

# From corporate social responsibility activities to financial performance: role of innovation and competitive advantage

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## Abstract

**Purpose** – The purpose of this study is to scrutinize the effect of corporate social responsibility activities (CSRA) of the firm on its financial performance (FP) and analyze the mediating role of innovation and competitive advantage (CA) in the relationship between CSRA and FP in the manufacturing sector of an emerging country, i.e. Pakistan.

**Design/methodology/approach** – Data has been collected through an electronic structured questionnaire from 300 middle-level and top-level managers by surveying different manufacturing firms of Gujranwala, Pakistan. The study's hypotheses have been checked by analyzing the reliability and validity of data and applying confirmatory factor analysis and structural equation modeling through statistical package for the social sciences and analysis of moment structures.

**Findings** – Outcomes of this study supported the hypothesized model. It has been found that the CSRA plays a significant positive role in determining the FP of the firm. Furthermore, the CA and innovation have been proved as significant mediators between CSRA and FP.

**Originality/value** – The first time examining the intermediation of innovation and CA in the relationship between CSRA and FP is the primary input of this study to the literature. Practically, this study's findings will help strategy makers of manufacturing firms in emerging countries develop better strategies for implementing CSRA, enhancing innovation, seeking CA and improving FP.

**Keywords** Pakistan, Innovation, Competitive advantage, Financial performance, Structure equation model, Corporate social responsibility activities, Confirmatory factor analysis

**Paper type** Research paper

## Introduction

Growing trends in the business economy have changed corporate social responsibility in universal business concerns (Cegarra-Navarro *et al.*, 2016; Kolk and Van Tulder, 2010). Corporate social responsibility activities (CSRA) have changed the perceptions of doing business; therefore, firms nowadays primarily need to focus on community and industry to



be successful in the economic war. This modern approach shifts people's mindset from traditional business techniques to socially responsible firms that undergo the essential practices of CSRA to benefit their customers, employees, community and themselves. According to Wagner (2010), CSRA has the enormous potential to enhance the firm's capabilities to attract and satisfy its customer and improve its potential and performance in the extended run. Several past studies have highlighted the contribution of CSRA involvement and activities in enacting organization (Saeidi *et al.*, 2015; Cantele and Zardini, 2018; Amoako and Dartey-Baah, 2020). However, there is a lack of harmony among past researchers regarding the significant contribution of CSRA toward profitability, financial performance (FP) and value of the firm. Therefore, the first objective of the current research is to analyze the influence of CSRA on FP.

CSRA is a crucial driver of competitive advantage (CA) for organizations because CSRA enhances its ability to enhance its uniqueness and gratify the community and customers' needs. The CSRA involvement facilitates the firm to understand society and customers' requirements and preferences, so it becomes better able to provide competitive and unique products/services to its customers (Amoako and Dartey-Baah, 2020; Cantele and Zardini, 2018). This thought is previously discussed by researchers that CSRA practices become the reason to gain a CA for the corporations, which are an ultimate source of revenues for the firm because the CA of the firm enables it to attract new clientele and gratify its existing customers (Saeidi *et al.*, 2015; Guarnieri and Kao, 2008; Amoako and Dartey-Baah, 2020; Arnold, 2017; Cantele and Zardini, 2018). It seems that CA plays a vital role in the pathway from CSRA to firms' FP. Hence, this study's objective is to assess the mediation of CA between CSRA and the firm's FP. Another element that can play a substantial part in the linkage between CSRA and FP is innovation. Innovation has been aggressively used as an essential paradigm of CSRA in previous studies. For instance, Surroca *et al.* (2010) suggest that firms' immaterial assets might include innovation that continually strengthens the link between CSRA and FP. In the modern era, firms need to concentrate more on intangible sources than on physical assets while gaining a CA. Firms' success is based on how efficiently and creatively they manage their distinct competencies (Cantele and Zardini, 2018; Ouedraogo and Koffi, 2018). In turn, these distinct competencies enable the firm to outperform in the market and achieve long-term success and growth.

