

Unlocking sustainable success: exploring the impact of transformational leadership, organizational culture, and CSR performance on financial performance in the Italian manufacturing sector

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Abstract

Purpose – This study aims to investigate how organizational culture (OC) and transformational leadership (TL) affect corporate social responsibility (CSR) performance (environmental performance and social performance) and financial performance (FP) in the context of the Italian manufacturing sector. Grounded in resource-based view theory, this study explores how these factors influence sustainable firm performance.

Design/methodology/approach – Data gathered from 260 employees were analyzed to examine the multidimensional aspects of CSR, encompassing social and environmental sustainability.

Findings – The findings highlight the pressing need for sustainable firm performance in the existing environment, supporting the hypothesis that firms achieve sustainable and FP through the recognition of TL and OC. Moreover, a positive and significant relationship between CSR performance and FP was established, underscoring the strategic importance of integrating CSR initiatives into core business practices. This study offers valuable insights for both academia and firms, providing theoretical and practical implications that underscore the importance of cultivating a robust OC to drive performance enhancements.

Originality/value – This study is novel because it is one of the first, to the best of the author's knowledge, to analyze the relationships between TL, OC and performance components associated with CSR.

Keywords Corporate social responsibility, Transformational leadership, Organizational culture, CSR performance, Financial performance, Resource-based view (RBV) theory

Paper type Research paper

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1. Introduction

Traditionally, businesses have predominantly prioritized economic objectives while paying limited attention to undervalued ecological and socioeconomic challenges that hold significant potential (Furmankiewicz *et al.*, 2021; Qian *et al.*, 2021). However, in recent years, increasing recognition has emerged regarding the critical role of corporate social responsibility (CSR) in shaping business practices. CSR encompasses the integration of social, environmental and economic considerations into the daily operations and stakeholder interactions of firms (Dahlsrud, 2008; Morea *et al.*, 2021). CSR is a concept that involves firms integrating social, environmental and economic issues into their daily operations and interactions with stakeholders. However, it is more than simply a theory; it refers to an organization's ethical duty to consider how its operations affect society (Carroll, 1999, 2021; Moir, 2001; Safwat, 2015).

Although CSR has received much attention in the literature, further research is warranted to comprehensively examine the determining factors that influence CSR performance (CSRPF) and their impact on financial performance (FP). Moreover, the existing literature presents mixed findings, with some studies highlighting the positive effects of CSR on FP (Barauskaite and Streimikiene, 2021; Huang *et al.*, 2020), while others suggest potential negative implications (Ramzan *et al.*, 2021; Su *et al.*, 2020). Hence, a deeper understanding of these dynamics is essential to advance the knowledge base of CSR and its relationship with financial outcomes.

The examination of how organizational culture (OC) and leadership impact CSR practices and outcomes represents a vital research domain (Ahsan, 2023; Kucharska and Kowalczyk, 2019; Phillips *et al.*, 2019). Recognizing that leadership and culture within organizations constitute operational gaps that can potentially influence performance, this study investigates the interplay between transformational leadership (TL) and OC as intangible resources that contribute to enhancing the sustainability of corporate performance in the manufacturing sector (González-Rodríguez *et al.*, 2019; Tulcanaza-Prieto *et al.*, 2021). By exploring these relationships, this study aims to contribute to a deeper understanding of the mechanisms through which leadership and culture shape CSR practices and drive organizational performance in a sustainable manner (González-Rodríguez *et al.*, 2019). Owing to its significant effects on the economy and environment, the manufacturing sector is of particular interest and is therefore essential for sustainable development (Shahzad *et al.*, 2020).

This study aims to fill the research gap, as we have expanded upon the existing literature and addressed the gap by exploring the simultaneous relationship between OC, TL, CSRPF and FP. Previous studies have focused primarily on examining these concepts individually or in separate contexts. For instance, González-Rodríguez *et al.* (2019) examined the relationship between CSR practices, OC and corporate reputation in the hotel industry. The results indicate that hotels implementing CSR practices related to employees and customers strengthen their reputation. Son *et al.* (2020) investigated the impact of TL and knowledge-sharing processes on operational and FP in Chinese firms. Using structural equation modeling, this study investigates the relationship between TL, knowledge sharing and organizational performance based on data collected from 263 respondents from 112 manufacturing and service companies in China. Joseph and Kibera (2019) investigate the impact of OC on the performance of microfinance institutions in Kenya. Their research aimed to provide a comprehensive understanding of how the cultural aspects within these institutions influenced their operational effectiveness and overall success. By examining leadership styles, cultural alignment with communities and various performance indicators, their research offered valuable insights into how these institutions can optimize their cultural attributes to achieve better outcomes and make a more significant impact on the local economy (Joseph and Kibera, 2019).

However, to the best of our knowledge, no study has comprehensively explored the interplay between OC, TL, CSRPF and FP within the specific context of the Italian manufacturing sector. This context is important because of its unique characteristics and the increasing importance of sustainable business practices in this sector.

By conducting our study in the Italian manufacturing sector, we aim to fill this gap in the literature and provide a holistic understanding of the relationships between these variables. By considering the simultaneous effects of OC and TL on CSRPF and the subsequent impact of CSRPF on FP, our study aims to provide valuable insights for companies operating in this sector to enhance their sustainability initiatives and overall FP.

The main goal of this study is to determine how OC and TL affect CSRPF, particularly in terms of social and environmental performance. To better understand how TL, OC and CSRPF are related, we investigated the role of FP. We aim to shed light on the mechanisms by which

leadership and culture motivate CSR activities and ultimately have an impact on FP. To accomplish these goals, we gathered information on 260 workers in the Italian manufacturing sector. We evaluated the OC, FP, CSRP and TL levels based on the data.

