



Effect of CSR on Corporate Performance: The Mediating Role of Human Resources Management

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ABSTRACT

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The management and marketing literature has increasingly emphasized the significance of corporate social responsibility (CSR) in determining company performance over the past few decades. While there is growing recognition of the potential impact of CSR initiatives on business outcomes, there remains a lack of consensus on the specific mechanisms through which CSR influences performance. This ambiguity underscores the need for further research to elucidate the relationship between CSR and business performance. Our research seeks to address this gap by examining the role of CSR-based human resource management as a potential mediating factor in this relationship. This focus is particularly pertinent given the pivotal role that employees, as key stakeholders, play in shaping organizational outcomes. By analyzing data from a sample of small and medium-sized manufacturing companies using partial least squares structural equation modelling (PLS-SEM), we found evidence supporting the hypothesis that CSR initiatives can positively impact business performance. Importantly, our findings suggest that the effectiveness of a company's CSR strategy in enhancing performance may be contingent upon the extent to which these initiatives are geared towards improving human resource management efficiency. In conclusion, current study contributes to the evolving understanding of the complex interplay between CSR and business performance, highlighting the critical role of human resource management practices in mediating this relationship.

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1.0 Introduction

CSR is usually recognized as a critical factor in the long-term success of companies since it is considered a strategic necessity when it comes to gaining a competitive advantage. Numerous studies have shown that the adoption of a corporate social responsibility (CSR) perspective plays a pivotal role in augmenting longevity, expansion, and long-term sustainability within an ever-evolving and dynamic context (Becchetti et al., 2008). The causal link between CSR and firm performance is yet to be determined because the causal connection has not been proven yet. Although many studies have looked into this matter, the findings remain inconclusive. There is a general opinion among scholars and experts that those companies that integrate corporate social responsibility (CSR) into their strategic plans make it possible to increase the level of value creation. Nevertheless, the exact nature of the effect of corporate social responsibility (CSR) on firm performance is still vague, owing to a wide variety of contradictory research findings (Singh & Misra, 2021).

The lack of consensus may point to the development shortcomings of the model, which may have left out intangible assets. This study emphasises the significance of taking into account overlooked variables and focusing research endeavours on discovering intermediary mechanisms in order to establish causal connections between corporate social responsibility (CSR) initiatives and organizational achievement via strategic ramifications (Gimeno-Arias et al., 2021). Despite the fact that recent studies have uncovered mediation processes such as firm reputation, organisational identification at the individual level, and creative job performance, there is still an important research gap in the area. The existence of this gap may be explained by the fact that there are many variables involved in the strategic management of organisations. Strategic inclusion of mediating factors will ensure better cognitive processing and build consensus on the relationship between CSR efforts and business success (Alsamawi et al., 2019).

There exists a dearth of scholarly research pertaining to the advancement of corporate social responsibility (CSR) initiatives among the academic community. Therefore, it is essential to do more research in this domain, specifically focusing on small and medium enterprises (SMEs). Given the aforementioned objective, it is important to investigate the potential connection between corporate social responsibility (CSR) initiatives and the overall operational effectiveness of an organisation. Furthermore, the primary aim of this research is to investigate the influence of human resources management competencies and corporate social responsibility (CSR) on the establishment of this relationship within the framework of an integrated organizational strategy. The existence of previous studies that examine mediating effects helps stimulate additional research on these phenomena (Garg, 2016).

The literature review already revealed the state of affairs with respect to aspects of management that weren't included in the previous research. Therefore, the next step would be to do thorough research in order to get a full picture of how the given aspects influence the relationship between corporate social responsibility (CSR) and organizational success (Alrubaiee et al., 2017). The proposed study aims to build and evaluate the framework of the theory that is based on the relationship between corporate social responsibility (CSR) activities, organizational

performance, and human resource management of the selected group of small and medium-sized business enterprises (SMEs) from Spain. According to the estimate provided by the International Council for Small Business (ICSB), small and medium-sized firms (SMEs) account for around 90% of commercial operations. Thus, from the analysis of this particular type of business, a number of points might be made that are relevant to other firms. The study's main focus is to identify the role played by facilitating factors in the CSR-company performance connection. The objective of this article is to investigate the following questions: Do these CSR practices have any link to the success of SMEs in the food and beverage industry? What part does human resource management play in influencing this effect? We collected the data through an administered survey of randomly selected Spanish firms with the goal of achieving the desired results. In this work, we explored the correlations between corporate social responsibility (CSR), human resource management (HRM), and the organizational contexts (Bird et al., 2006).

