

The influence of corporate social responsibility activities on customer value co-creation: the mediating role of relationship marketing orientation

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309

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La influencia de las actividades de responsabilidad social corporativa en la co-creación de valor para el cliente: El papel mediador de la orientación del marketing relacional

Muhammad Mubushar, Norizan Bt Jaafar and Rossazana Ab Rahim
Faculty of Economics and Business, UNIMAS, Kuching, Malaysia

Abstract

Purpose – This paper aims to investigate the impact of external stakeholders-related corporate social responsibility (CSR) activities (local community and suppliers) on customer value co-creation behavior. This study also aims to examine the mediating role of relationship marketing orientation (RMO) on the relationship of CSR activities and customer value co-creation behavior.

Design/methodology/approach – The main problem of dichotomy between customers and the management was existing in banking sector so that's why through purposive sampling, banking customers were selected for data collection through a self-administered questionnaire. Structural equation modeling was used to test the proposed hypotheses.

Findings – The present study found that both local community-related and supplier-related CSR activities have a positive impact on customer value co-creation behavior. Relationship marketing orientation mediates between the link of CSR activities and customer value co-creation behavior. The strength of RMO in CSR supplier and customer value co-creation behavior is found to be more dominant.

Research limitations/implications – This study is restricted to one country under-investigation; therefore, it can be replicated with a larger and more geographically diverse sample.



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Practical implications – This study offers insights to the banking sector that local community-related CSR activities contribute to the value co-creation behavior and minimize the social problems of Pakistan.

Originality/value – The findings of this study highlight that top management of banks can enhance the customer's participation in services by using valuable CSR activities. The results imply the importance of interactions between the recipient of services and service providers. Stakeholder theory has previously been applied to examine stakeholders' value maximization; this study uses stakeholder theory to examine shareholders' value co-creation.

Keywords Corporate social responsibility, Supplier, Local community
Relationship marketing orientation, Customer value co-creation behavior

Paper type Research paper

Resumen

Propósito – Este estudio investiga el impacto de las actividades de responsabilidad social corporativa (RSC) relacionadas con las partes interesadas externas (comunidad local y proveedores) en el comportamiento de co-creación del valor del cliente. Este estudio también tiene como objetivo examinar el papel mediador de la orientación del marketing relacional (OMR) en la relación de las actividades de responsabilidad social corporativa y el comportamiento de co-creación del valor del cliente.

Diseño/metodología/enfoque – El principal problema de dicotomía entre los clientes y la gerencia existía en el sector bancario, por lo que a través de un muestreo intencional, los clientes bancarios fueron seleccionados para la recolección de datos a través de un cuestionario auto-administrado. Con el fin de verificar las hipótesis propuestas, se empleó un modelo de ecuaciones estructurales.

Hallazgos – El presente estudio encontró que tanto las actividades de RSC relacionadas con la comunidad local como las relacionadas con los proveedores tienen un impacto positivo en el comportamiento de co-creación del valor del cliente. La orientación del marketing relacional media entre el vínculo de las actividades de responsabilidad social corporativa y el comportamiento de co-creación del valor del cliente. La fuerza de la OMR en el comportamiento de co-creación del valor del cliente y el proveedor de RSC se encontró que era más dominante.

Limitaciones de la investigación – Este estudio se limita a un único país, por lo tanto, podría ser replicado con una muestra más amplia y con mayor diversidad geográfica.

Implicaciones prácticas – Este estudio ofrece información al sector bancario de que las actividades de RSE relacionadas con la comunidad local contribuyen al comportamiento de co-creación de valor y minimizan los problemas sociales de Pakistán.

Originalidad/valor – Los resultados de este estudio ofrecen a la alta dirección de los bancos la posibilidad de mejorar la participación de los clientes en los servicios mediante la utilización de valiosas actividades de RSC. Los resultados implican la importancia de las interacciones entre el receptor de los servicios y los proveedores de servicios. La teoría de las partes interesadas se ha aplicado anteriormente para examinar la maximización del valor de las partes interesadas; este estudio utiliza la teoría de las partes interesadas para examinar la co-creación de valor de los accionistas.

Palabras clave Responsabilidad social corporativa, Comportamiento de co-creación de valor de los clientes, Orientación del marketing de relaciones

Tipo de artículo Trabajo de investigación

1. Introduction

In rapidly changing environment, customers have transformed their traditional role and looking for customized products/services with the ease of information, awareness and technology (Wu *et al.*, 2016; Kumar *et al.*, 2018). In this scenario, relationship building with stakeholders such as customers remains the core activity of any company (Royle and Laing, 2014; Kumar *et al.*, 2018), and corporations are under high stress to discover new methods of participation in defensible development and meeting ethical expectation.

To meet this challenge, one platform is corporate social responsibility (CSR) on which a corporation can reflect stakeholders' orientation to address special issues (Planken *et al.*, 2013; Rosa *et al.*, 2017). CSR is:

[...] the commitment of business to act ethically and contribute to the development of the economy while improving the quality of life of the employees, their families, customer, and local community as well as society at large (Watts, 2000).

Due to its significant impact on firms' efficiency and performance (Benlemlih and Bitar, 2018), CSR has become an international agenda for corporations as well as public and private institutions (Ruiz-Alba *et al.*, 2014; Terrero-De La Rosa *et al.*, 2017). Therefore, 90% of the top 250 largest companies in the world are investing in socially responsible activities and published their CSR reports (KPMG, 2015). European cluster (Eastern Europe, Continental Europe, British Isles, Northern Europe and Mediterranean Europe) has also developed 499 CSR initiatives with the help of the best 178 leading member corporations of European business networks (Maon *et al.*, 2017). Even though it is largely acknowledged that CSR is a product of Western countries, but it has gained a significant amount of attention in the Asian region, both in the corporation and academia (Fifka, 2012). Reporting of CSR investment has increased up to 50% in Asia especially in Indonesia and Malaysia (KPMG, 2016; Arena *et al.*, 2018).