The results of this study demonstrate the importance of cultivating a transformational OC and leadership to enhance CSRP. The findings imply that organizations are more likely to adopt sustainable practices and enhance their FP when intangible resources are prioritized (González-Rodríguez *et al.*, 2019). This is in line with the growing understanding that OC and TL play critical roles in achieving sustainability goals and that sustainable firm performance is essential in today's environment.

This study had several important theoretical implications. We add to the body of knowledge on sustainable business practices by analyzing the connections between TL, OC, CSRP and financial outcomes. This study highlights the significance of leadership and culture in advancing CSR initiatives by emphasizing their potential to serve as change agents. This study also emphasizes the significance of organizations incorporating sustainable practices into their core business activities, where TL and a supportive OC are crucial success factors. This study aims to close the knowledge gap in the field by examining the connection between TL, OC, CSRP and financial results in the Italian manufacturing sector. These results underline the importance of these elements in promoting ethical business practices and improving FP.

Understanding these relationships has practical implications for shaping the success and sustainability of these firms. OC plays a key role in shaping employee behavior, decision-making processes and overall organizational functioning. Similarly, TL has been recognized as a powerful tool for inspiring and motivating employees to achieve shared goals. Combined, these factors have the potential to create a conducive environment for fostering CSR initiatives and driving FP.

In today's dynamic business landscape, CSR has emerged as a key driver of organizational success. It encompasses not only social sustainability but also environmental sustainability, reflecting the growing importance of responsible and sustainable business practices. By integrating CSR into their core business practices, companies can enhance their reputation, attract customers and improve their long-term FP.

Organizations can promote a culture of sustainability and positively affect their environmental and social impacts by understanding the mechanisms by which leadership and culture influence CSR practices. This study offers important insights for practitioners and policymakers in promoting sustainable business practices and advances our understanding of how leadership and culture shape CSR initiatives.

2. Literature review

2.1 Transformational leadership

Leadership in CSR strongly focuses on having an ethical perspective, setting a good example, treating people fairly and actively managing morality. Additionally, it has been asserted that the key to success is a connection between managerial capacity and leadership (Pham and Kim, 2019). Although management skills are important, competent leaders are necessary. Unlike a manager who attempts to move an organization toward a progressing point using tried-and-true methods, a leader is tasked with establishing a new organization to respond to changing situations (Kouzes and Posner, 2006; Weber *et al.*, 2022). Confucius once said, "To become a leader, you must first become a human being." "Wisdom is one of the oldest ideas associated with leadership; it plays a role in inspiring others and gaining their support for the leader's vision of the organization and a responsibility to the culture of the organization" (Pasricha *et al.*, 2018). Other difficulties have arisen in the literature, and it is questionable whether value results from good

management. Why do some businesses flourish while others do not? Does *locus* of leadership skills possess competency? Kaplan *et al.* (2004) proposed four management procedures that can improve company performance in answer to some of these queries, "including the ability to translate vision into practical terms, communication, business planning, feedback, and learning." According to Lombardi *et al.* (2021), a leader must be able to make quick and contradictory judgments while maintaining team cohesion. Therefore, what are the leadership skills? Effective management and excellent business behavior, which are closely related to culture and people, are made possible by solid leadership skills.

A novel idea called TL examines important facets of leadership in the context of CSR (Tu *et al.*, 2023). The TL paradigm, which serves as the foundation, emphasizes both intellectual and social skills, as well as creativity (Alonso-Almeida *et al.*, 2017; Żadkowska *et al.*, 2022). Transformational leaders' charm, inspiration, intellectual stimulation, consideration of others and ability to influence others via idealized vision (Angus-Leppan *et al.*, 2010; Mi *et al.*, 2019).

A company's culture is not maintained in the absence of a strong leader (Syakur *et al.*, 2020; Presutti, 2013) agreed that leadership, together with sound strategic planning and decision-making abilities, is one of the factors that facilitate successful management and contribute to the long-term success of an organization. While it has been shown that transformational leaders do not employ punishment to hold people accountable for ethical conduct, authentic and ethical leadership are connected to CSR and stress honesty, transparency and integrity.

Therefore, this study used TL. Additionally, TLs are better equipped to incorporate CSR into workplace culture because they are charismatic, motivating, intellectually challenging, respectful of others and influence people with an idealized vision (Ahsan and Khalid, 2023; Arowwad *et al.*, 2017; Angus-Leppan *et al.*, 2010).

2.2 Organizational culture

According to Calori and Sarnin (1991), Davis (1984), Hemingway and Maclagan (2004), corporate culture is a collection of meanings, beliefs and values that give rise to CSR. Thus, there is a connection between CSR and culture. A "CSR-oriented culture" "integrated organizational culture" or "organizational culture" "is created as a result of the relationship between an organization's ethical responsibility for its operational impact on society and the corporate culture" (Calabrese *et al.*, 2013; Duarte and das Neves, 2010; Lee and Kim, 2017; Toussaint *et al.*, 2021). This culture is defined by shared meanings, beliefs and values supported by the idea of sustainability and its guiding principles (Calabrese *et al.*, 2013; Tsui *et al.*, 2006). It is also described as a combination of behaviors, attitudes and perceptions (D'Aprile and Mannarini, 2012; Chantziaras *et al.*, 2020), agreeing that CSR emphasizes behavioral patterns, shared values and shared beliefs. It is a potent force that gives purpose to people's lives, lessens uncertainty and fosters stability, but also determines whether an organization succeeds or fails (Gorman, 1989). Owing to their ability to impact performance, stakeholders may assist in identifying to whom the business is accountable (Galbreath, 2010; Javed *et al.*, 2020). They consist of individuals who are viewed as primary stakeholders, including stockholders and investors, customers, employees, vendors, local areas and even the atmosphere as key non-social stakeholders.

