2000), the partially mediated inter-relationship between CSR and CO are suggested to generate synergized value, which may produce more optimal performance results.

In sum, addressing the study's research question, 'What is the nature of the inter-relationship between SP, CSR and CO with successful firm performance?', the results suggest that the complexity of the relationship rests in the role that external institutional pressure has on firm practices. While CSR is a result of strategic choice, anticipation of further learning and knowledge of market-driven practices is expected to benefit the SP - CO relationship. In the meantime, the coupling of CSR and CO addresses multiple stakeholder interests generating a synergistic benefit to FP.

### **5.3. Managerial implications**

This study also has four practical implications for managers of firms that operate within a transition economy. First, the findings clearly suggest that a more ethic-centred CSR approach led to better business results. Thus, managers should try to find ways to incorporate CSR in their plans to secure competitive advantage. CSR practices are beneficial for creating a positive image within the eyes of stakeholders. Hence, any efforts to include CSR practices within its strategies will eventually pay off.

Second, the findings point to the positive impact that CO has on a firm's business results. These results are of significance for managers whose role is to act as a catalyst in their firms. By making sure that they convince everyone to embrace a customer-oriented culture, performance results can improve. Including a customer-oriented approach within a firm's mission, as well as implementing tangible reward systems for its employees can foster effective customer service practices. In addition to these policy changes, managers could embrace organizational structural elements by removing barriers between departments, so that better and faster customer responses are obtained.

Third, the mediating effect of CO found on the relationship between CSR and FP is a good indication that a combination between an ethic-centred CSR approach and a customer-orientated approach is likely to result in higher levels of profitability. The findings reveal that CSR are more efficient when CO culture is developed. Hence, the solution for managers is to provide responsible employee training intended to foster the customer-oriented behaviours so that CSR will enhance the business results.

Fourth, the findings suggest that SP is far from being a panacea solution for a firm's success. Managers could also try to propose more flexible, on-going methods of strategy formulation which are characteristic to emerging strategies.

### **5.4. Limitations and future research suggestions**

As with any study there are limitations, and this study is no exception. Three limitations are of note. First, the study uses a small sample size in a single transition

economy. Expanding the research agenda to include additional study settings will provide richer insight/confirmation of the presented findings. Second, the study questions based on self-reported conditions may result in reporting biases. Further research that incorporates objective financial results such as study by Acar Erdur and Kara (2014) would contribute to an increased understanding of the roles that SP, CSR, and CO play in the overall success of a business. Third, the value of pursuing longitudinal research is duly noted. Given that transition economy settings are in changing environments, the conditions found in this study may not hold over time. For example, as institutions in these environments become more mature in the embrace of market-driven practices a greater appreciation and emphasis on customer orientation may lend toward a positive relationship with the strategic planning process. As a caution, the changing environment conditions suggest that there is a need to seek continually relevant knowledge sources to remain successful. Nevertheless, despite shifts in emphasis that may result from a longitudinal perspective, a continued interest to advance the understanding of the role that CSR and CO play in a firm's performance will continue to be an important contemporary issue. Not only is it of interest to business practitioners and scholars, but also to the whole of society.

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