On the other hand, innovation is recognized as the foremost and essential factor to increase the proficiency of the corporations and to enhance corporate social performance as a whole (Ho *et al.*, 2018; Hou *et al.*, 2019; Kostopoulos *et al.*, 2011; Levine and Prietula, 2014). According to the previous studies and research studies in this area, innovation and CA separately discussed the affiliation among CSRA and FP. Their combined effect as mediators on the association among CSRA and FP is limited and needs to be discussed. The incorporeal assets such as innovation have its significant title role in CSRA, and when these activities interrelate with the CA, it ultimately affects the performance and worth of the corporation (Zanjirchi *et al.*, 2019; Cantele and Zardini, 2018; Wagner, 2010).

The purpose of this study is to evaluate the influence of CSRA on the FP of manufacturing firms and assess the mediating role of innovation and CA between CSRA and FP in a developing Asian country, i.e. Pakistan. As discussed above, there is a considerable gap in this research area, so this study is expected to be a novel and significant study in domains of CSRA, CA and innovation. McWilliams and Siegel (2000) disclose limited research in earlier studies as they do not focus on the link between CSRA and FP from the eye of research and development. The significance of the study is important from different perspectives. First, it fills the gap of research on CSRA in the firms of emerging countries of Asia because CSRA is widely used as a western approach

and is depicted mostly in western countries' organizations (Tewari and Pathak, 2015; Chapple and Moon, 2005). Second, the study addresses the most emerging and interlinked phenomena of the current era, i.e. innovation and CA in a single research as mediators in the connection between CSRA and FP. Therefore, the complexity of CSRA's effect on FP is analyzed, and the role of innovation and CA as mediators between them through structural equation modeling (SEM).

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## Literature review and hypotheses development

### *Corporate social responsibility activities and financial performance*

The present-day opinion about CSRA says that businesses are not just monetary objects; instead, they are a societal entity. Therefore, businesses must keep in mind people's social interests while making their business decisions and processes. By performing such activities (CSRA), firms can become not only able to produce good attitudes and improved backing behaviors of the stakeholders but also help in the long run by constructing the corporate image, build up company and stakeholder affiliation and also boost stakeholder's backing behaviors (Du *et al.*, 2010). Although it seems like that, conventionally CSRA are only performed by big businesses, but now SMEs are also considering CSRA as an essential practice to be implemented for better economic and social outcomes in the business world as SMEs play a significant role and have their importance in different industrial sectors (Park and Park, 2015; Al-Shuaibi, 2016). In a detailed analysis of the literature, it is reviewed that CSR is an essential element in the business domain, which considers concerns of different groups of stakeholders, including customers, society, employees, environment, suppliers, etc. (Park and Park, 2015; Cantele and Zardini, 2018). These studies use that a strong affiliation exists between an organization and its different stakeholders regarding CSRA.

Funds allocated toward corporate social behavior acts are more likely to produce better results outside the organization than inside the organizational affairs. Therefore, the CSRA discussed above helps modify and fortify the associations between investors and firms for more extended periods (Canh *et al.*, 2019; Cantele and Zardini, 2018). Outside the organization, a firm's name and status with its primary sponsors matter a lot, while when we talk about the firm's inside affairs, it is all about the philosophy, values, aptitudes and means of the organization. These happenings have their straight and unintended links with humanoid treasure. In short, the procedure of CSRA is multidimensional and has its strong and sound relations with the comforts of entire participants as these actions lead toward better proficiencies, facts and upcoming enactments. In the literature, several representations link CSRA and Profitability, frequently originated on the standard asset assessment concept that attributes practical actions to the people (Karyawati *et al.*, 2020; Al-Shuaibi, 2016). In the finance field, this idea further grows to the ethical and communal behavior of the agents who find CSRA as an instrument for the benefit of society and the overall well-being. In many studies, it is found that there is a positive relation between CSRA and FP. For instance, Karyawati *et al.* (2020) emphasize that CSR shares a substantial relationship with the FP of the firm, which may depend upon certain institutional factors, country characteristics, types of CSR, CSR measurements and FP, etc. Branco and Rodrigues (2006) argued that the repute of establishment/firm goes up when CSRA is performed at a higher level.

Furthermore, Al-Shuaibi (2016) examined the link between CSR and performance through an empirical study in which it has been suggested that CSR can lead the firm to enhance its performance by increasing its productivity, as well as innovation. CSR also reduces the involvement of risk in the business. From the prior studies, it can be assumed

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that CSRA leads to upgraded FP of organizations, so it is argued here that CSRAs help increase its FP. Therefore, the current study hypothesizes that:

*H1.* CSRA has a significant positive influence on the FP of the firm.