After introducing mandatory CSR investment and disclosure by the Security Exchange of Pakistan in 2013, most Pakistani industries are catching up with their counterparts in developed countries in terms of their CSR initiatives (Chaudary *et al.*, 2016; Syed and Butt, 2017). The banking industry of Pakistan is deeply involved in CSR activities by improving electronic banking, investing in various social NGOs and contributing to the betterment of human beings (Khan *et al.*, 2014). Bank Al Habib donated Rs. 159.8m to underprivileged people for health, education, social and welfare development. MCB bank is one of the market leaders in the entire banking sector to serve the internal and external stakeholders including the community (Arifeen, 2018). Currently, most Pakistani banks have included CSR in their mainstream strategies. Despite their significant effort, CSR is unnoticed by customers due to the lack of engagement between stakeholders, and this problem has widened the gap between the customers and the management of the banks (Yunis *et al.*, 2017; Khan *et al.*, 2014). This is one of the main reasons that CSR in Pakistan is underexplored (Bagh *et al.*, 2017; Ashraf *et al.*, 2017). To address this issue, research scholars and practitioners have conducted in-depth studies on CSR activities to learn the changing role of customers in the complex environment of banking (Oberseeder *et al.*, 2014; Li *et al.*, 2017) but could not create consensus. Similarly, some recent developments have created crisis in banking industry of Pakistan. For example, Federal Investigative Agency (FIA) issued a list of 400 most powerful personalities and bankers who were involved to move 200 billion rupees from factious bank accounts and products. Along with this, a huge amount was stolen from the customers' accounts through phone calls and Web links by fraudsters (Pakistan Today, 2018; ProPakistani, 2019). The regulatory bank has charged penalties worth Rs. 773m on nine major banks in August 2019 for breaking the rules and regulations. All these fresh incidents have badly shaken the confidence of customers, and they are less convinced to use the banking channels. They leave the banks and move toward cash-based transactions which explains Pakistan's 36% undocumented economy (Mangi, 2012). Thus, the current study attempts to explore the relationship between CSR activities and customer value creation in banking industry of Pakistan to understand the changing behavior of customers. The outcomes of study would help to minimize the gap between the customers and the management.

Furthermore, consumer's perspective is less explored (Lee *et al.*, 2011; Bolton and Mattila, 2015) and prior research related to CSR focuses mainly on the relationships of CSR and behavioral consequences of customers such as the impact of CSR on customer loyalty (Pérez and Rodríguez del Bosque, 2017; Fatma *et al.*, 2018; Ajina *et al.*, 2019; Mohammed and Al-

Swidi, 2019). Many scholars have explored the role of CSR in purchase intentions, the impact of CSR and customer preferences and customers' reactions (Lee and Lee, 2018; Bae *et al.*, 2019; Tingchi Liu *et al.*, 2014; Anadol *et al.*, 2015). Yet, the concept of CSR and customer value co-creation behavior are still underexplored (Dechiara, 2012; Ahen and Zetting, 2015; Luu, 2019). CSR must be conducted based on other customers' behavioral aspects because customers are changing their traditional and passive role as a merely recipient of services/products to being an active participant in value co-creation: customer participation behavior and customer citizenship behavior (Vargo and Lusch, 2014; Yi and Gong, 2013; McColl-Kennedy *et al.*, 2012). Research have been conducted to study the importance of customer involvement in social responsibility, and it was found that value co-creation behavior is essential to meet the changing dimensions of a marketplace in the contemporary world (Ida, 2017; Wagner, 2017). However, there are extremely limited research on the effects of CSR dimensions on customer value co-creation.

Moreover, the researchers seek to find a mechanism that links relationship marketing orientation (RMO) with CSR activities and customer value co-creation behavior. For effective value co-creation, interface is very important between customers and service providers (Vargo and Lusch, 2008). RMO relationship activities for the interest of customers and co-creates values through reciprocal contribution (Gruen *et al.*, 2000). RMO is also a further investment of companies for the development of a long-term relationship with stakeholders (Knox and Gruar, 2007). In this way, RMO can serve as a mediator between CSR actions and customer value co-creation behavior.

This study has three contributions: the first and foremost is academic contribution. Based on stakeholder theory, this study extends the literature of CSR to customer value co-creation behavior. This adds on to the existing body of literature that only links CSR with customers passive outcomes such as loyalty, purchase intentions and repurchase intentions (Lee and Lee, 2018; Bae *et al.*, 2019). The current study will break the concept of CSR into dimensions, namely, CSR local community and CSR suppliers, and highlight their roles in customer value co-creation behavior. Second, this study emphasizes on the indirect role of RMO between CSR activities and customer value co-creation behavior to build the quality-oriented relationship between customers and service providers.

The final contribution is that this study applied stakeholder theory highlight on non-economic value of stakeholders, while most studies on CSR use stakeholder theory to maximize the value of shareholders (Harrison and Wicks, 2013). This is the first study which uses this theory and explores the relationship between CSR dimensions and customer value co-creation behavior.

2. Literature review

2.1 Local community-related corporate social responsibility activities and customer value co-creation behavior

Companies have plentiful resources to bring prosperity for the community; therefore, CSR is considered to be a very important mechanism to strengthen the link between corporations and the local community for the economic stability of the society in the longer run (NEAC, 2010). CSR campaigns enable communities to be more than just a market in the eyes of business; therefore, corporations ought to understand which CSR activities are closely aligned with the community when planning CSR strategies. Local community-related CSR is a set of philanthropic activities which brings improvements in the community in terms of employment, health, education, water supply, sanitation, etc. (Maloni and Brown, 2006; Aguilera *et al.*, 2007; Ismail *et al.*, 2015). Customers are likely to observe the tangible features of firms that encourage their participation. Thus, they tend to respond positively to

community-orientated projects that are closely linked with customers (Marquina Feldman and Vasquez-Parraga, 2013).