Galbreath (2010), McWilliams and Siegel (2001) and Rhee *et al.* (2021) defined secondary stakeholders as those who do not interact directly with the firm, such as the press, state, community associations and political pressure groups, and are thus not essential to the existence of an organization. An enterprise's culture may help workers uphold moral, just and open standards when making decisions that influence stakeholders. This can have a beneficial effect on the role of culture as a metric for the success or failure of CSR initiatives.

Yu and Choi (2016) and Guiso *et al.* (2015) highlighted Goldman Sachs as having a culture that valued honesty, cooperation and always acting in the best interests of the customer as the “secret sauce” for winning over their clients’ confidence. An organization’s culture may affect how well it performs in terms of CSR because an organization’s image and reputation are the thoughts and opinions of consumers about it (González-Rodríguez *et al.*, 2019; Hatch, 1993).

2.3 Corporate social responsibility performance

CSRP was evaluated separately in the two categories of environmental performance and social performance.

2.3.1 Environmental performance. Metcalf *et al.* (1995, p. 9) discovered a few papers that discussed environmental performance monitoring systems after conducting a thorough literature review. Furthermore, rather than defining and quantifying environmental performance, the publications of Metcalf *et al.* (1995) focused more on the characteristics of effective systems. Although assessments of which businesses are the greenest are routinely performed, there is no universally recognized definition of what it means to be green (Coleman *et al.*, 2022; Lober, 1996, p. 184). The objective definition of “environmental performance” is the reduction of adverse environmental effects caused by a company’s productive operations, as well as the societal perception of these effects (Djoutsu Wamba *et al.*, 2020). Environmental performance quantifies the extent to which a company contributes to preserving or enhancing its environment. In this study, we have based the organization’s environmental performance on its commitment to reduce, reuse and recycle. The company has a program to lessen the harm that its products cause to the environment. The company has a policy of increasing its energy effectiveness.

2.3.2 Social performance. Social performance is a multifaceted notion that includes actions that can be influenced by various inputs. For example, internal practices or procedures, investing in pollution prevention technologies, or other environmental measures, such as how minorities and women are treated, the type of products produced, how businesses interact with their clients and other factors such as charitable initiatives and community interactions (Waddock and Graves, 1997; Wood, 1991, 2010). The features, history and performance of these behaviors also vary greatly throughout various businesses and between different social performance domains (Waddock and Graves, 1997). The term corporate social performance also covers a wide range of concerns, managerial choices and business practices (Bahta *et al.*, 2020; Wood, 1991). As our study focuses on a corporation that has a policy of upholding business ethics and aspires to be a good corporate citizen, we assessed social performance in this study.

2.4 Financial performance

FP is an important aspect of organizational performance and has been extensively studied in the academic literature (Bartolacci *et al.*, 2020; Nguyen *et al.*, 2020). Scholars have examined various indicators and measures of FP, such as profitability, return on investment, return on assets and market value, to assess an organization’s financial health and success (Tien *et al.*, 2020; Trinh *et al.*, 2020).

Organizations work hard to improve their FP because it is essential for their success and sustainability (Wang and Sarkis, 2017). The relationship between financial and CSRP has gained more attention in recent years. The inclusion of FP as a separate component in the context of CSRP adds an important dimension to the discussion, although the relationship between CSR and FP has been a subject of considerable interest and debate among researchers and practitioners.

An organization's CSR is a crucial component of its overall FP (Trinh *et al.*, 2020). Organizations can improve their reputations, forge closer ties with stakeholders, reduce risks and seize new market opportunities by incorporating CSR practices into their daily operations. Positive CSR can boost brand loyalty and customer perception and increase sales and market share. It may also attract socially conscious investors who favor businesses with strong CSR credentials. These elements may ultimately result in enhanced FP and the creation of long-term shareholder value (Tang *et al.*, 2012).

Improved FP is just one of the many advantages that organizations that prioritize and manage their CSR initiatives can experience. Organizations can improve their reputations, solidify stakeholder relationships, reduce risks and seize new market opportunities by implementing responsible business practices. On the other hand, skipping out on CSR obligations can hurt financial results. For organizations looking to build long-term value and make a positive impact on society and the environment, it is crucial to comprehend and take advantage of the relationship between FP and CSR (Phillips *et al.*, 2019).

When conducting our research, we used FP in comparison to previous years; the company has gained competitive advantages in terms of sales and profit growth. Compared to prior years, the company enjoys a competitive advantage in terms of cost savings and efficiency. Compared to earlier years, the company now enjoys a competitive edge because of the value of its brand.

3. Theoretical perspective

According to the resource-based view (RBV), a company can be sustainable and competitive if it has valuable, rare, unique and non-substitutable resources by implementing strategies that add value and cannot be replicated by its rivals (Barney, 1991; Battisti *et al.*, 2022; Newbert, 2007). The RBV offers useful insights into how a business might remain competitive and successful over time (Khanra *et al.*, 2022; O'Shannassy, 2008). Consequently, one goal of using RBV is for businesses to recognize their strengths and further enhance them (Day *et al.*, 2014; Hinterhuber, 2013). Businesses have used a variety of strategies to gain a competitive edge in their pursuit of sustainable performance with the help of the right leaders and cultures. The capacity method identifies the cause of competition and uses resources that are difficult to replicate, including the firm's assets (Day *et al.*, 2014). To perform the activities required to transfer goods and services across the value chain, each business develops a range of talent, and these abilities must be controlled through the targeted allocation of resources (Day *et al.*, 2014). According to Barney (1991), resource immobility and heterogeneity may be sources of competitive advantage, and a firm's performance depends on the execution of a strategy that taps into its internal resources in response to external possibilities. Some methods call for a combination of organizational, human and physical capital (Barney, 1991), but two intangible assets, leadership talent and culture, are necessary for long-term company performance (Khan *et al.*, 2019; Lindgreen and Swaen, 2010). Hoskisson *et al.* (1999) highlighted the significance of matching resources to industry variations in the manufacturing sector. Therefore, the impact of culture and leadership on performance also applies in the manufacturing sector.