*Role of competitive advantage between corporate social responsibility activities and financial performance.* CA does not depend upon those that are easy to replicate; rather, it depends on those things that other firms cannot easily copy. [Stewart \(1997\)](#) denoted them as “unseen possessions” of the firm. Hence, the CA of any firm depends upon its ability to use its resources proficiently in amalgamation with its business practices. Such competencies may be touchable or immaterial, which must be developed with the change of time. According to [Hillman and Keim \(2001\)](#), CSRA is an appropriate originator for a firm’s CA. As a result, the diversity of CSRA tactics has been presented to provide competitive benefits that finally lead to FP progress.

Similarly, [Porter and Kramer \(2006\)](#) claimed that CSRA is not constriction. They depict it as an instrument for CA but only in that case, where the organizations integrate it into their planned agenda that guides them in their primary business selections. Several past studies suggest that when a firm is actively involved in CSRA, it is in a better position to achieve and sustain CA because it becomes able to recognize and fulfill concerns of stakeholders better than competitors ([Saeidi et al., 2015](#); [Guarnieri and Kao, 2008](#); [Amoako and Dartey-Baah, 2020](#); [Arnold, 2017](#)). The CA is considered an ultimate FP predictor because it empowers the firm to attract new customers and hold existing customers. In this way, sources of income enhancement for the firm because of the CA. This positive role of CA in enhancing the FP of the firm is supported by a large number of past studies ([Saeidi et al., 2015](#); [Majeed, 2011](#); [Cantele and Zardini, 2018](#)). However, CA’s mediation between CSRA and FP in a single model has been scarcely empirically investigated in past studies. Therefore, the present study hypothesizes that:

*H2.* CA significantly positively mediates the relationship between CSRA and FP of the firm.

*Role of innovation between corporate social responsibility activities and financial performance.* The innovation in any firm is only caused by their efforts to introduce novel products, procedures or organizational structures. It will allow them to produce by decreasing inputs and also helps them in introducing new or upgraded goods and better administration techniques, which ultimately leads toward the intensification of their profit ([Chaudhry et al., 2019](#)). [Wagner \(2010\)](#) mentioned that it is an increasing phenomenon among the CFOs of international companies that innovation undertakings help sustainability and FP. The previous work on CSRA focuses on the fact that the link between CSRA and a firm’s FP cannot be understood without considering the part of innovation. For example, it is emphasized by [McWilliams and Siegel \(2000\)](#) that if innovation in firms is not taken into deliberation, then the connection between CSRA and FP will vanish. According to [Przychodzen and Przychodzen \(2015\)](#), there is a progressive relation between innovation and FP, while very few past studies examined the link between CSRA and innovation empirically.

Consequently, CSRA is suggested to be an actual vehicle or source for innovation by several past studies ([Canh et al., 2019](#); [Montoya, 2011](#); [Wagner, 2010](#)). Therefore, it can be argued that firms adopting better CSRAs are better positioned to improve and innovate their products, processes, marketing and other practices according to stakeholders’ concerns. The innovation, in turn, tends to enhance the performance of the firm. Some different studies found in the existing writings suggest and prove the firm’s positive contribution to FP. For

instance, Chaudhry *et al.* (2019) proved through an empirical study that the firm's innovativeness significantly enhances the FP of the firm.

Similarly, some other past studies, including Przychodzen and Przychodzen (2015), Kankam-Kwarteng *et al.* (2019), Zanjirchi *et al.* (2019) and Bigliardi (2013), also suggested that innovation can lead the firm to achieve superior performance so, it can play an imperative role in determining the FP of the firm. It means that innovation can mediate the link between CSRA and FP. However, this phenomenon has not been sufficiently examined in past studies. Therefore, the third hypothesis of the study is as followed:

*H3.* Innovation significantly positively mediates the relationship between CSRA and FP of the firm.

Therefore, this study suggests the following conceptual model presumed from prior studies (Figure 1).

### Methodology

Explanatory research is conducted using an electronic structured questionnaire to examine the role of CSRA in FP and the mediation of innovation and CA. The data were collected from different manufacturing firms of Gujranwala, Pakistan.