Understanding the customers' response to stakeholders-oriented CSR activities, many scholars proposed that well-executed community-related CSR programs may enhance customer based behavioral outcomes (Halkias *et al.*, 2013; Tingchi Liu *et al.*, 2014; Pérez and Rodriguez del Bosque, 2015). If a vigorous relationship has been found between community-oriented CSR activities and its positive consequences, then studies must be able to check the relationship between local community CSR and more specific aspects of customers such as customer value co-creation behavior because following service-dominant logic, customers are always operant resources for value co-creation (Vargo and Lusch, 2004; Vargo and Lusch, 2008). Customers have changed their traditional passive role in services as they are not only demanding services but also tend to participate actively by a unique alliance between companies and customers (Zhang *et al.*, 2015; Rialti *et al.*, 2018). A number of scholars proposed that philanthropic activities create the added value for the community as well as for the company because its altruistic values give a sense of connection and identification to the customers (Sen *et al.*, 2006; Pérez and Rodriguez Del Bosque, 2015). When they perceive the value to be close to their own identities, they are more likely to share their values. However, these are just assumption as the relationship between CSR activities and customer value co-creation value is limitedly explored (Laczniak and Murphy, 2006; Ahen and Zetting, 2015; Luu, 2019).

Thus, the current study seeks to test the relationship between local community-oriented CSR activities and customer value co-creation behavior. This behavior is the combination of dual factors: customer participation behavior such as information seeking, information sharing, responsible behavior and personal interaction and customer citizenship behavior which include giving feedback, showing advocacy, helping and being tolerant (Yi and Gong, 2013). With the help of community members' understanding of the customers' participation, prospects can be improved (Kamboj and Rahman, 2017; Sanclemente-Téllez, 2017; Bharti *et al.*, 2014). Similarly, customers have a high tendency to demonstrate extra-role behavior that is the customer citizenship behavior if they perceive that the company is more ethical and interdependent on society's welfare (Karaosmanoglu *et al.*, 2016). This leads to the following hypothesis:

- H1. Local community-related CSR activities positively affect (a) customer participation behavior and (b) customer citizenship behavior.

2.2 Supplier-related corporate social responsibility activities and customer value co-creation behavior

To become socially responsible, firstly a company needs to be a good partner to its good business partner. A firm can force its business suppliers to improve the prospects of products/services by educating about quality goals as per adopted standards and mutually agreeing on quality control procedures (Longo *et al.*, 2005). Focusing on the labor standard of business partners and other business suppliers in compliance with legalities as well as executing procedures for them is seen as part of CSR practices within the corporations (Graafland and van de Van, 2006; Skudiene and Auruskeviciene, 2012). It means all the CSR activities consisting of fair dealings with suppliers and other business partners fall under the category of supplier-related CSR.

CSR has been gaining the utmost importance in the domain of supply chain management, and most of the companies are keeping the element of CSR into their account when purchasing from their suppliers (Maignan *et al.*, 2002; Kolk and Van Tulder, 2002).

One of the primary motives behind this is the pressure from customers who tend to be concerned with the suppliers of the corporation (Bartley, 2007). A firm directly or indirectly uses the suppliers' products as its end-products; therefore, customers' perceptions may be affected by the activities of the suppliers (Hietbrink *et al.*, 2010). Thus, it is argued that customers' concerns can be addressed in suppliers' CSR activities. To support this argument, many scholars asserted that customer demand, personal conviction and ethical obligation can be addressed into supplier-related CSR activities (Carter and Jennings, 2004; De Ruyter *et al.*, 2009). A large number of CSR studies have demonstrated that addressing the customers' concerns into CSR communications corporations can influence the behavioral intentions of customers. For example, CSR activities related to customers' concerns is more related to customers trust as compared to others which generate behavioral loyalty due to being directly connected with the customers' needs (Mandhachitara and Poolthong, 2011; Chung *et al.*, 2015; Tingchi Liu *et al.*, 2014; Badenes-Rocha *et al.*, 2019). Corporations often try to incorporate customers' self-centered motives on a personal level in their strategies to influence their buying behavior. Recent studies found links between these two well-established concepts (Laczniak and Murphy, 2006; Ahen and Zetting, 2015; Luu, 2019). Customer value co-creation behavior is twofold: customer participation behavior and customer citizenship behavior (Yi and Gong, 2013). By incorporating customers' needs into mainstream strategies, companies can influence the factors of participation behavior for value co-creation (Bharti *et al.*, 2014; Ida, 2017; Zhao *et al.*, 2018). Similarly, researchers have suggested that CSR influences customer citizenship behavior (Lee and Yoon, 2018; Van Tonder and Petzer, 2018). Based on stakeholder theory and the above-mentioned premise, the following hypothesis is formed:

- H2. Supplier-related CSR activities positively affect (a) customer participation behavior and (b) customer citizenship behavior.

2.3 Relationship marketing orientation as a mediator between local community-related corporate social responsibility activities and customer value co-creation behavior

Customers are the operant resources or source of knowledge and skills for value co-creation (Vargo and Lusch, 2004). For effective value co-creation, interaction between consumers and service providers is necessary (Vargo and Lusch, 2008). This point highlights how RMO deepens the facets of CSR and customer value co-creation behavior under the stakeholder theory. According to this bilateral relation, customers must be a fundamental operant resource for value co-creation behavior (Vargo and Lusch, 2004; Gohary and Hamzeli, 2016). It can be argued that relational activities and interaction can convert customers into dynamic operant resources for corporations (Vargo and Lusch, 2011; De Chiara, 2012). Consequently, this type of planned orientation can tighten the relationships between corporations and customers (Morgan and Hunt, 1994) and ensure that maximum benefits are reaped by the customers from CSR activities (Gohary and Hamzeli, 2016).

When a company engages local community-oriented CSR, it builds relationships with customers due to positive evaluation which further extends trust, respect and care to customers (Tse *et al.*, 2004). Once customers evaluate a corporation positively, they are committed for exchange including value co-creation. Through CSR activities, customers will notice that the corporation shares a common goal and values with them which help to enhance their connection with the socially responsible organization for value co-creation through communication (Abugre and Nyuur, 2015). The element of empathy in RMO also differentiates the socially responsible organization in the eyes of the customer (Tse *et al.*, 2004). Reciprocity is the element of RMO which enables customers to collaborate and

respond to the organization (Jayachandran *et al.*, 2005). All six dimensions of RMO play a significant role in linking CSR community and customer value co-creation behavior. It can be assumed that RMO may serve as a mediator between CSR community and customer value co-creation behavior. This leads to the third hypothesis, which is:

- H3. RMO is a positive mediator between local community-related CSR activities (a) customer participation behavior and (b) customer citizenship behavior.

