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Green Business Performance-based CSR. Evidence from Large-Scale Enterprises in Indonesia

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Abstract

The role of CSR is recognized world-wide to be able to enhance business performance and became a key strategy to achieve and maintain sustainable competitive advantage. The current research investigates empirically the impact of Top Management Support Advantages (TMSA), Price Advantages (PA), Product Development Advantages (PDA), Distribution Advantages (DA) and Marketing Communication Advantages (MCA) on Green Business Performance (GBP) mediated by Green Corporate Image Based Social Corporate Advantages. Deploying Structural Equation Modelling with AMOS software, Non-stratified random sampling with purposive sampling was employed for data collecting. A survey was conducted in Indonesia and Large-Scale Enterprises as the object and Marketing and Operational managers as the unit analysis. The findings suggest that CSR strengthens the relationship among the driving factors on GBP.

Keywords: top management support advantages, price advantages, product development advantages, distribution advantages, marketing communication advantages, green business performance, corporate social responsibility advantages.

1. Introduction

The most recent studies concerning Corporate Social Responsibility (CSR) relatively vary. CSR in a construction industry is becoming the key factor that contributes to the development sustainability. These types of industry develop CSR as an effort to maintain a positive corporate image (Zhao, Zhao, Davidson, & Zuo, 2012). It is important for firms to use CSR to increase marketing on performance (Kemper, Schilke, Reimann, Wang, & Brettel, 2013).

The adoption of CSR increases the profit-maximizing assumption (Li & Toppinen, 2011). To develop sustainability, a new orientation is needed (Heikkurinen & Johan, 2013). CSR and corporate social irresponsibility (CSI) are identified as the massive trends in facing challenges (Murphy & Schlegelmilch, 2013). The positive main effect is from operation-related (OR) on firm performance and the positive (negative) moderating effect of oil prices on the relationship between OR (Non-OR) CSR dimension (Seoki Lee, Kwanglim Seo, 2007). The research finding demonstrated that five CSR factors (community, policy, mission and vision, workforce, and environment) are suggested to be emphasized in the areas of CSR programs. (Deniz Kucukusta, Amy Mak, n.d.). CSR is becoming corporate triggering adding value strategy, as publicly traded corporations mainly label CSR as a necessary tool for long-term legitimacy and profitability (Isaksson, Kiessling, & Harvey, 2013).

The implementation of CSR in the petroleum industry is economically driven (Mellat & Adams, 2012). Studies on CSR are necessary to consider the interactions and dynamic processes (Hee, Amaeshi, Harris, & Suh, 2013). The increasing understanding of CSR is seen in UK fashion garment manufacturing firms (Å & Towers, 2009). The impact of CSR on

Shared of Wallet (SOW) is statistically significant and managerially meaningful in an industry (Kusum L. Ailawadi, Scott A. Neslin, Y. Jackie Luan, n.d.). Sustainability has increased as a result of rapid depletion of natural resources and concerns over wealth disparity and CSR (Dao, Langella, & Carbo, 2011). CSR is considered as one of green policies which is becoming strategic (Özgür, 2012). Tsai, Tsang & Chen (2012) pinpoint CSR attributes on performance.

Research on Corporate environmental responsibility (Borin et al.) does not show any international links (Holtbrügge & Dögl, 2012). CSR as one of environmental marketing strategies has a strong impact on competitive advantage (Leonidou, Leonidou, Fotiadis, & Zeriti, 2013). Firm's concern on environment and social welfare should relate with social responsible manners (Geoffrey B. Sprinkle, n.d.). The value of CSR main activity is merely possible by evaluating and investigating the strategies which are relevant with business advantages (Weber, 2008). The finding elaborated the relevance of avoiding the bad effects of social responsibility of corporations and captured the relationship between CSR doing good and avoiding bad, CSI, and perceived CSR (pCSR). (Lin-hi & Müller, 2013). Even though CSR is becoming the important construct on the corporate agenda, it lacks the attribute of being the most dominant criteria in purchasing behavior (Arıkan & Güner, 2013). Coles, Fenclova, & Dinan(2013) focused on three macro level topic areas: implementation; the economic rationale for acting more responsibly; and the social relations of CSR. The implementation of CSR on real estate company did not show any disclosure in the other hands CSR improve the company reputation (Dias, Reijnders, & Antunes, 2011).