#### *Sample size and data collection*

As the current study proposes to analyze the role of CSRA in enhancing the FP of the firm through innovation and CA in Pakistan's manufacturing sector, the executives of manufacturing firms of Pakistan are the targeted population of the present study. The purposive sampler technique is used for the current study; therefore, the middle-level and top-level executives of manufacturing companies of Gujranwala, Pakistan, make up the sample of the present research according to its purpose. For testing the hypotheses, an ideal sample size of 300 respondents for SEM was selected (Kline, 2015). An electronic structured questionnaire was distributed among 300 managers of firms chosen, out of which only 242 valid and filled questionnaires were received back. As Pakistan is an evolving country and Gujranwala is a small city with many large to medium-sized manufacturing organizations; therefore, people are unaware that most CSRA and response rates are not very good regarding electronic questionnaires.

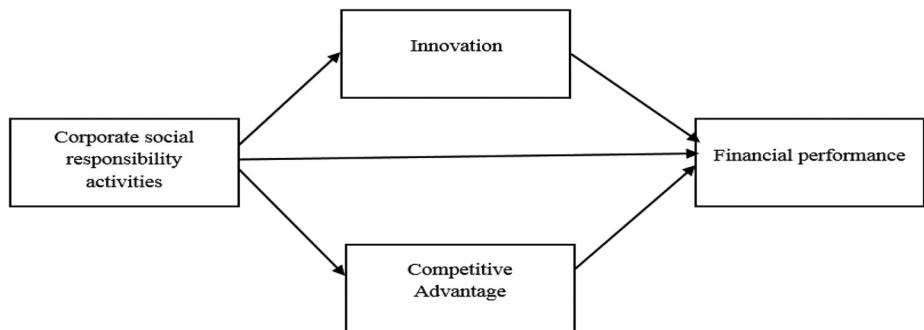


Figure 1.  
Research model

*Measures of variables*

To measure the four critical variables of this study, questions adapted from past studies have been used to design the questionnaire. The questionnaire has been developed by adopting scales from previous authenticated studies. Respondents were asked to respond on the five-point Likert scale on which 1 denotes “strongly disagree” and 5 indicates “strongly agree.” Items for CSRA, FP and CA have been adopted from the study of [Jain et al. \(2017\)](#), and questions for innovation have been taken from the survey of [Al-Shuaibi \(2016\)](#).

*Data analysis*

The quantitative information collected in the form of closed-ended responses through the questionnaire is analyzed through quantitative software, i.e. statistical package for the social sciences (SPSS) and analysis of moment structures (AMOS). SPSS software is used to check the reliability and normality of data. For more in-depth analysis and checking model fitness, the current researchers run SEM and confirmatory factor analysis (CFA) through AMOS to test hypotheses.

**Results***Descriptive analysis*

The normality and adequacy of the data have been checked through descriptive statistics given in [Table 1](#), in which mean, minimum, maximum and standard deviation prove the normality of the current data.

As the mean values of CSRA, CA, innovation and FP are all ranging from 1 to 5, which is the rating scale of these variables, therefore, it is found that there is no outlier or extreme value in the data of all these four variables. The values of the standard deviation of CSRA, CA, innovation and FP are also falling within the acceptable range so, the adequacy of the data is confirmed as there is not too much variation in the data. It means that the current evidence is in the acceptable and standard form to be used for analysis.

*Reliability and validity analysis*

A reliability test has been performed using SPSS to check the reliability ([Table 2](#)). Through this test, Cronbach’s alpha values against all scales have been computed.

According to these results, all variables of this study have their Cronbach’s alpha value superior to 0.7, which depicts the chosen scale’s reliability for all the variables. The reliability and construct validity of the model have been further checked through AMOS, in which composite reliability (CR) and average variance extracted (AVE) have been calculated ([Table 2](#)). The results depict that both reliability and validity of current variables exist. The test results indicate that all four variables fulfill the conditions for CR and construct validity because CR is  $> 0.7$  and AVE for all of them is  $> 0.5$  ([Chan and Idris, 2017](#); [Bacon et al., 1995](#)). Hence, the reliability and validity of the present data are proved.

| Variables | N   | Minimum | Maximum | Mean   | SD      |
|-----------|-----|---------|---------|--------|---------|
| CSRA      | 242 | 1.59    | 5.00    | 3.3495 | 0.64591 |
| FP        | 242 | 2.00    | 5.00    | 3.6223 | 0.60509 |
| INN       | 242 | 1.00    | 5.00    | 3.7099 | 0.71544 |
| CA        | 242 | 1.00    | 5.00    | 3.6839 | 0.66106 |