4. Hypothesis development

4.1 Effect of transformational leadership and organizational culture on corporate social responsibility performance

The capacity of leaders to maintain organizational identity is both enabled and restricted by their cultural environment because they are both participants in and symbols of the OC in which they work. They frequently embody the organizational symbols and signs that convey the concepts they are attempting to convey (Hatch, 1993). The organization's ethical

responsibility for the effects of its business activities on society is known as OC, and the leader is given the task of creating new OCs to adapt to changing circumstances, such as integrating CSR, and is occasionally expected to do so. Although effective leadership has been demonstrated to be essential to CSR initiatives, [Angus-Leppan et al. \(2010\)](#) noted that the importance of leadership in the CSR environment has received relatively little attention in academic CSR literature. The goal of evaluating CSR is to make corporate business practices and corporate cultures sustainable in terms of their effects on the economy, society and environment ([Yu and Choi, 2016](#)).

We also consider who the organization is accountable for, and stakeholder theory aids in defining this because of its substantial impact on performance ([Galbreath, 2010](#)). An organization's culture can help employees uphold moral, just and open standards when making decisions that impact customers when integrated and embodied with the company's social responsibility. This can positively influence the role of culture as a predictor of CSR success or failure ([Jaakson et al., 2009](#)). [Guiso et al. \(2015\)](#) mentioned the culture of Goldman Sachs, where the emphasis was on honesty, cooperation and always looking for customer interests. This was the "secret source," which helped them gain the confidence of their clients. The thoughts and perceptions of an organization's audience determine its image and reputation ([Hatch, 1993](#)).

Thus, we propose the following hypothesis:

- H1.* Transformational leadership has a significant impact on CSR performance.
- H2.* Organizational culture has a significant impact on CSR performance.

4.2 Corporate social responsibility performance on financial performance

CSR is the status or practice of an organization that pertains to its considered duty to its stakeholders ([Waheed and Zhang, 2020](#)). Primary stakeholders are customers, and their evaluation of a good or service is based on their evaluation of the entire purchase and use experience over time ([Bhattacharya et al., 2009](#)). There are opportunities to add value using sustainable methods, both socially and environmentally, but there is a gap because a strict economic strategy has mostly concentrated on commercial aims and has not taken into account ecological and societal opportunities. According to [D'heur \(2015\)](#), there is a connection between sustainability and core businesses. However, this has not been fully acknowledged as a chance to offer significant potential to businesses. This is only possible if CSR executives who are skilled at implementing value-creation ideas integrate the strategy into the main company. According to [Luo and Bhattacharya \(2006\)](#), if businesses lack creative skills, CSR may lower consumer satisfaction levels. Owing to the vast reach and inclusion of social sustainability, which covers ethics, diversity and safety, as well as environmental sustainability, this field is still developing ([D'heur, 2015](#); [Presutti, 2013](#); [Toussaint et al., 2021](#)).

A company may flourish and generate value via sustainability from a social standpoint; however, it is difficult to give value, resource efficiency and the social welfare of consumers and workers equal weight. Overall performance may be influenced by Kaplan's four phases of putting the vision into action: communication, connection, business planning, feedback and learning ([Kaplan et al., 2004](#)). The type of company, its culture and the involvement of all stakeholders play a role in this. It emphasizes how crucial it is for the business to be a leader in sustainable practices, transparency and customer collaboration. CSR produces positive market value for companies with good corporate competencies ([Luo and Bhattacharya, 2006](#)). Numerous studies have revealed a connection between CSR and improved business success ([Liu and Lu, 2021](#)).

Numerous studies have highlighted the relationship between FP and CSR ([Su et al., 2020](#); [Tien et al., 2020](#); [Trinh et al., 2020](#); [Wang and Sarkis, 2017](#); [Xie et al., 2017](#)). The literature presents a mix of findings, with studies reporting positive, negative and neutral effects.

Some studies suggest a positive relationship, indicating that higher FP is associated with better overall CSR and success (Barauskaite and Streimikiene, 2021; D'Amato and Roome, 2009; Franco *et al.*, 2020; Huang *et al.*, 2020; Tien *et al.*, 2020). These studies emphasize the importance of financial indicators in assessing organizational health and shareholder value creation.

On the other hand, some studies highlight the potential negative effects of excessive focus on FP. They argue that a myopic emphasis on short-term financial gains may lead to neglect of other critical aspects of CSR, such as long-term strategic decisions, innovation, employee satisfaction and customer loyalty (Ramzan *et al.*, 2021; Su *et al.*, 2020; Waddock and Graves, 1997). These studies suggest that a sole emphasis on FP may not capture the broader dimensions of organizational success and sustainability. Additionally, some studies present a neutral stance, suggesting that the relationship between FP and CSR is complex and context-dependent (Barauskaite and Streimikiene, 2021; Gupta and Das, 2022). These studies emphasize the need to consider industry dynamics, economic conditions and firm-specific factors when examining the relationship between financial and CSR.

In our study, we assume CSR will influence FP directly. Thus, this study suggests the following hypothesis:

H3. CSR performance has a significant impact on financial performance.