Further research regarding in the issue CSR on firms generates advantages (Smith, 2009). The previous research

was not successful to solve the uncertainties within the effects of CSR. Moreover, the tough discussion stands still on how CSR could increase the firm's performance (Margolis & Walsh, 2003; Vlachos, Tsamakos, Vrechopoulos, & Avramidis, 2009). Prior research claimed that the impact of CSR varied from the direct and unconditional impact on performance, significant to insignificant, positive, negative, or neutral (cf. Margolis & Walsh, 2003).

These contradictory findings lead to extending further research due to the unavailability of robust depiction regarding the direct impact of CSR on performance. This caused CSR to be proposed as a moderating variable (Handelman & Arnold, 1999) or customer attitudes (Vlachos et al., 2009), by having this, it stresses its role as the driver instead of a direct success factor. Unfortunately, proposing CSR as a contingency factor is rare (Handelman & Arnold, 1999; Brik, Rettab, & Mellahi, 2011). Furthermore, the interest for assessing the investigating boundary conditions in which CSR could serve as a significant enabler (Berens, van Riel, & Van Rekom, 2007) has not yet answered the question.

The current study continues the prior research attempts and tries to fill the gap in the literatures focusing on marketing strategy and CSR by assessing the joint impact of marketing capability as determining factors in the marketing literature (Song, Di Benedetto, & Nason, 2007; Vorhies & Morgan, 2005), and CSR on business performance.

The current research will be conducted as follows. Part two will discuss the theoretical background of CSR, and marketing capabilities on firm performance. Part three investigates the method and part four presents the findings. The last part will discuss the implication and further research.

2. Theoretical Background and Hypotheses Development

2.1. CSR and Marketing

CSR is becoming crucial in the field of marketing (Garriga & Melé, 2004; Peattie & Crane, 2005). This research is in the same track as the conceptualization of CSR introduced by Lichtenstein, Drumwright, and Braig (2004), who defined CSR as the commitment of firm to make contribution by sharing the advantages for non-profit organizations and charity activities.

Research on CSR in the marketing field has been conducted with many approaches. The units of analysis used in the previous research are, among others, consumer reactions to CSR activities (Handelman & Arnold, 1999; Lichtenstein et al., 2004; Sen & Bhattacharya, 2001; Stanaland, Lwin, & Murphy, 2011), role of the corporate citizens (Maignan, Ferrell, & Hult, 1999), the relevance between CSR and marketing managers (Singhapakdi, Vitell, & Franke, 1999), as well as, the assessment of CSR dimensions such as charitable causes (Lichtenstein et al., 2004) and environmental care (Menon & Menon, 1997).

To fill the gap in which the research conducted previously had failed to convince and provide answers as to how the CSR could enhance firm's performance, (Margolis & Walsh, 2003; Vlachos et al., 2009), Handelman & Arnold, 1999; Vlachos et al., (2009) claimed that the latest studies provided the evidences that CSR plays a significant role as a moderator to link performance drivers and performance outputs. Some of these original approaches are taken as relevant determining factors of firm performances.

The current study is strongly related to the previous studies of organizational capabilities in marketing, such as Song et al. (2007), who conducted research on the function of the strategic type as a moderator between capabilities and financial performance. Further, Ramaswami, Srivastava, and Bhargava's (2009) are concerned with market-based capabilities and their

effect on financial performance and firm value, while other research, such as Menguc and Auh's (2006), investigate the moderating impact of the innovativeness on the correlation between market orientation and performance. In a nutshell, the current study is more focused on CSR and tough competition (Lumbanbatu and Aryanto, 2015).