**Table 1.**  
Descriptive statistics

| Items | Variables   | Cronbach's alpha | CR    | AVE   |
|-------|---|------------------|-------|-------|
| CSRA  |   | 0.914            | 0.912 | 0.586 |
| CSRA1 | Reduction in pollution                                |                  |       |       |
| 2     | Energy conservation                                   |                  |       |       |
| 3     | Recycling and waste management                        |                  |       |       |
| 4     | Environmentally friendly packaging/containers         |                  |       |       |
| 5     | ISO certification                                     |                  |       |       |
| 6     | Pure and truthful information provision to customers  |                  |       |       |
| 7     | Appropriate value provision to customer               |                  |       |       |
| 8     | Strict criterion for quality assurance                |                  |       |       |
| 9     | Timely solutions to customer complaints               |                  |       |       |
| 10    | Commitment toward employees' well-being               |                  |       |       |
| 11    | Maintenance of work/life equilibrium for employees    |                  |       |       |
| 12    | Growth of employees' abilities and livelihoods        |                  |       |       |
| 13    | Employees' benefits/advantage                         |                  |       |       |
| 14    | Organization's recruitment and acquiring strategies   |                  |       |       |
| 15    | Contribution toward project (s) of resident community |                  |       |       |
| 16    | Employees unpaid assistant on behalf of the firm      |                  |       |       |
| 17    | Contribution to donations                             |                  |       |       |
| FP    |   | 0.740            | 0.703 | 0.553 |
| FP1   | Long-term financial relationships                     |                  |       |       |
| 2     | Turnover margin                                       |                  |       |       |
| 3     | Profit margin   |                  |       |       |
| 4     | Sales returns   |                  |       |       |
| 5     | Sales revenue   |                  |       |       |
| INN   |   | 0.811            | 0.811 | 0.567 |
| INN1  | Application of new ideas                              |                  |       |       |
| 2     | Finding new ways of work                              |                  |       |       |
| 3     | Artistic approaches of process                        |                  |       |       |
| 4     | Earliest innovation in the market                     |                  |       |       |
| 5     | New product overview                                  |                  |       |       |
| CA    |   | 0.736            | 0.735 | 0.710 |
| CA1   | Access to capitals at competitive rates               |                  |       |       |
| 2     | Upsurge of market share                               |                  |       |       |
| 3     | Accurate image among customers                        |                  |       |       |
| 4     | Fascination of the best talent from the market place  |                  |       |       |

**Table 2.**  
Reliability of scales

| CFA indicators  | CMIN/DF | GFI    | IFI    | CFI    | RMSEA  |
|-----------------|---------|--------|--------|--------|--------|
| Threshold value | ≤ 3     | ≥ 0.80 | ≥ 0.90 | ≥ 0.90 | ≤ 0.08 |
| Observed value  | 2.11    | 0.82   | 0.93   | 0.93   | 0.048  |

**Table 3.**  
CFA results

*Measurement model*

After checking the validity, variables were analyzed jointly through the measurement model, which is used to test the model's fitness. Model fitness was evaluated through key indicators of model fitness. The CFA has been performed for this determination (Table 3). CMIN/df (less than 3), GFI (higher than 0.8), CFI (higher than 0.9), IFI (higher than 0.9) and RMSEA (fewer than 0.08) are proving the excellent fitness of the current model. These

indicators were considered to conclude that whether the suggested model thoroughly explains the relationship between variables or not.

Results of CFA confirm that the current model containing CSRA and FP as the independent and dependent and CA, as well as innovation as mediating variables, has excellent fitness because all five model fitness indicators are showing acceptable values.