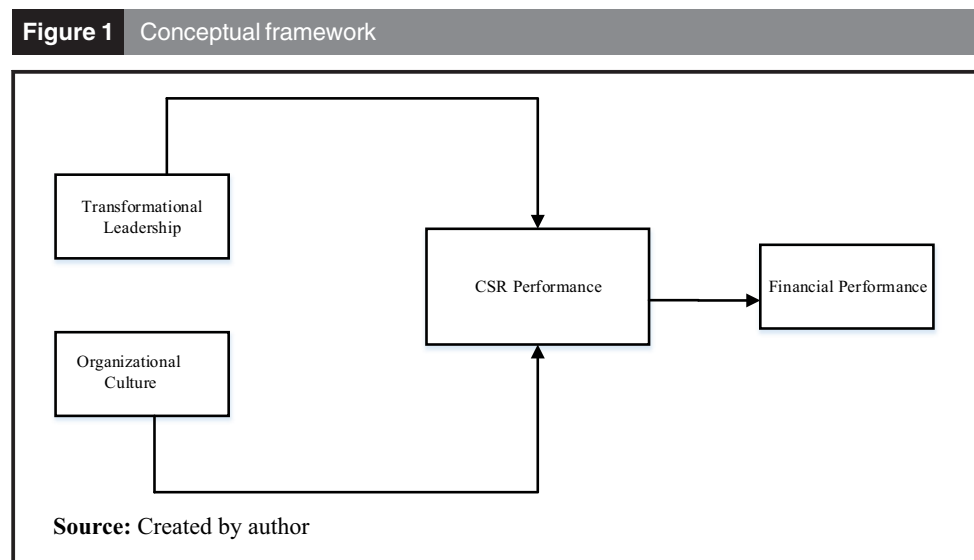
5. Materials and methods

5.1 Conceptual framework and hypothesis

To restate this, this study aims to comprehend how value chain skills affect long-term business success. This study adopts the RBV theory. It specifically examines how OC and TL affect CSR before finally affecting FP. A theoretical model was built to reflect the literature and the presumptive hypotheses. The conceptual model used in this study is shown in Figure 1. This model demonstrates the effect of TL on CSR.

5.2 Research design

5.2.1 Sample and data collection procedures. To gather data for this study's investigation of how TL and OC affect CSR and their consequent influence on FP, surveys were used as a



quantitative approach. The cross-sectional methodology and questionnaire used in the current study were used to collect primary data from individuals currently employed in various industrial businesses in Italy. To underline the significance of the study and encourage participation among employees, the authors visited manufacturing facilities. All possible respondents completed a self-administered questionnaire. The authors also promised that the participants' responses would remain private.

The Italian context was chosen for this study for several reasons. First, Italy has a sizable and diverse manufacturing sector that is essential to its economy. This study aimed to offer insightful information and useful implications for organizations operating in comparable environments by investigating the effects of TL, OC and CSRP in the Italian manufacturing sector. The results of this study can add to the body of knowledge already available and guide managerial practice.

Using convenience sampling, we distributed 400 questionnaires. We intentionally distributed 400 questionnaires to guarantee a sufficient sample size for a reliable statistical analysis. Research studies must carefully consider statistical power, confidence level, effect size and anticipated response rate when determining the sample size. The sample size calculation for this study was based on power analysis principles, with the goal of obtaining a sufficiently large sample size to guarantee the statistical reliability and validity of the results. To increase the likelihood of obtaining a representative sample and reduce the chance of sampling bias, 400 questionnaires were distributed.

Study participants were selected from the Italian manufacturing sector's managerial level. The inclusion of participants at various organizational levels allows for a thorough understanding of how OC, CSRP and TL affect various roles within the industry. Using this method, it is possible to analyze the relationships between these variables and their potential impacts on organizational outcomes in a more nuanced manner.

To ensure the generalizability of the findings, the researchers attempted to include a wide variety of manufacturing sectors in the targeted sectors and industries. The specific sectors and industries included in the study were selected based on their importance within the Italian manufacturing landscape and their potential relevance to the objectives of the study. This study aims to provide insights that can be applied to a wider range of organizations operating within the manufacturing sector by focusing on multiple sectors and industries.

In total, we obtained 260 completed questionnaires. A total of 169 respondents (53.1%) had a Bachelor's degree or higher. The remainder (80:30.8%) had master's degrees, while the others (11:4.2%) had completed senior secondary school. Men made up the bulk of the respondents (144, or 55.4%), whereas women made up the remaining 116 (44.6%). Nearly all respondents (175:67.3%) were between the ages of 20 and 30. Finally, [Table 1](#) shows that 61.9% of the respondents had no experience. [Appendix](#) contains a list of questionnaire items. The final survey's 31 items asked for demographic data about the respondent, including gender, age, job title and experience. The survey used a five-point Likert scale, with Strongly Agree worth five and Strongly Disagree worth one.

5.2.2 Measures and validation. The following measures are used for the constructs:

Transformational leadership: A leader who demonstrates TL articulates shared future visions, inspires intellectual followers and develops individuals and organizations by reaching predetermined goals and objectives and reinforcing ethics and values throughout the workforce ([Rao, 2014](#)). [Wang et al. \(2005\)](#) designed six items that made up the TL questionnaire. A response scale of 1–5 was used for this test (1, strongly disagree, to 5, strongly agree). Items such as “The leader motivates employees to be team players” and “The leader inspires others with his plans” were included.