2.2. Marketing Capabilities

Seminal works are concerned with resource-based views, such as (e.g., Srivastava, Fahey, & Christensen, 2001; Wernerfelt, 1984), the capabilities of market such as knowledge of competition and customers, and skills in segmenting, targeting markets, pricing, product development, distribution, communication, and in integrating activities (Kemper, Schilke, & Brettel, 2013; Song et al., 2007; Andriyansah, 2017). For more specific description of the marketing capabilities (Vorhies & Morgan, 2005) which are originally derived from the marketing mix (Van Waterschoot & Van den Bulte, 1992): firstly, capability in pricing (the ability for optimum revenue gained from customers) (e.g., Dutta, Zbaracki, & Bergen, 2003); secondly, product and services process capability of product development (advantages gained from the processes (e.g., Dutta, Narasimhan, & Rajiv, 1999)); thirdly, distribution's skill (skill in maintaining and establishing the profit channels of distribution that offers and delivers value to the end-user customers (e.g., Brettel, Engelen, Müller, & Schilke, 2011; Andriyansah, 2017); fourth, skill in marketing communication (the capability in managing customer value perceptions (e.g., McKee, Conant, Varadarajan, & Mokwa, 1992)).

2.3. Tough Competition

Tough competition is the degree of direct competition encountered by firms in terms of business field and domain (Jaworski & Kohli, 1993). Menon & Menon, (1997) declared that tough competition led to the socially responsible marketing. In accordance with Jaworski & Kohli (1993), firms which are not market-oriented and irresponsible with customers' needs and wants tend to have low performance during high competition. To boost this poor performance, CSR activities are believed to be more effective to leverage marketing performance.

It is also claimed that firms implementing CSR in a high degree of competition confessed that it brought a massive impact on the correlation between marketing capabilities and firm performance compared with low competition intensity. McWilliams & Siegel (2000) stated that the most unpredictable price is during a high competitive market among the four central marketing capabilities.

Day & Nedungadi (1994) noted that marketing manager in high intense competition have to differentiate their offerings. To meet this offer, CSR could be considered as additional product differentiators due its capability to deliver add value to the core product attributes (McWilliams & Siegel, 2001). It is also well predicted that tough competition could drive firm to push CSR to increase the distribution capability on performance (Andriyansah et al., 2017).

Mahon, 2002; Neville et. al., (2005) also suggested that the higher the degree of market's competition, the more crucial of firm's reputation. Demonstrating the huge impact of CSR on high markets competition compared with less competitive markets between marketing communication capability and performance. On the basis of aforementioned finding, the present study will investigate and assess the following hypotheses.

- H1: The higher the degree of Top Management Support Advantages mediated by Green Corporate Image Based-CSR, the higher the rate of Green Business Performance.
- H2: The higher the degree of Pricing Advantages mediated by Green Corporate Image Based- CSR, the higher the rate of

- Green Business Performance.
- H3: The higher the degree of Product Development Advantages mediated by Green Corporate Image Based- CSR, the higher the rate of Green Business Performance.
- H4: The higher the degree of Distribution Advantages mediated by Green Corporate Image Based- CSR, the higher the rate of Green Business Performance.
- H5: The higher the degree of Marketing Communication Advantages mediated by Green Corporate Image Based- CSR, the higher the rate of Green Business Performance.
- H6: The Higher the Green Corporate Image Based- CSR, the higher the Green Business Performance.

Figure 1 describes the conceptual framework showing the impact of some advantages owned by firm such as top management support, price, product development, distribution and communication, with the CSR moderating variables.

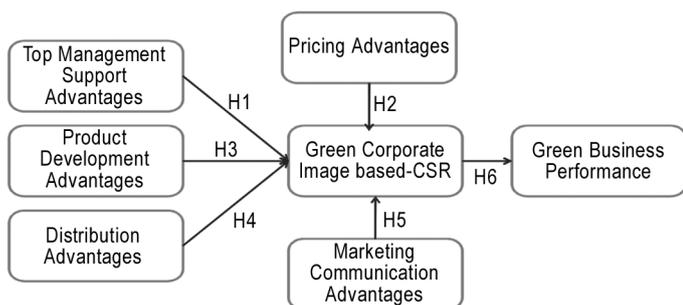


Figure 1. Proposed Frameworks
Source: Developed for this research

3. Methodology

3.1. Sampling Frame and Data Collection Procedure

This research is primarily based on the prior study that has been conducted in the USA (Kumar, Scheer, & Steenkamp, 1995). As the firms grow rapidly, the current study is considered to be conducted in a different culture, ethical perception, politics

and setting. The data was collected from 450 large-scale enterprises in Indonesia. Out of 500 questionnaires distributed, 355 questionnaires were received and used.