2.4 Relationship marketing orientation as a mediator between supplier-related corporate social responsibility activities and customer value co-creation behavior

In mainstream marketing studies, the literature on relationship marketing has ignored the importance of the other stakeholders besides customers. Thus, in relationship marketing approach, there is a growing consensus to focus on other stakeholders, along with customers, in the network (Payne *et al.*, 2005; Gummesson, 1999). Relationship marketing focuses on how to create ongoing value-in-use, as opposed to only considering how to build relationships with customers (Payne and Frow, 2017). Relationship marketing orientation can be defined as the degree to which a firm is involved in developing long-term relationships with its clients (Tse *et al.*, 2004). Sin *et al.* (2005) elaborated relationship marketing orientation (RMO) in more detail: trust, communication, empathy, shared value, reciprocity and bonding.

Trust explains the preparedness to have faith in a partner on which a person can rely on with confidence (Morgan and Hunt, 1994). The communication facet refers to the sharing of official or unofficial timely and meaningful information between buyers and sellers. The element of empathy allows a person to see a situation from the stance of other people. The fourth is shared values which explain the extent to which partners believe commonly in policies, behavior and appropriateness (Morgan and Hunt, 1994). Reciprocity highlights a process that helps the customer to relate and share data within the organization and enable it to respond to the consumers' needs (Jayachandran *et al.*, 2005). The last facet is bonding: that discusses emotional improvement between two bodies that act in unified manners for a common cause (Sin *et al.*, 2005). The tendency of the relationship in CSR suppliers and customer value co-creation might be intensified by the related actions of the organization and in this way, RMO may serve an influencer. Relationship marketing orientation can help to drive the suppliers to further connect with the organization and its CSR value and stimulate the customer for active participation in the entire process (McColl-Kennedy *et al.*, 2012; Tse *et al.*, 2004). The RMO is a further investment of corporations to strengthen the bonding with consumers for value co-creation that is also a form of reciprocity which is the outcome of relationship strategy (Tse *et al.*, 2004). Every facet of RMO further encourages customers' perceptions about the CSR values of the organization which eventually leverage the reciprocal contribution from the customers in terms of value co-creation behavior. Thus, it is suggested that relationship marketing orientation can play a role as an intermediary force between suppliers-related CSR activities and customer value co-creation behavior (Figure 1).

- H4. RMO positively mediates between suppliers-related CSR activities (a) customer participation behavior and (b) customer citizenship behavior.

3. Data collection and methodology

This research is conducted using cross-sectional survey to test the proposed relationships in the model based on the stakeholder theory. The primary data is gathered from the customers of twin cities Rawalpindi/Islamabad who maintain their accounts in the Pakistani

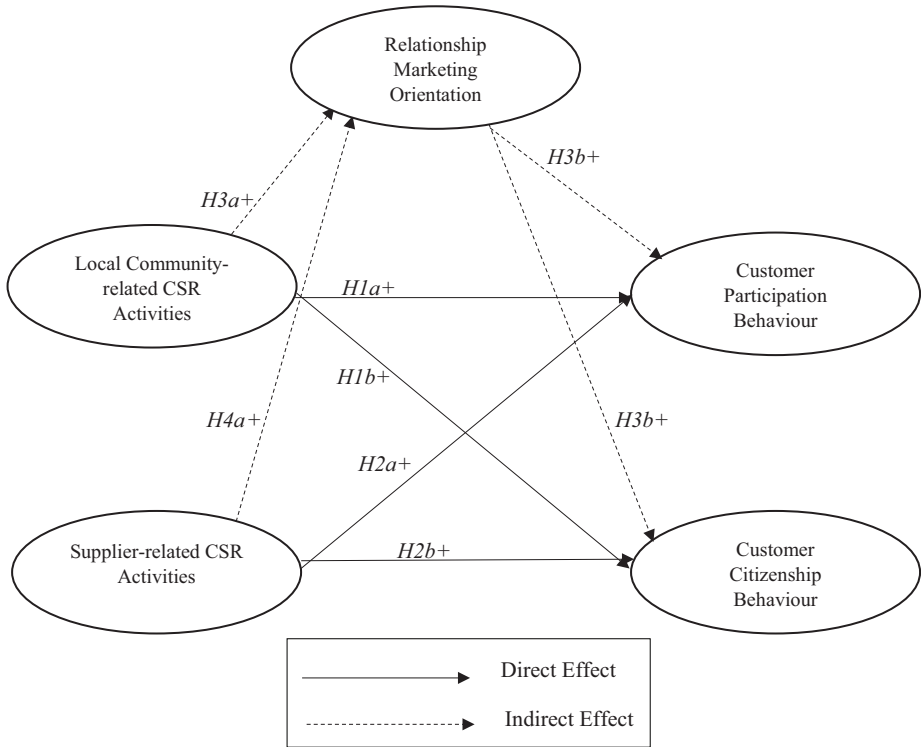


Figure 1. Theoretical framework: the relationship of corporate social responsibility (CSR) activities, customer value co-creation behavior and relationship marketing orientation