Organizational culture: OC was measured by a nine-item scale designed by [Tsui et al. \(2006\)](#). In this study, three factors were used: “harmony (three items), social responsibility

Table 1 Demographic attributes

Constructs	Distribution	Frequency	Percentage
Gender	Male	144	55.4
	Female	116	44.6
Age	20–30 years	175	67.3
	31–40 years	55	21.2
	41–50 years	23	8.8
	Above 50 years	7	2.7
Education	Senior secondary school	11	4.2
	Bachelors	169	65.0
	Masters and above	80	30.8
Job experience	0–10 years	161	61.9
	10–20 years	77	29.6
	Above 20 years	22	8.5
Job title	Assistant manager	30	11.5
	Manager	189	72.7
	Director or above	41	15.8

Source: Created by the author

(three items), and innovation (three items).” The employees were asked to rate the cultures of their organizations. “The organization emphasizes team building,” “The organization emphasizes economics as well as social profits” and “The organization encourages innovation and accepts change” are a few examples of three-dimension example items.

Corporate social responsibility performance: CSRP comprises two dimensions. Environmental performance and social performance of organizations. To assess an organization’s environmental performance, we used a three-item scale created by [Bissing-Olson et al. \(2013\)](#). Sample items include, “The organization has the initiative to reduce, reuse, and recycle.” For measuring social performance, we used a two-item scale originally developed by [\(Sethi, 1975\)](#). Sample items include, “The organization has the policy to strive to be a good corporate citizen.”

Financial performance: Calculating the monetary worth of the results of a firm’s strategies and operations is what this procedure entails. It is used to evaluate the business’s general financial condition over a predetermined time frame. Finding a company’s operating and financial characteristics based on its financial and operating statements is a procedure [\(King and Lenox, 2001\)](#). We have used a three-item scale to measure FP developed by [\(Fuentes et al., 2006\)](#) and originally developed by [\(Venkatraman and Ramanujam, 1986\)](#). Sample items include, “The organization has competitive advantages in its sales and profit growth.”

[Table 2](#) describes the Cronbach’s alpha and the number of items for each variable. Hair suggested that a Cronbach’s alpha of 0.70 or above be considered reliable.

6. Results

6.1 Descriptive statistics

[Table 3](#) shows the variables’ mean, standard deviation and correlation of the variables. TL is positively correlated with CSRP ($r = 0.356$, p value < 0.01). OC is also positively correlated with CSRP having ($r = 0.774$, p value < 0.01). Moreover, CSRP is positively correlated with FP ($r = 0.348$, p value < 0.01). These findings thus validate the study’s hypothesis.

Table 2 Reliability of the data

<i>Variables in model</i>	<i>Cronbach's alpha</i>	<i>N of items</i>	<i>Mean</i>	<i>Standard deviation</i>
Transformational leadership (TL)	0.919	6	3.927	0.759
Organizational culture (OC)	0.847	9	3.541	0.695
CSR performance (CSRP)	0.837	5	3.632	0.785
Financial performance (FP)	0.830	3	3.920	0.766

Note: $N = 260$

Source: Created by the author

Table 3 Mean, standard deviation and correlation

<i>Variables</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>TL</i>	<i>OC</i>	<i>CSRP</i>	<i>FP</i>
TL	3.9276	0.75904	1			
OC	3.5410	0.69514	0.374**	1		
CSRP	3.6323	0.78590	0.356**	0.774**	1	
FP	3.9205	0.76698	0.950**	0.367**	0.348**	1

Notes: TL = transformational leadership; OC = organizational culture; CSRP = corporate social responsibility performance; FP = financial performance; **correlation is significant at the 0.01 level (two-tailed)

Source: Created by the author

6.2 Common method bias

The present study's measurement items were examined for a common method bias. [Chang et al. \(2020\)](#) used Harman's single-factor test to analyze measurement biases. This showed that the data did not suffer from the common method bias issue because the amount of variation explained by a single component was 38%, which is less than 50%.

6.3 Regression analysis technique

To analyze the hypotheses, the current study used multiple linear regression in IBM's Statistical Package for Social Science (SPSS) version 26. SPSS is a statistical software widely used for data analysis, offering a range of statistical procedures for descriptive statistics, inferential statistics and data manipulation. Regression, correlation, *t*-tests and ANOVA are among the appropriate analyses. SPSS is frequently preferred because of its simple interface, robust data management features and capacity to handle sizable data sets.

Covariance-based structural equation modeling (CB-SEM) and partial least squares structural equation modeling (PLS-SEM), on the other hand, are sophisticated analytical methods created especially for structural equation modeling. These approaches enable the estimation of both direct and indirect effects when analyzing intricate relationships between latent variables and observed indicators.

The decision between CB-SEM and PLS-SEM is influenced by several variables, including the research objectives, type of data available, sample size and underlying premise of the analysis. PLS-SEM is frequently used when the emphasis is on predictive validity and examining complex relationships with small sample sizes, whereas CB-SEM is preferred when the focus is on model fit and hypothesis testing.

In this study, we found that SPSS was the best tool for data analysis based on the research objectives and resources at our disposal. This gave us the statistical techniques we needed to analyze the data properly and arrive at insightful conclusions regarding our research questions.

We used the means of the variables in the analysis. The main benefit of using the mean value is that it provides a comprehensive measurement of a variable. By averaging all the variables' characteristics into a single standardized average value, the variable can be measured more thoroughly (Walpole *et al.*, 1993).

The results are shown in Table 4, which show a favorable and positive influence of the predictor variables on the predicted variable. The results presented in Table 4 suggest a favorable and substantial relationship between TL and CSR ($\beta = 0.356, p = 0.00$), supporting H1. R^2 value of 0.126 implies a 12% variation in CSR because of TL. OC has a positive and significant correlation with CSR ($\beta = 0.774, p = 0.00$), supporting H2. CSR has a significant and positive correlation with FP ($\beta = 0.348, p = 0.00$), supporting H3. The value of R^2 is 0.121, which means a 12% variation in FP because of CSR.