Use structural equation modelling (SEM) with the partial least squares (PLS) approach to examine the data and evaluate the efficacy of the suggested behavioural model. The decision to use PLS-SEM for estimating common factor models is based on the recognition that it presents fewer difficulties compared to incorrectly using factor-based SEM for estimating composite models (Kamatra & Kartikaningdyah, 2015). In addition, it is worth noting that PLS-SEM demonstrates efficacy not just in the context of small sample sizes but also emerges as the most appropriate approach for estimating numerous correlations across latent components, especially in cases where mediation is involved. The empirical evidence suggests that the relationship between corporate social responsibility (CSR) and performance is not a straightforward one but rather impacted by the existence of human resource management (Gallego-Álvarez & Pucheta-Martínez, 2022).

We show that math is not only a scientific endeavor, but also an applied discipline with diverse applications. This work of research is hence a useful contribution to the current management literature because it examines the influence of corporate social responsibility (CSR) on business performance among food and beverage manufacturing firms, especially small and medium enterprises (SMEs) (Úbeda-García et al., 2021). This study explores the connection between business and society (CSR) actions and organisational results, taking into account that human resources management may play a mediating role. The main purpose of this research is to narrow the information gap concerning the impact of corporate social responsibility (CSR) on company effectiveness. The first step will be to introduce two mediating factors as the research subjects. These outcomes are in accordance with previous studies, but our study deals with them as a whole, not as individual components (Gimeno-Arias et al., 2021).

2.0 Literature Review

2.1 CSR practices and corporate performance

The idea of stakeholder theory as one of the most important theories in business management research has gained popularity. Advocates of this perspective place significant emphasis on the strategic evaluation of industries and see stakeholder management as a means to achieve the goals of shareholders and corporate leaders (Khan et al., 2019). The conventional

approach, which is narrowly focused on persons or groups directly involved in a firm's activities, such as owners, employees, and suppliers, has prompted a rethinking of stakeholder theory. This different angle of view allows for a more comprehensive perception of management as a concept because it considers a wider range of stakeholders. The stakeholders of the enterprise are people like shareholders, creditors, employees, suppliers, and non-profit organizations including the government. This methodology enhances the effectiveness of the relationship between stakeholders and company objectives, including factors such as financial sustainability, organizational adaptability, and business growth (Simionescu & GHERGHINA, 2014).

The incorporation of corporate social responsibility (CSR) into corporate strategy is a great outcome of stakeholder theory. The social perspective of business and stakeholder goals' integration is the way to achieve both aims. Some argue that the corporate conscience represents the organic and ethical growth of the stakeholders at the heart of the organization. The core purpose of corporate management is to make sure that shareholders' value is maximized, while taking into account the interests of other stakeholders, including employees, suppliers, and local communities where companies operate. Corporate social responsibility (CSR) refers to the deliberate actions taken by companies to efficiently oversee and advance the sustainable development of the economy, environment, and society as a whole (Adeneye & Ahmed, 2015).

Researchers investigate the benefits of incorporating corporate social responsibility (CSR) into a company's strategy framework and its impact on the organization's overall performance. Is there a clear correlation between corporate social responsibility (CSR) and performance, and which particular elements of a company may be used to assess the impact of CSR on performance? Corporate social responsibility (CSR) is recognized as a VRIO element in the current study, indicating its worth, uniqueness, hard to duplicate, and non-substitutability inside the company organization (Gazzola & Mella, 2012). Therefore, corporate social responsibility (CSR) is seen as a promising catalyst for achieving a sustainable competitive advantage, especially within the realm of human resources. Hence, the Resource-Based View (RBV) Theory presents a supplementary conceptual framework for comprehending the influence of Corporate Social Responsibility (CSR) on organizational performance (Lu et al., 2013).