banking industry. Islamabad is the capital of Pakistan and mixture of all societies due to educational hub and higher opportunities which is the best representative of Pakistani society. These responses gathered from banking industry as the problem of the disconnection between customers and management happen in this industry (Mujahid and Abdullah, 2014; Khan *et al.*, 2014). To analyze the data, Smart PLS is used because the data fulfilled the assumptions of Smart PLS such as the sample size, etc. Although structural equation modeling can be run using a small sample size such as between 150 to 200 respondents, large sample size helps to establish better results (Hair *et al.*, 2014) and the sample size of the present study fell beyond the recommended limit. In Pakistan, there are 34 operating banks (State Bank, 2016), and it is not possible to collect the data of all banks. These banks are categorized into three levels: small, medium and big banks based on market share, size, and total deposits. The researchers selected ten medium-size banks to be included in this study because these banks are more customer-oriented and strive to capture more market share (KPMG, 2015). This is because small size banks have less number of branches and cover limited geographical areas, while big banks have already huge share and are not aggressively customer-centric compared to medium size banks. The respondents are selected using purposive sampling. In Pakistan, only 16% of the total population have bank accounts (State Bank of Pakistan, 2016). The total population of Pakistan is 207 million (Pakistan Bureau of Statistics, 2017; Shahbaz, 2017), and the total banking customers are 30.1 million. Krejcie and Morgan (1970) suggested that if the population is more than 1 million, a sample size of 384 respondents is adequate. As much as

550 questionnaires are distributed in twin cities, Rawalpindi and Islamabad. As much as 395 are returned but only 384 responses are inputted in SPSS 11 as the other questionnaires were half-filled. Data was checked through SPSS which is normal and through descriptive statistics we check the numbers, and valid percentage in frequency which shows that there is no missing value. The response rate was 71.8% that is similar to many studies conducted in Asia (Raja *et al.*, 2004; Abbas *et al.*, 2014). As much as 274 questionnaires, out of 384, were filled by males and 110 were filled by females and their proportion is 71.35 and 28.6%, respectively. In Pakistan, males are responsible to run the families' expenses; hence, there are more male bank users compared to females. Therefore, the disproportionate ratio between males and females respondents is appropriate in this context. There were 96 respondents between 18 and 24 years old (25%), 133 are 25 to 31 years old (34.6%), 87 are 32 to 38 years old (22.7%), 59 are 39 to 54 years old (15.4%) and 9 are 55 to 60 years old (2.3%). As for educational level, 227 respondents have bachelor's degree (59.1%), 146 have a master's degree (38.0%), 10 have a MPhil (2.6%) and 1 have a PhD (0.3%). Mostly in banks, customers are educated and use digital services such as mobile, SMS and internet services. Second, Islamabad and Rawalpindi have the highest literacy rate. Therefore, mostly respondents are educated. Seventy eight respondents maintain their account in The Bank of Punjab (20.3%), 53 in Faisal Bank (13.8%), 53 in Askari Bank (13.8%), 49 in Habib Metropolitan Bank (12.8%), 46 customers maintain their account in Bank Al-Habib (12.0%), 39 in Meezan Bank (10.2%), 32 in Standard Chartered Bank (8.3%), 24 in NIB bank (6.3%) and 10 in Soneri bank (2.6%).

3.1 Measurement of instrument

The scales consist of five-point Likert items that ranged from strongly disagree to strongly agree. Five-item scale measured the independent variable – CSR local community, and a four-item scale measured the independent variable – CSR Suppliers. Six dimensions of relationship marketing orientation, namely, reciprocity, communication, bonding, empathy, trust and shared value, are measured by a 22-items scale. Two dimensions of customer value co-creation behavior, the dependent variable; customer participation behavior and customer citizenship behavior are measured by a 30-item scale. The scales for measuring the variables are adapted from literature which is given in the following table. In scale, the statement of items exactly measures the dimensions of CSR, relationship marketing and customer value co-creation behavior. For example, “My bank is supporting local sport, cultural or other community activities and projects” measure the local community-related CSR. Similarly, “My bank incorporates the interests of their suppliers in their business decisions” related exactly measure supplier-related CSR. Other scales are also assessed in this way, and these scales are validated by multiple scholars. The CSR activities-related scales have been tested in banking sector by Pérez and del Bosque (2013). Similarly, relationship marketing orientation and customer value co-creation scales are validated by Mainardes *et al.* (2017) (Table 1).

4. Results and discussion

4.1 Measurement model

To test the theoretical model, the first step is measurement model which is known as outer model. From the very beginning, it is mandatory to check whether the constructs are formative or reflective. The evaluation criteria of the formative measurement model were different from the reflective measurement model (Hair *et al.*, 2014). In the formative measurement model, internal consistency is not appropriate (Chin, 1998), due to the representation of the independent cause and having no correlation with each other. The

Table 1.
Scales and sources:
CSR activities scales,
relationship
marketing
orientation scale,
customer value Co-
creation scale

Variable type	Variable	Definition	Source
Independent	CSR Local community	Local community-related CSR is a set of philanthropic activities which brings improvements for the community in term of employment, health, quality education, water, and sanitation	Pérez and del Bosque (2013)
	CSR suppliers	Focusing on the labor standard of business partners and other business suppliers in compliance with legalities as well as executing procedures for them is seen as part of CSR practices within the corporations	Cochius (2013)
Mediator	Relationship marketing orientation	The degree in which an organization involves for the development of long-lasting ties with its clients	Sin <i>et al.</i> (2005)
Dependent variable	Customer participation behavior	It caters responsible behavior, information seeking, personal interaction, and information sharing sub-dimensions	Yi and Gong (2013)
	Customer citizenship behavior	It caters tolerance, feedback, helping and advocacy dimensions	Yi and Gong (2013)

reflective measurement model's items must be correlated and depict the true picture of the significant outer loadings. The reflective measurement model needs reliability and validity of construct, whereas formative measurement model needs convergent validity and discriminant validity. In the current study, all variables are reflective. Table 2 describes the composite reliability of the variables. The value falls between the range of 0 and 1 where higher values of composite reliability describe higher reliability and the acceptable values fall between 0.60 and 0.70 (Gefen *et al.*, 2000). Memon *et al.* (2018) proposed that 0.70 is considered as the standard for consistency.

Table 4.1 shows that the value of composite reliability for all variables is above 0.70 that shows that all items are internally consistent. Outer loading indicates the reliability that shows the indent of measurement which is actually being assessed (Urbach and Ahlemann, 2010). The cut-off value for reliability is 0.50. This table also shows the AVE which is greater than 0.50 for all variables which shows that every variable must explain a minimum of 50% of the variance by the assigned items (Hair *et al.*, 2017).