7. Discussion

Organizations are expected to contribute to sustainable development as an emerging business paradigm (Sachs, 2015). According to the idea of sustainable management activities, businesses should actively advance sustainable development and fulfill their social and environmental commitments in addition to their financial commitments (Halme and Laurila, 2009). It has been established that environmentally and socially responsible management can boost both revenue and client retention. This is significant because there is a gap and a lack of attention given to societal and ecological potential (Krause *et al.*, 2015). The OC of CSR is the union of an organization's meanings, beliefs and values with the need to conduct business sustainably. According to Guiso *et al.* (2015), culture is the "secret sauce" that garners the confidence of customers and serves as the conceptual anchor for corporate social responsibility. This is evident in our findings, which show that OC affects CSR.

It must be acknowledged that this intangible resource must be considered in an organization's strategy (Zaragoza-Sáez *et al.*, 2023). Although this is acknowledged, it is asserted that organizations with a long and distinguished heritage of procedure, rich in easily recognized cultural signs, icons and slogans (meanings), have a very tough time adapting to the changing nature of business culture and may take a long time to make the necessary changes. All organizational members at all levels of the hierarchy are affected by OC, which is manifested in the organization's artifacts, such as its name (brand), goods, structures, logos and other symbols, including its leaders (Hatch, 1993). Senior executives generally agree that, from a socially sustainable standpoint, it is crucial to cultivate proper workers to adopt the correct culture, the culture of treating both employees and customers. It is obvious that consequences will result if a company does not maintain relationships with its stakeholders through a strong OC.

An organization's views on environmental sustainability comprise another component of its culture. Because manufacturing is one of the major carbon emitters, it is one of the hardest industries to manage; however, there are programs available to offset carbon. Environmentally, organizations agree that this has an impact on the brand, and standards are set for famous companies and the sector to be accountable for the effects their

Table 4 Regression results

		Coefficients for the effects				R ²
		β	t-Value	p-Value	F-statistics	
TL-CSR	IV-DV	0.356	6.111	0.000	37.349	0.126
OC-CSR	IV-DV	0.774	19.607	0.000	384.430	0.598
CSR-FP	IV-DV	0.348	5.971	0.000	35.658	0.121

Source: Created by the author

operations have on the environment, which affects consumers' purchasing decisions. The ability of leaders to manage organizational identity is both helped and hindered by the cultural context in which they operate, and the meanings of strategy and vision with which they attempt to communicate are embodied in the organization's symbols. This is because leaders are both participants and symbols of their organizations (Hatch and Schultz, 1997). Therefore, TL is essential to achieving sustainable performance.

Based on the results of this study, the RBV provides a theoretical lens through which to understand key findings regarding the relationship between OC, TL, CSR and FP. The RBV posits that organizations can achieve a competitive advantage by leveraging their unique resources and capabilities (Varadarajan, 2023). In this study, TL and OC were considered valuable intangible resources that contribute to sustainable firm performance.

The results show a positive relationship between TL and CSR and that resource-based values, such as leadership skills, are essential for socially and ecologically sustainable performance. The findings show that an organization must nurture, incorporate and absorb a CSR culture. Leadership is context-specific, and this must be acknowledged (Wei et al., 2021; Zheng et al., 2022). Transformational leaders inspire and motivate their followers to go beyond self-interest and contribute to the organization and society's greater good. Their vision, charisma and ability to empower employees are essential in promoting CSR practices and creating a culture of social responsibility (Son et al., 2020; Tu et al., 2023; Weber et al., 2022).

According to this perspective, trust and confidence in an organization's social responsibility are necessary for CSR success, and it is the job of recognizing capable leaders to inspire and encourage their workforce to take an active role in society. In addition, credibility is important, and CSR leaders must be moral. However, leaders must also be moral if they want to be considered seriously. In addition to this perspective on social performance, executives need to ensure that stakeholders are personally taught, encouraged and supported to comprehend the impact of the company on the environment. CSR leaders need to be able to influence and encourage their stakeholders, make wise judgments and have passion for being the driving force behind a culture that impacts CSR.

This suggests that organizations that foster TL are more likely to enhance their CSR, leading to sustainable practices and improved social and environmental performance. Additionally, the study found a positive and significant correlation between OC and CSR, supporting H2.

The findings also highlight the significance of OC in driving CSR. OC encompasses the shared values, beliefs and behaviors that shape employees' attitudes and actions within an organization. A strong OC emphasizing ethical practices, social responsibility and sustainability can foster a supportive environment for CSR initiatives. Studies have shown that organizations with a culture aligned with their CSR goals are more likely to engage in sustainable practices and achieve better CSR.

Furthermore, the results indicate a significant and positive relationship between CSR and FP, validating H3. This implies that organizations that prioritize CSR activities are more likely to achieve better FP. Furthermore, this study establishes a positive relationship between CSR and FP. This aligns with previous research that suggests a virtuous cycle between CSR and financial outcomes (Barauskaite and Streimikiene, 2021; D'Amato and Roome, 2009; Franco et al., 2020; Huang et al., 2020; Tien et al., 2020). By prioritizing CSR activities and integrating them into core business strategies, organizations can enhance their reputation, attract customers and improve their long-term FP. Numerous studies have demonstrated the positive impact of CSR on FP, emphasizing the potential of organizations to create shared value by addressing social and environmental concerns while generating economic returns.

8. Conclusion

8.1 Summary

This study addresses this research gap by examining the relationships between OC, TL, CSR and FP within the Italian manufacturing sector. Building on the theoretical framework of the RBV, this study takes a holistic approach and explores the simultaneous effects of these variables. Drawing on RBV theory, which emphasizes the strategic importance of intangible resources, this study investigates how OC and TL, as valuable intangible resources, influence CSR and subsequently impact FP. Previous studies have primarily focused on these concepts, either individually or in separate contexts. However, this study adopted a holistic approach and explored its simultaneous effects. By investigating the impact of OC and TL on CSR and FP, valuable insights are gained for enhancing sustainability initiatives and overall FP in the sector. The findings of this study underscore the crucial importance of fostering a transformational OC and leadership that not only promotes sustainable practices but also enhances FP. These insights enhance our understanding of the pivotal roles that OC and TL play in attaining sustainability goals. The study also underscores the importance of integrating CSR into core business activities and emphasizes the practical implications for organizations that aim to drive ethical business practices and financial success.