As recommended by Kumar, Stern, and Anderson (1993), respondents were selected based on the requirements such as substantial knowledge related with CSR implementation in their firms. Managing directors and senior managers were selected as respondents due to their comprehensive knowledge concerning the firm's policy.

3.2. Test for Potential Bias

Non response bias was conducted as suggested by Armstrong and Overton (1977) to investigate the responses of early and late respondents. The statistical result showed that the t tests indicated no significant differences ($p > .05$), convincing that non response bias is not becoming an issue in this current data.

To avoid any potential problem encountered when obtaining the data from two or more constructs collected from the same informant, the common method bias was conducted as suggested by Podsakoff & Organ, (1986) stating that the correlations between these constructs need to be interpreted. To do this, some efforts are carried out.

Firstly, a questionnaire was constructed to measure dependent variables. Secondly, multiple factors were extracted by performing Harman's one-factor test. Thirdly, the effect of an unmeasured latent which is added to the structural model was investigated.

3.3. Measurement

This study was conducted by adapting the previous study measurements with additional indicators, where a ten-point Likert scale was applied. The indicators ranged from top management support advantages, pricing advantages, product development advantages, distribution advantages, marketing communication advantages. To measure marketing capabilities such as pricing, product development, distribution and marketing communication, a scale adapted from Vorhies and Morgan (2005) was used with the additional related capabilities such top management support.

Table 1. Construct Measurement

Constructs and Measurement Items	Definition	Indicators
Top Management Support Advantages	The Advantages of Top Management Support could be defined as the responsibility to guarantee the policy of quality performance, the willingness of all department heads to accept responsibility, the high degree of managers' involvement in improvement process, clear objectives and goals	<ul style="list-style-type: none"> • Extent to which the top company executive assumes responsibility for quality performance • Acceptance of responsibility for quality by major department heads within the company • Degree of participation by top management in the quality improvement process • Extent to which the top management has objectives for quality performance • Extent to which quality goals are made specific within the company
Pricing Advantages	The benefits gained by firm through the pricing system during market fluctuation, the capability of a firm to know competitors' pricing policy, pricing changes and also owning competitive price compared with the competitors.	<ul style="list-style-type: none"> • Market fluctuation supported by pricing and system advantages promptly. • Noticing competitors' pricing policy. • Competitors' prices and price changes are easily detected • Competitors' price change is easily known • Our price is competitive compared with competitors'
Product Development Advantages	The portfolios of firms capabilities by having abundant resources	<ul style="list-style-type: none"> • Sources availability leads to developing new products/services. • Enhancing new products/services to explore R&D investment. • launching new products/services is always successful • We always launch our product when market needs it • We launch new product before competitors do it
Distribution Advantages		<ul style="list-style-type: none"> • Establishing mutual Relationship with distributors. • Maintaining and retaining the best distributors. • Offering added value to our distributors' businesses. • Giving high rates of service support to distributors.

Constructs and Measurement Items	Definition	Indicators
Marketing Communication Advantages		<ul style="list-style-type: none"> Advertising programs are always new and updates. Having outstanding public relation skills. Nurturing and managing brand image.
Corporate Social Responsibility		<ul style="list-style-type: none"> We are committed to using a portion of its profits to help non-profit organizations. Giving back to the communities where it does business. Local non-profit organizations benefit from the company's contributions. Implementation of charitable contributions.
Green Business Performance		<ul style="list-style-type: none"> Company's development met our expectation compared to our main competitors. Company's growth met our expectation compared to our main competitors. Company's operating income projections for the next years. Achieving higher market dominance

Source: Developed for this research

Table 2. Regression Weights: (Group number 1 – Default model)