The concept of Corporate Social Responsibility (CSR) encompasses a range of actions and strategies used by a corporation to actively involve its stakeholders, including economic, social, and environmental dimensions. The aforementioned efforts possess a charitable nature and may not be inherently linked to the firm's core operational activities. The 2001 publication by the European Commission provides a more extensive analysis within the existing body of knowledge. Businesses regularly engage with their stakeholders and include social and environmental considerations into their fundamental business operations (Story & Castanheira, 2019). The theoretical framework of Corporate Social Responsibility (CSR) asserts that profit-oriented organizations have a responsibility towards society. The principles related to corporate social responsibility (CSR) imply that unbiased actions in the decision-making processes of firms might possibly lead to financial costs. Corporations have the opportunity to strengthen their competitive advantage and overall performance via the implementation of corporate social responsibility

(CSR) programmes (Shen & Benson, 2016).

Corporate Social Responsibility (CSR) is based on the win-win concept, since it is backed by factual evidence that proves a correlation between social ideals and the success of corporations. This is because affluent cultures cultivate an environment that is favorable for commercial endeavors. Corporate Social Responsibility (CSR) is a complex concept that includes several interwoven principles about the business-society interaction. The implementation of Corporate Social Responsibility (CSR) requires the investment of resources, and the Return on Investments (ROI) is mostly evident over a prolonged duration, rather than only in financial terms. However, the concept of success often centres on macroeconomic indicators such as Return on Assets (ROA) and Tobin's Q. The issue of demonstrating a strong correlation between CSR practices and profitability, especially when these activities are not linked to the core operation of a company, may be a result of these dimensional differences. Although CSR is not only for business, it still has a broader economic objective (Marić et al., 2021). Many companies find the vast CSR categories rich in the interests of stakeholders, and this increases the possibility of variation and complexity. The EU Commission states that the concept of CSR can be a strategic tool for companies that are trying to anticipate the possible economic responsibility concerns that may appear during the process of their interaction with suppliers and shareholders and, in the end, facilitate economic development and prosperity. According to this opinion, the integration of corporate social responsibilities (CSR) can increase the economic expansion of such a business through the creation of indirect effects among stakeholders (Ragmoun & Alwehabe, 2020).

Typically, the operational performance of a firm is seen as an indicator of its ability to accomplish its goals, including both financial and non-financial dimensions. Corporate societal Responsibility (CSR) is a deliberate and strategic approach used by corporations to promote their economic objectives while concurrently adhering to ethical principles, environmental conservation, and the cultivation of societal unity and equity. Many experts view CSR activities as marketing tactics aimed at achieving both economic and social goals. The CSR framework introduces a range of objectives as it strives to satisfy the varying interests of stakeholders, which are not all necessarily devoted to the company's prosperity (Bizri et al., 2021). Corporate social responsibility (CSR) is a critical part that can be effectively utilized by a company to gain a competitive advantage. This attribute is associated with a variety of factors, including human, organizational, or relational characteristics. These factors, among others, would lead some people to say that the cause-and-effect relationship between corporate social responsibility (CSR) and organizational success depends on the features of CSR efforts and the individuals or groups they affect. As a result, it is unreasonable to assume a direct correlation between a firm's success and CSR activities (Porter & Kramer, 2006).