Table 3 shows the discriminant validity and in the present study, the criteria outlined by Fornell and Larker (1981) are being followed where the squared root of the AVE on the diagonal must be more than the correlation on the off-diagonal. The following table describes that the values of all constructs are greater than off-diagonal values which means that there is no issue of discriminant validity (Figure 2).

4.2 Mediation analysis

Table 4 explains the direct relationship of CSR activities on customer participation behavior and customer citizenship behavior. Local community-oriented CSR activities positively affect customer participation behavior as its *t-values* is 7.777 which is greater than 1.645 and significant at 0.05 level. Local community-oriented CSR also positively affects customer citizenship behavior and its *t-values* is 4.798 which is greater than 1.645 and significant at

Constructs	Items	O.L	CR	AVE
CSR local community	CSRE1	0.770	0.806	0.51
	CSRE2	0.730		
	CSRE3	0.725		
	CSRE4	0.706		
CSR suppliers	CSRS1	0.790	0.823	0.527
	CSRS2	0.713		
	CSRS3	0.744		
	CSRS4	0.880		
RMO Trust	TR1	0.807	0.858	0.602
	TR2	0.785		
	TR3	0.723		
	TR4	0.786		
Bonding	BO1	0.747	0.817	0.528
	BO2	0.763		
	BO3	0.766		
	BO4	0.724		
Communication	COM1	0.790	0.839	0.635
	COM2	0.768		
	COM3	0.830		
Empathy	EM1	0.795	0.837	0.566
	EM2	0.785		
	EM3	0.807		
	EM4	0.801		
Shared value	SV1	0.775	0.769	0.527
	SV2	0.732		
	SV3	0.674		
Reciprocity	RE1	0.710	0.791	0.558
	RE2	0.779		
	RE3	0.750		
Information seeking	INSE1	0.715	0.799	0.570
	INSE2	0.776		
	INSE3	0.777		
Information sharing	INSH1	0.708	0.826	0.542
	INSH2	0.729		
	INSH3	0.786		
	INSH4	0.721		
Responsible behavior	RB1	0.775	0.828	0.547
	RB2	0.786		
	RB3	0.756		
Personal interaction	PI1	0.877	0.874	0.582
	PI2	0.784		
	PI3	0.737		
	PI4	0.835		
	PI5	0.778		
Advocacy	AD1	0.824	0.851	0.655
	AD2	0.839		
	AD3	0.763		
Feedback	FB1	0.733	0.828	0.617
	FB2	0.828		
	FB3	0.793		
Helping	H1	0.731	0.843	0.574
	H2	0.828		
	H3	0.785		
	H4	0.683		
Tolerance	TO1	0.843	0.852	0.657
	TO2	0.798		
	TO3	0.791		

Notes: CSRLC = Local community-related corporate social responsibility, CSRS = Suppliers-related corporate social responsibility, TR = trust, BO = bonding, COM = communication, EM = empathy, SV = shared value, RE = reciprocity, INSE = information seeking, INSH = information sharing, RB = responsible behavior, PI = personal interaction, AD = advocacy, FB = feedback, H = helping, TO = tolerance

Table 2.
Outer loading,
reliability and AVE
of constructs

Table 3.
Discriminant validity
of constructs

Constructs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
AD	0.809															
BON	0.132	0.727														
COM	0.167	0.047	0.797													
EMP	0.172	0.391	0.11	0.752												
FB	0.255	0.221	0.193	0.387	0.786											
HLP	0.217	0.117	0.204	0.261	0.288	0.757										
IS	0.276	0.239	0.139	0.399	0.38	0.3	0.755									
ISH	0.122	0.119	0.233	0.299	0.281	0.149	0.119	0.737								
CSRLC	0.13	0.138	0.132	0.23	0.367	0.176	0.168	0.353	0.714							
PI	0.2	0.156	0.146	0.214	0.283	0.267	0.246	0.195	0.292	0.763						
RE	0.074	0.024	0.037	0.391	0.159	0.117	0.237	0.031	0.098	0.12	0.747					
RB	0.184	0.167	0.179	0.193	0.326	0.238	0.193	0.173	0.222	0.44	0.069	0.739				
SV	0.133	0.269	0.211	0.364	0.125	0.203	0.167	0.116	0.108	0.169	0.219	0.211	0.726			
CSRS	0.11	-0.023	0.177	0.214	0.133	0.215	0.17	0.167	0.128	0.155	0.184	0.155	0.119	0.734		
TOL	0.221	0.046	0.087	0.125	0.15	0.158	0.156	0.089	0.163	0.156	0.044	0.238	0.108	0.124	0.811	
TR	0.117	0.215	0.095	0.315	0.244	0.128	0.162	0.157	0.273	0.189	0.189	0.216	0.309	0.104	0.028	0.776

Notes: AD = advocacy, BON = bonding, COM, communication, EMP = empathy, CSRLC = Local community-related corporate social responsibility, FB = feedback, HLP = helping, INSE = information seeking, ISH = information sharing, PI= personal interaction, RE = reciprocity, RB = responsible behavior, SV = shared value, CSRS = Suppliers-related corporate social responsibility suppliers, TOL = tolerance, TR = Trust

0.05 level. The beta value is 0.390 and 0.337 for customer participation behavior and customer citizenship behavior, respectively. These beta values describe that if one-unit change occurs in local community-oriented CSR, there will be 39% change in customer participation behavior and 33% change in customer citizenship behavior. Supplier-oriented CSR positively affects the customer citizenship behavior as its *t-values*, 4.035, which is greater than 1.645 and significant at 0.05 level. Supplier-oriented CSR also positively affects customer citizenship behavior as its *t-values*, 3.239, which is greater than 1.645 and significant at 0.05 level. The beta value of supplier-oriented CSR is 0.199 and 0.183 for customer participation behavior and customer citizenship behavior respectively. These beta values describe that 1 unit change in supplier-oriented CSR brings 19% change in customer participation behavior and 18% change in customer citizenship behavior.