			Estimate	S.E.	C.R.	P	Hypothesis test
CSR	<---	Product Development Advantages	.181	.075	2.401	.016	Supported
CSR	<---	Top Management Support Advantages	.265	.072	3.692	***	Supported
CSR	<---	Price Advantages	.223	.066	3.372	***	Supported
CSR	<---	Distribution Advantages	.278	.119	2.326	.020	Supported
CSR	<---	Marketing Communication Advantages	.044	.056	.794	.427	Not Supported
Green Business Performance	<---	Corporate Social Responsibility	.611	.065	9.451	***	Supported

Source: Statistical outputs

3.4. Firm performance (Green Business Performance)

The concept of performance based on market performance measurement, profitability and growth was proposed by Slater and Olson (2000) and Walter, Auer, and Ritter (2006). For this current research, firm performance becomes green business performance as a result of CSR implementation.

3.5. Moderating Variables

The scale used for CSR moderating variables was adapted from Lichtenstein et al. (2004) and Jaworski and Kohli (1993) and other related resources.

4. Research Finding

Estimating Cronbach's Alpha Coefficient [α], Composite Reliability [CR] Score, and Average Variance Extracted [AVE] with the assessment of construct reliability. Statistical output demonstrated that all constructs with alpha values and composite reliabilities (CR) scores are equal to or exceed 0.7 (as seen in table 3). Furthermore, the Average Variance Extracted (Peri et al.) for all constructs is equal to or greater than 0.5, meet the requirements recommended in the thresholds. Table 3 exhibited the Measurement scales, confirmatory factor analysis results, and reliabilities, Cronbach's Alpha Coefficient and AVE.

The statistical output showed that product development advantages have strong impact on green business performance which is strengthened by the implementation of CSR. This result is also similar to other marketing advantages, except marketing communication advantages. CSR has failed to mediate or has a weak effect on marketing communication advantages. This means that firm only communicates CSR as their program

without any real implementation. Furthermore, marketing communication is not as important without its implementation. These results imply that the presence of CSR will lead to green business performances, as shown in the following table.

4.1. Measure validation

The discriminant validity, dimensionality, and internal consistency of the four marketing capabilities, top management support advantages, CSR and green business performance were investigated as suggested by Durvasula et al., (1993).

Model measurement was done by using AMOS 16.0 software (Arbuckle, 2007) and applying the maximum likelihood (ML) procedure. The statistical outcomes demonstrated the model fit the data well ($\chi^2 = 497, 71, df = 389, \chi^2/df = 2.47, CFI = .980, TLI = .977, GFI = .922, NFI = .96, RMSEA = .027$).

Further, assessing the reflective multi-item measures was carried out by analyzing the estimated factor loadings, Cronbach's alphas, composite reliabilities (CR), and average variances extracted (Peri et al.). All factor loadings are positive and significant ($p \leq .01$). Cronbach's alphas and composite reliabilities range from .76 to .94 and .76 to .94, respectively, exceeding the common cut-off value of .7. Finally, AVE exceeds the threshold of .5 in all cases. All the indicators and construct reliability of the measurements are supported for this current research.

4.2. Structural Model

Examining a structural model relating to dependent and independent variables, it can be seen the satisfactory value of goodness-of-fit measures for the current research.

Model ($\chi^2 = 893, 858, df = 399, \chi^2/df = 2.47, CFI = .980, TLI = .977, GFI = .922, NFI = .96, RMSEA = .057$).