9. Implications, limitations and future research

This study's conclusions have important ramifications that expand our understanding of how OC, leadership, CSR and FP are related, filling a significant knowledge gap in the literature. This study provides novel and important information for both theory and practice by shedding light on these relationships. From a managerial perspective, realizing CSR objectives and how they affect business operations and corporate culture are crucial for implementing sustainable business practices. The findings highlight the importance of fostering a CSR-friendly OC as well as developing and nurturing TL. With this knowledge, managers are better equipped to match their strategies and practices with CSR goals, thereby enhancing the overall success and long-term viability of their organizations.

This study also emphasizes the importance of implementing sustainable policies that enable businesses to quantify and measure the results of their CSR efforts to ensure accountability and transparency. These quantitative results serve as benchmarks for assessing CSR success and directing future projects. Although it may not be a requirement for commercial activities, sustainable performance is becoming increasingly essential for long-term success and societal welfare. Adopting sustainable practices improves overall organizational performance and is in line with societal expectations. The conclusions of this study have important ramifications for managerial practice, decision-making procedures, leadership styles and creating an OC that encourages CSR adoption. Managers can contribute to sustainable development and improve the general welfare of society by incorporating these insights into their practices.

Regarding theoretical implications, our study contributes to and extends the RBV theory in the context of OC, TL, CSR and FP. Our findings contribute to the theoretical understanding of how internal resources can be leveraged to drive sustainable business practices and enhance financial outcomes. Specifically, we demonstrate that the effective integration of OC and TL positively influences CSR, which in turn leads to improved FP. This highlights the strategic importance of these internal resources in achieving a competitive advantage and long-term success in the Italian manufacturing sector.

It is important to recognize that this study has limitations in terms of scope. To ensure the generalizability of the findings, this study was conducted across a wide variety of manufacturing sectors. By including diverse sectors, this study aims to capture a broader perspective and enhance the applicability of the results. However, it is important to

acknowledge that the generalizability of this study may still be subject to certain limitations. These limitations include the possibility that specific sector characteristics or contextual factors may influence observed relationships. Therefore, caution should be exercised when extrapolating these findings beyond the studied manufacturing sectors. Future research should replicate the study across additional sectors to further enhance the generalizability of the results.

The study also concentrates on how OC, leadership, CSRP and FP are directly related to one another. Future research may examine moderating variables, such as organizational size, industry characteristics and cultural dimensions, which may have an impact on these relationships. A further understanding of the intricate interactions between these variables would allow us to examine how context-specific factors and industry-specific dynamics affect these relationships.

Future studies should investigate how employee attitudes and perceptions mediate the connections between OC, leadership, CSRP and FP. A deeper understanding of the mechanisms at work would result from examining the impact of various types of CSR initiatives and their varying effects on FP. A deeper understanding of the dynamics at play would result from examining how external factors such as regulatory frameworks or stakeholder pressures affect the relationship between CSR and FP.

Researchers can improve the field's comprehension of the connections between OC, leadership, CSRP and FP by addressing these limitations and pursuing future research directions. This will enable better decision-making and the practical application of CSR strategies.

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Appendix. Measures

Transformational leadership (TL)

- TL1. "The leader motivates employees to be team players."
- TL2. "The leader behaves in a manner thoughtful of employee's personal needs."
- TL3. "The leader leads by example (providing an appropriate role model)."
- TL4. "The leader challenges employees to set high goals for themselves (high performance expectations)."
- TL5. "The leader inspires others with his plans."
- TL6. "The leader challenges employees to think about old problems in new ways."

Source: Scale adapted by [Wang et al. \(2005\)](#).

Organizational culture (OC)

- OC1. "The organization emphasizes team building."
- OC2. "The organization supports cooperative spirit."
- OC3. "The organization promotes feelings or sharing among employees."
- OC4. "The organization emphasizes economics as well as social profits."
- OC5. "The organization shows the social responsibility of the construction projects."
- OC6. "The organization encourages the development of construction projects for society."
- OC7. "The organization encourages innovation and accepts change."
- OC8. "The organization develops or adopts new technology bravely."

OC9. "The organization emphasizes the development of new technology."

Source: Scale adapted by [Tsui, Wang, et al. \(2006\)](#).

CSR performance = CSR environmental performance + CSR social performance (CSRSP)

CSR environmental performance (CSREP)

CSREP1. "The organization has the initiative to reduce, reuse, and recycle."

CSREP2. "The organization has the initiative to reduce the negative environmental impact of its products."

CSREP3. "The organization has the policy to improve its energy efficiency."

Source: Scale adapted by [Bissing-Olson et al. \(2013\)](#).

CSR Social performance (CSRSP)

CSRSP1. "The organization has the policy to strive to be a good corporate citizen."

CSRSP2. "The organization has the policy to respect business ethics."

Source: Scale adapted by [Sethi \(1975\)](#).

Financial performance (FP)

FP1. "The organization has competitive advantages in its sales and profit growth."

FP2. "The organization has a competitive advantage in cost savings and efficiency."

FP3. "The organization has a competitive advantage in its brand value."

Source: Scale adapted by [Fuentes et al. \(2006\)](#) and [Venkatraman and Ramanujam \(1986\)](#).

About the author

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