The R^2 values are 0.272 and 0.182 which describe that two independent constructs, namely, CSR local community and CSR suppliers explain 27% variation in customer participation behavior and 18% variation in customer citizenship behavior. This table also highlights the effect size of both independent variables as the value of f^2 shows that local community-oriented CSR has 0.190 and 0.133 effect size for customer participation behavior and customer citizenship behavior, whereas the value of f^2 shows that supplier-oriented CSR has 0.049 and 0.039 effect size for customer participation behavior and customer citizenship behavior. Suppliers-related CSR activities have a smaller effect on customer value co-creation behavior as compared to local community-oriented CSR activities. So, *H1a*, *H1b*, *H2a* and *H2b* are supported (Figure 3).

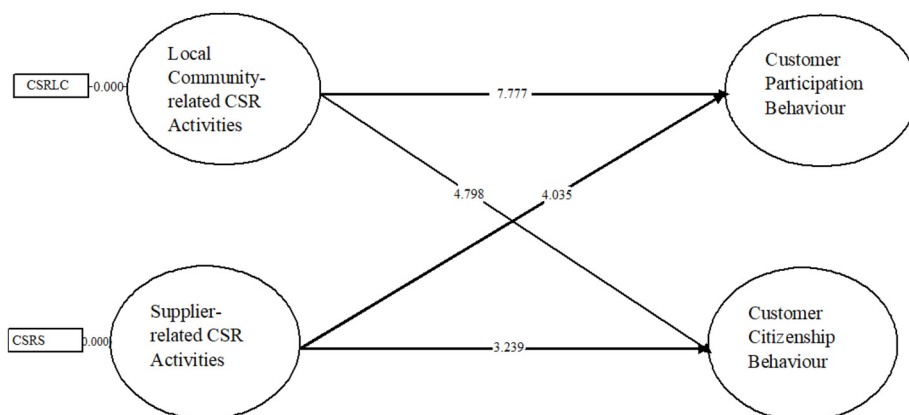


Figure 2. Direct effect of local community-related and suppliers-related CSR activities on customer value co-creation behavior

	Direct hypotheses	β	SD	<i>t</i> -value	R^2	f^2	
<i>H1a</i>	CSRLC → CPB	0.390	0.050	7.777	0.272	0.190	Supported
<i>H1b</i>	CSRLC → CCB	0.337	0.070	4.798		0.133	Supported
<i>H2a</i>	CSRS → CPB	0.199	0.049	4.035	0.182	0.049	Supported
<i>H2b</i>	CSRS → CCB	0.183	0.056	3.239		0.039	Supported

Notes: CSRLC = Local Community-oriented corporate social responsibility, CSRS = Supplier-oriented corporate social responsibility, CPB = customer participation behavior, CCB = customer citizenship behavior

Table 4. The direct effect of CSR activities on customer value co-creation behavior

Table 5 describes the direct and indirect impact of local community-oriented CSR and supplier-oriented CSR on customer value co-creation behavior via RMO. The beta value of *H3a*, *H3b*, *H4a*, and *H5b* are 0.276, 0.240, 0.128 and 0.114, respectively. The direct effects are statically significant as its *t-values* are above 1.64 (Hair *et al.*, 2017). The beta value of *H3a*, *H3b*, *H4a* and *H4b* are 0.102, 0.093, 0.075 and 0.069 in the in-direct effect are statistically significant as its values are greater than 1.64 (Hair *et al.*, 2017). It means that relationship marketing orientation partially mediates CSR activities and customer value co-creation behavior. The beta values *H3a*, *H3b*, *H4a* and *H4b* decreased from 0.276, 0.240, 0.128 and 0.114 to 0.102, 0.093, 0.075 and 0.069 in the in-direct effect, respectively. So *H3a*, *H3b*, *H4a* and *H4b* are supported.

Table 6 highlights the strength of mediation between CSR activities and value co-creation. If a direct link is not significant, then there is no mediation and if a direct link is significant, the VAF (Variance, Accounted For) is conducted to check the strength of mediation (Wong, 2016; Hair *et al.*, 2014). If the value of VAF is greater than 80%, it shows

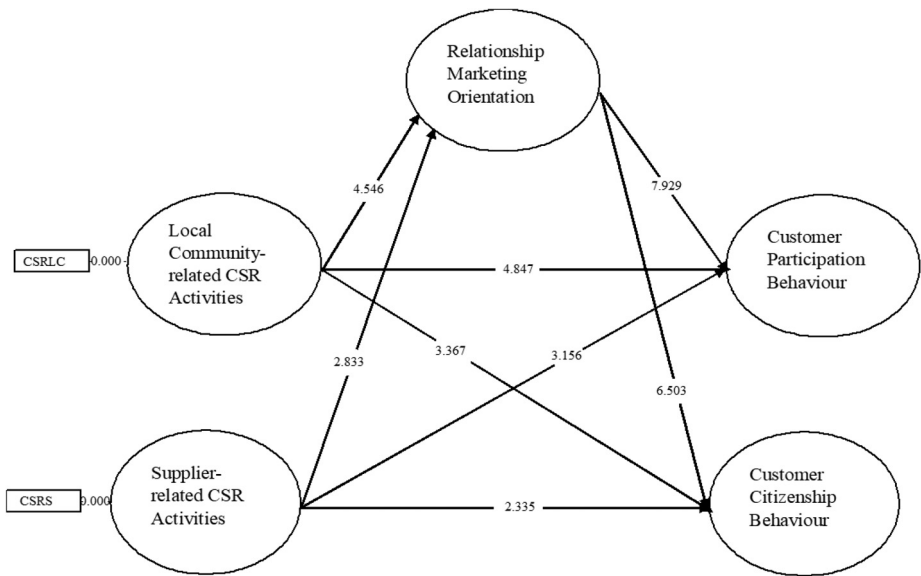


Figure 3. Mediation model: the relationship of corporate social responsibility (CSR) activities, customer value co-creation behavior and relationship marketing orientation