QUALITY MANAGEMENT

Constructs and Measurement Items	Standardized loadings	α	CR	AVE
Top Management Commitment Advantages				
• Top executives take responsibility for quality performance	0.75			
• All department heads accept responsibility	0.71			
• High involving of top management during improvement process	0.75			
• Clear objective of achieving quality	0.69			
• Specific goals of achieving quality	0.66			
Pricing Advantages				
• Market fluctuation supported by pricing and systems.	0.85	.90	.87	.56
• Noticing competitors' pricing policy.	0.85			
• Competitors' prices change is easily detected	0.68			
• Competitors' Cost of Goods Sold is easily known	0.69			
• Our price is competitive compared with competitors	0.67			
Product development Advantages				
• The availability of resources triggers to develop new products/services.	0.58	.78	.75	.52
• Investing in R&D to enhance new products	0.64			
• New products launching is always successful	0.77			
• Launching products when markets need	0.83			
• We launch new product before competitors do	0.69			
Distribution Advantages				
• Mutualism relationship with distributors.	0.78			
• Maintaining the best distributors.	0.58	.82	.84	.64
• Offering added value to our distributors' businesses.	0.71			
• Giving high rates of service support to distributors.	0.65			
Marketing Communication Advantages				
• Updated ads programs.	0.77			
• Owned outstanding public relations skills.	0.92			
• Nurturing and managing the brand image.	0.75	.78	.92	.67
Green Business Performance				
• Higher development compared to our main competitors.	0.73			
• Higher growth compared to our main competitors.	0.79			
• Sufficient operational income projections for the next years.	0.79	.73	.88	.74
• Higher market dominance	0.76			
Green Corporate Image with CSR				
• Committed to spending a portion of profits for social issues	0.79			
• Building public infrastructures in which it does business.	0.87			
• Local non-profit organizations benefit from company's contributions.	0.86			
• Implementation of charitable contributions.	0.81	.93	.84	.63

Table 3. Measurement scales, confirmatory factor analysis results, and reliabilities, Cronbach's Alpha Coefficient and AVE

Source: Statistical outputs

Reflective, 10-point Likert scale, (1) strongly disagree - (10) Strongly Agree. Please comment on the characteristics of the industry you are active in Disagree" and "Strongly Agree