*Structural equation modeling*

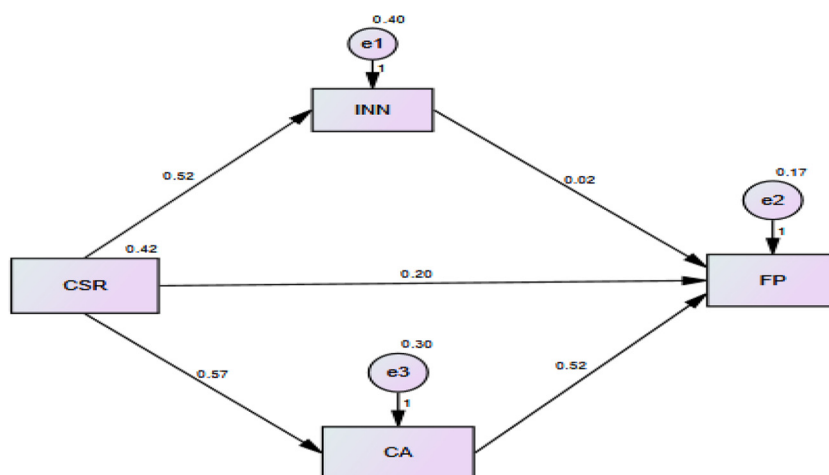
To assess proposed paths and hypotheses, SEM has been performed in which the total, direct and indirect effects of CSRA have been computed on other variables of the study (Table 4).

From the results indicated in Table 4, it is clear that CSRA increased the FP by 21.2% in total, CSRA enhanced the innovation by 46.6%, CSRA improved the CA by 55.2%, CA increased the FP by 57% and innovation increased FP by 2.8%. It is established that CSRA has a weighty positive effect on FP because the *p*-value against this effect is <0.05. However, the comparison of total and direct results of CSRA on FP shows that the immediate impact of CSRA on FP does not make up the overall effect. This difference between the full and direct effects of CSRA on FP is due to the indirect effects. It means that there is some sort of partial mediation between CSRA and FP. These indirect effects are caused by innovation and CA. It is indicated in Table 4 that the increase in CSRA significantly increases the CA by 55.2% (*p*-value < 0.001), which, in turn, increases the FP of

| Predicting variables  | Innovation    |                 |              | Competitive advantage |                 |              | Financial performance |                 |              |
|-----------------------|---------------|-----------------|--------------|-----------------------|-----------------|--------------|-----------------------|-----------------|--------------|
|                       | Direct effect | Indirect effect | Total effect | Direct effect         | Indirect effect | Total effect | Direct effect         | Indirect effect | Total effect |
| CSRA                  | 0.466***      | -               | 0.466***     | 0.552***              | -               | 0.552***     | 0.212*                | 0.328**         | 0.539***     |
| Innovation            | -             | -               | -            | -                     | -               | -            | 0.028**               | -               | 0.028**      |
| Competitive advantage | -             | -               | -            | -                     | -               | -            | 0.570**               | -               | 0.570**      |

**Table 4.**  
Path analysis and structural equation modeling

Notes: \* = *p* < 0.05, \*\* = *p* < 0.01, \*\*\* = *p* < 0.001



**Figure 2.**  
Structural equation modeling



the firm by 57% significantly ( $p$ -value  $< 0.05$ ). Hence, the CA is proved to be a significant positive mediator between CSRA and FP. Innovation is also a considerable mediator among CSRA and FP because of the substantial impact of CSRA on innovation and the significant positive effect of innovation on FP ( $p$ -value  $< 0.05$ ). However, the mediation of innovation between CSRA and FP is far less than that of CA. Figure 2 shows the structural equation model tested in the current study.

### Discussion

This study's fallouts disclose that manufacturing companies have a piece of complete knowledge about their accountabilities concerning civilization. All the CSRA have a significant impact on the worth of the firm. These activities help the firms to gain CA over their opponents. First, it is verified that there is a substantial positive effect of CSRA on the FP of the firm with a  $p$ -value  $< 0.05$ . It means that  $H1$  of the current study is accepted. These findings are consistent with many prior studies (Al-Shuaiabi, 2016; Branco and Rodrigues, 2006; Karyawati *et al.*, 2020) that revealed and the suggestion that CSRA can directly or indirectly contribute toward the performance and profitability of the firm in a positive way.