Mediation hypotheses direct effect indirect effect

		β	S.D	<i>t</i> -value	β	S.D	<i>t</i> -value	
<i>H3a</i>	CSRLC → RMO → CPB	0.276	0.057	4.847	0.102	0.027	3.813	Supported
<i>H3b</i>	CSRLC → RMO → CCB	0.240	0.071	3.367	0.093	0.028	3.357	Supported
<i>H4a</i>	CSRS → RMO → CPB	0.128	0.041	3.156	0.075	0.030	2.531	Supported
<i>H4b</i>	CSRS → RMO → CCB	0.114	0.049	2.335	0.069	0.028	2.494	Supported

Table 5. The direct and indirect effect of CSR activities on customer value co-creation behavior

Notes: CSRLC = Local community-related corporate social responsibility, CSRS = Supplier-related corporate social responsibility, RMO = relationship marketing orientation, CPB = customer participation behavior, CCB = customer citizenship behavior, CSRS = corporate social responsibility supplier

full mediation while if it falls between the 20 and 80%, it shows partial mediation and if it falls below 20%, it shows no mediation. The values of local community-oriented CSR are 26 and 27% for customer participation behavior and customer citizenship behavior, respectively. Similarly, the values of supplier-oriented CSR are 37% for customer participation behavior and customer citizenship behavior. The VAF values for both CSR activities fall between 20 and 80% which confirms that relationship marketing orientation partially mediates between independent and dependent variables.

5. Conclusion

This study aimed to check whether customized CSR activities for local community and suppliers are useful to integrate into the model to generate the value co-creation behavior within the Pakistani banking industry. The present study has proven that local community-oriented activities have a positive role in customer participation behavior and customer citizenship behavior. It shows that CSR is not only important for customers' perception but also works as a driving force for customer value co-creation behavior. This community dimension of CSR is a strategic marketing tool through which banks can add more customers in their pool and advocate their messages in the right direction without additional cost. This finding is aligned with previous studies that show that customized CSR action can shape the behavioral outcomes of customers (Arli and Tjiptono, 2018; Chung *et al.*, 2015; García-Madariaga and Rodríguez-Rivera, 2017). Similarly, supplier-related CSR communications positively affect customer participation behavior and customer citizenship behavior. Focusing on CSR for suppliers, banks can influence the customers' observation because customers are either directly or indirectly the end-users of suppliers' related activities. This study is the first to incorporate the supplier-focused CSR activities in a model to unstructured the customer value co-creation behavior. This study also demonstrated that relationship marketing orientation partially mediates between local community-oriented CSR and customer participation behavior and customer citizenship behavior. RMO also mediates between supplier-oriented CSR and customer participation behavior and customer citizenship behavior. This finding strengthens the outcomes of the study conducted by Luu (2019) that suggested that RMO play a constructive role between CSR and customer value co-creation behavior. With the help of RMO, banks can improve the prospects of quality-oriented contact between customer and service providers in the banking industry of Pakistan.

5.1 Theoretical implications

This is the first study that applied stakeholder theory to explore the non-economic value of stakeholders: customer value co-creation behavior. Based on stakeholder theory, most CSR studies strived to assess the behavioral outcomes of the customer concerning the most important stakeholder and missed other imperative stakeholders. Stakeholder theory is also related to the value maximization and the interest of stakeholders, but there are limited number of studies that incorporate importance external stakeholder, i.e.

VAF	Variables	Indirect effect/total effect	(%)	Types of mediation
	CSRLC > RMO > CPB	0.102/0.390	26	Partial mediation
	CSRLC > RMO > CCB	0.093/0.337	27	Partial mediation
	CSRS > RMO > CPB	0.075/0.199	37	Partial mediation
	CSRS > RMO > CCB	0.069/0.183	37	Partial mediations

Table 6.
Variance accounted
for (VAF): calculation
of mediation effect

suppliers to study the customer value co-creation behavior. This study has extended the CSR literature with customer value co-creation behavior under the head of stakeholder theory and service dominant logic. This work contributed into the deficiency of service dominant logic by introducing RMO that explains the interaction between customers and service providers is mandatory for effective value co-creation behavior. Through this lens, it has proved that along with customers, other stakeholder such as local community and suppliers can generate customer value co-creation. Previously stakeholder theory has been used for maximization of shareholders' wealth and did not discuss value co-creation, but the present study applied first time this theory for non-economic value of customer process that lessens the criticism on narrower part of this theory. The findings increase the understanding of value process by connection of three different concepts: CSR, RMO and customer value co-creation behavior.

5.1.1 Managerial/practical implications. This research has several managerial implications for the Pakistani banking industry. The results offer insights for the executives of banking that CSR local community bank do not only contribute to the society but also stimulate customers for active participation. This is because community related CSR activities are closely related to customers, and they can easily notice them due to its tangibility. Similarly, banks must focus on supplier-related CSR activities to build customer value co-creation behavior. This is because supplier-related CSR activities indirectly affect the decision of customers as the end-users of products. Our study exhibits that banks may differentiate and improve the offering by introducing the wide variety of resources that customers and multi-stakeholders are willing to invest jointly and augmenting behaviors. This can also enhance growth, service quality and profit with the help of advocacy behavior of customers through value co-creation behavior. Moreover, in Pakistani banking industry, customers demand productive interaction between service recipients and service providers. The results highlight that with the help of relationship marketing orientation, this sector creates quality-orientated interaction between customers and employees. This new insights will help to minimize the conflict of interest between the customers and the management.

5.2 Limitations and future research

This study focused on the external stakeholders, namely, local community and suppliers, for customer value co-creation behavior which limits its generalizability. Second, the results may differ for value co-creation behavior in other service sectors because in banking, interaction is very frequent. Moreover, this study only focused on twin cities: Rawalpindi and Islamabad. In the future, the study can be replicated with additional stakeholders such employees and customers in other industries and the data can be collected in more than two cities.

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Corresponding author

Muhammad Mubushar can be contacted at: mubushar.raja@gmail.com