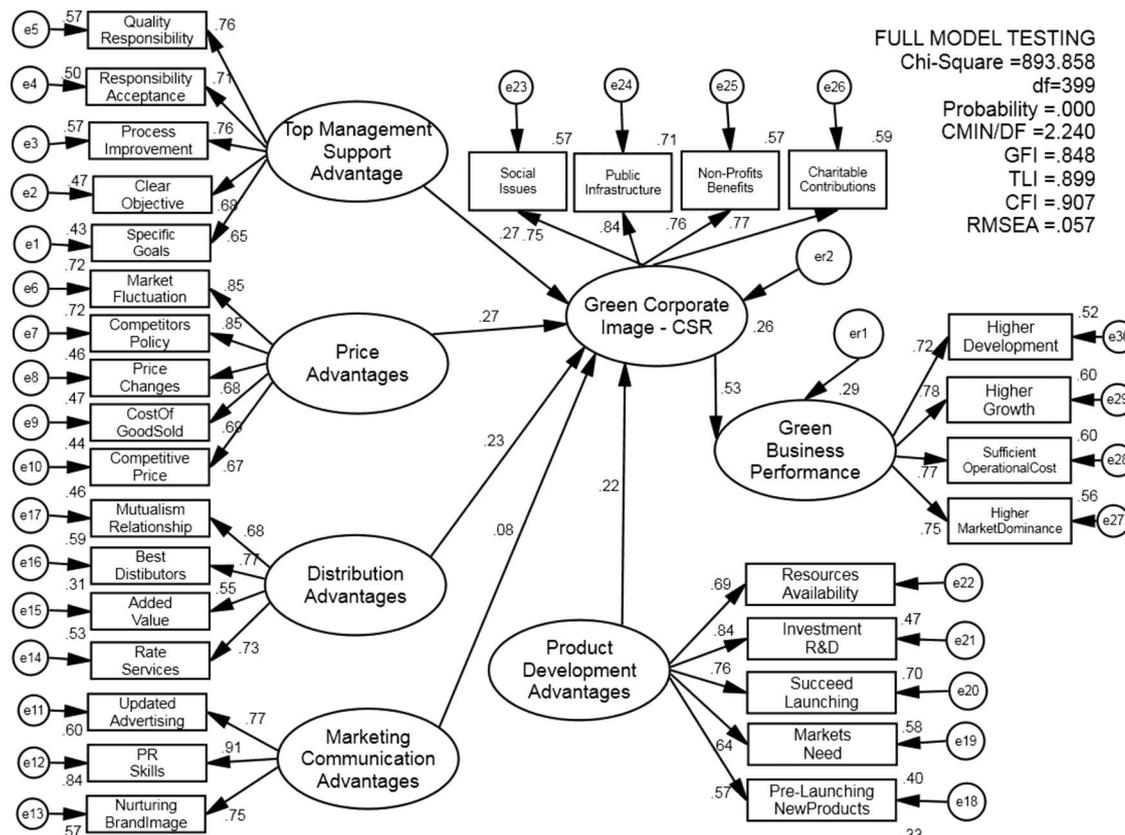


Figure 2. Full Structural Analysis

Sources: Amos Output V. 18

4.3. Moderation Analyses

Regression analysis was deployed with interaction terms, to analyze the possibility of CSR as the moderating impact was conducted as the first step to link the antecedent of marketing capability advantages and top management support advantages to green business performance. Aiken and West (1991) recommended that the predictor and moderator variables should be standardized first to reduce the multicollinearity among terms interaction. The following table demonstrated the effects of Green Corporate Image-CSR to link marketing advantages, top management support and green business performance.

Further, testing hypothesis, the marketing advantages and top management support advantages showed a significant positive relationship between green business performance and the implementation of CSR.

5. Discussion

The current research provides the information and in which circumstances CSR will moderate the impact of some of marketing advantages and top management support advantages on green business performance. The findings are indicated to offer the benefits for theoretical and managerial implications.

5.1. Theoretical Implications

The outputs of research offer the benefit of the implementation of CSR and its effects on green business performance. It was noticed that CSR plays a significant role to link marketing advantages and top management support advantages to lead the green business performance in any circumstances.

It is also accepted world-wide that during tough competition in the level of firms, the presence of CSR as determining factors of marketing advantages. The present research findings also deliver the insights to the previous conducted studies as the facilitator to link and lead the firm to implement CSR in gaining the green business performance.

Furthermore, this research enriches to the body of knowledge concerning green business performance as the impact of the implementation of CSR on marketing advantages and top management support. Various researches that have assessed the link between marketing capabilities and firm performance were conducted by Ramaswami et al., (2009); Song et al., (2007); and Vorhies & Morgan, (2005). So far, the findings are various in terms of conditions (Krasnikov & Jayachandran, 2008), and the most prevalent finding noted that marketing advantages which are based from marketing capabilities bring a positive impact on performance (Day, 1994). Again, the current findings also support the prior research findings.

6. Conclusion

It is a compulsory to understand comprehensively the specific type of firm positions and how the firm positions collaborate with the firm's capability to deliver the best hints for the top management to adjust their environment as suggested by Newbert (2007, 2008).

The present research was aligned with Newbert's (2007, 2008) that suggested that the intensity of competition is considered as a substantial environment which leads to the value add in of marketing advantages. Furthermore, during the tough competition where firms compete with the competitors, the presence of CSR is definitely substantial to link marketing advantages, top management support advantages with green business performance.

In general, like other research, this study is expected to

contribute to the literature in the field of marketing. As claimed by Verhoef & Leeflang (2009), the role of marketing has been declining lately that leads to the rise of questions concerning the function of marketing to increase firm values. By considering the significantly positive effect of marketing advantages and top management support advantages, current study claims that these advantages are the robust drivers leading to green business performance.

6.1. Further Research

It is considered important to conduct similar research in the future. Firstly, the mixed method between quantitative and qualitative are recommended to be used to obtain more useful information regarding green business performance. Secondly, Green marketing and green product innovation are worth investigating Thirdly, to win the competition and lose the competitors, top management should have sufficient information during tough competition and comprehensive understanding on how to implement the advantages obtained.

6.2. Managerial implications

To win and to compete with competitors during competitive intensity, top management or decision makers should have sufficient information. This current research contributed, to some extents, to assert that the implementation of CSR brings benefits and advantages to achieve green business performance, so that the management could compete and be aware in every condition. Previous findings suggested that firm implement CSR during intense competition and reduce CSR in a less competitive market. This recent study suggests the implementation of CSR as a strategy to obtain green business performance. Initiating CSR action widely for non-profit organizations, profits sharing with social movement, scholarships and donation are necessary to be done. These actions are believed to increase the firm's reputation and social responsibility. This initiative will also distinguish the products and services from those produced and provided by competitors, and at the end, the firm will gain green reputation and performance.

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