In response to  $H2$ , it is found that CSRA has a significant positive effect on CA with a  $p$ -value  $< 0.05$ . It is also found that the bond between CA and FP is positive and significant so,  $H2$  of the current study is also accepted and it is suggested the CA significantly and positively mediates the association between CSRA and FP. These discoveries are also in line with many prior results; for instance, Jain *et al.* (2017) also revealed the CA's positive mediation between CSRA and FP. Similarly, the current findings are also in line with suggestions of Hillman and Keim (2001), Porter and Kramer (2006), Guarnieri and Kao (2008), Amoako and Dartey-Baah (2020) and Saeidi *et al.* (2015), who supported the positive contribution of CSRA of the firm toward its CA. Findings of the impact of CA on FP are also consistent with findings of past studies (Saeidi *et al.*, 2015; Majeed, 2011; Cantele and Zardini, 2018). Hence, the current findings of CA's mediating role between CSRA and FP find their considerable support from the previous works.

In reply to  $H3$  of the present research, the mediation of innovation between CSRA and FP has been checked, and current findings significantly support this mediation. It means that the  $H3$  is accepted based on current findings. CSRA is found to have an optimistic influence on innovation with a  $p$ -value  $< 0.05$ , and the innovation, in turn, increases the firm's FP. These findings are aligned with several prior findings of the literature (Al-Shuaiabi, 2016; Wagner, 2010; Kankam-Kwarteng *et al.*, 2019; Przychodzen and Przychodzen, 2015; Chaudhry *et al.*, 2019; Bigliardi, 2013) that suggested that innovation can play a significant part in determining the FP of the firm directly or indirectly. Therefore, it is suggested that innovation can play an essential part as a mediator between CSRA and the FP of the firm. However, the degree of mediation of innovation is far less than that of CA. Hence, all current findings are theoretically and practically justified.

### Conclusion

This paper aims to study the influence of CSRA on the FP of manufacturing firms in a developing country such as Pakistan. It mainly focuses on the manufacturing sector in Gujranwala because the data has been collected from 300 managers of manufacturing businesses of Gujranwala, Pakistan. According to the current findings and discussion, CSRA and FP have a direct and positive relationship. The involvement of mediators such as CA and innovation has also been checked through analysis. It is found that CA and innovation partially mediate the connection between CSRA and FP. The intervention of CA is greater than that of innovation in this association between CSRA and FP. The research

reveals that manufacturing firms in Gujranwala have shown their concerns toward different dimensions of CSRA. Although it is a new thing for the under-developed city of a developing country still, companies are directing their attention toward CSRA to achieve performance outcomes. They realize that they cannot compete in the coming competitive era without proper CSRA involvement. Based on these findings, it is suggested that firms need to enhance their CSR involvement to contribute toward their CA, innovation and performance. The CSRAs will help firms identify and evaluate the areas they need to improve and innovate. In this way, their innovation capability will improve.

Furthermore, CSRAs tend to enable the firm to respond to stakeholders' needs and concerns in a way better than its competitors because firms being involved in CSRAs are more concerned about the preferences and interests of their stakeholders. In this way, CSRAs tend to help the firm in accomplishing CA over other market rivals. Therefore, firms need to focus on their CSRAs to improve innovations, differentiation and FP. These recommendations will help firms to boost their FP through CSRAs.

This research is unique because it fills the literature gap about the CSRA and FP bond's mediating elements. The current study fills the theoretical gap existing in the literature regarding the empirical examination of innovation and CA's mediating roles between CSRA and FP in a combined study, particularly in Pakistan. Therefore, it seems to be an original and new study in the literature. It will be a valuable addition to the evidential literature of CSRA, innovation, CA and FP. It will also help strategy makers in understanding that companies with CSRA involvement can achieve better innovation outcomes and a unique, as well as sustainable CA, which, in turn, can significantly contribute toward their FP. The policymakers of Pakistan can also use the implications and suggestions of the current study to understand the part of CSRA in the overall success and growth of the business so, and they will be better able to develop appropriate policies regarding CSRA for the manufacturing sector so that, the ultimate contribution of the sector toward the economy and society can be enhanced. Despite the value contribution to the theory and practice, the current study entails a few limitations. This study's first constraint is that it is restricted to a single country, specific to a lone geographic zone. Results are specific to manufacturing firms of Pakistan only. Thus, suggestions cannot be expanded to other sectors and nations. The current study gives the researchers the path to conducting this study in the services sector to enhance the findings and theory. Furthermore, cross-sector, as well as cross-country comparisons, can also be performed because the role of CSRA in the growth and performance of firms may vary from country to country and sector to sector. Second, the current study used objective measures for FP, while future researchers may enhance the findings using subjective measures and secondary data for FP.

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