2.2 Human resource management (HRM) mediate the relationship between CSR and Firm performance

There is a lack of a clear cause-and-effect relationship between the social responsibility activities of corporations and their performance. Nevertheless, the existing research demonstrates that engagement in CSR activities is associated with growth in productivity and sales. For the

business to do well, you should address these aspects. The present investigation concerns the correlation between labor productivity and sales growth, a topic that encompasses two key stakeholders: the employee and the client (Shah & Khan, 2020). The existing literature in this specific field has shown a clear association between corporate social responsibility (CSR) and employee behavior. The introduction of corporate social responsibility (CSR) may facilitate enhanced stakeholder engagement inside organisations, namely in the areas of human resource management and company reputation. Corporate social responsibility (CSR) in this specific context pertains to the voluntary involvement of companies with their stakeholders, with the goal of incorporating social and environmental elements into their management structure. In 2003, the European Commission conducted research which revealed that workers who see stakeholder involvement as a human resources strategy are effectively promoting "structural cohesion and employee-generated synergy that propels organizational advancement. They are also proposing the possibility of training and developing employees through proactive corporate social responsibility. Research revealed that doing corporate social responsibility (CSR) may lead to an increase in employees' sense of pride in being associated with the company. This is due to the fact that they see their membership as an asset, which they can be proud of since they are a part of a socially conscious organization. It is clear that organisations do have the power to shift the mindsets of their employees in the above instances. The behaviour of employee's shapes organizations' goals and effectiveness (Martinuzzi & Krumay, 2013).

The relationship here indicates that perhaps CSR can be utilized as a good instrument to efficiently take care of personnel management. It achieves this by encouraging workers to have a good disposition, trust, and be committed to the business, corporate house, and job satisfaction. CSR can be channeled to human resources in the capacity of human resource management (HRM), as it has the ability to influence the skills, attitude, and behaviour of the employees, which in turn improves their performance and consequently the fulfilment of organizational goals. In the relevant field of human resource management, the latest findings of the research base indicate that the most effective way to achieve organizational goals is to develop a carefully planned management strategy that takes workers' needs and well-being into account (Jušćius & Snieška, 2008). Therefore, this technique has a beneficial effect on employee conduct, eventually leading to the competitive value of human resources in a firm stem from their scarcity, worth, uniqueness, and irreplaceability. The resources in question might be characterized as organisational structures that have been deliberately designed to provide a competitive advantage via the use of human strengths. The achievement of a competitive advantage is facilitated by the efficient management of human resources and the alignment of this effort with the strategic goals of the organisation. HRM acts as a catalyst for attaining a competitive edge. Academics within the field of human resources have contributed significant insights into the influence of human resource management (HRM) on the performance of organisations, uncovering a positive association (Asemah et al., 2013).

3.0 Methodology

The study adopted a quantitative research methodology that allowed for the aggregation of numerical information for statistical analysis. Thus, the research was conducted in a manner such

that a thorough probing was made of the links between variables and the testing of hypotheses. With regards to research approach this study was deductive. This implied the creation of assumptions in line with the theories or the research findings of the previous researchers. Further, these assumptions were tested using the empirical data that was collected using the survey questionnaires. The study was built on deductive reasoning and it was designed to validate or contradict the theoretical statements based on the empirical observation. With regards to research philosophy, this study is under positivism. Knowledge positivism sees as possible through the careful observation, experimentation, and empirical evidence, which reveals the reality.

A sample of 300 small and medium-sized enterprises (SMEs) in the manufacturing sector of Pakistan was used to conduct the research. A random sample approach was used to choose corporations from the Pakistan Stock Exchange, which is generally recognized as the largest collection of company data in Pakistan. The collection contains comprehensive information on over 2.6 million businesses, including financial and director particulars, contact details, corporate frameworks, audit reports, and other pertinent data. During the spring of 2023, a survey questionnaire was sent to managers of the aforementioned firms for the aim of this study. The survey interview facilitates two primary objectives: firstly, the identification of the primary responder for each organisation, and secondly, the resolution of any uncertainties that may arise from the questionnaire, so ensuring its validity.

The four dimensions were assessed using a Likert-type scale consisting of five response levels. The CSR, customer satisfaction, and human resources management were assessed on a scale ranging from 1 (representing "Strongly disagree") to 5 (representing "Strongly agree"). Regarding performance, the scale ranged from 1 (indicating "Unimportant") to 5 (indicating "Very important"). The inclusion of three composite variables in mode A is a result of the strong correlation seen among the indicators that constitute the same construct or latent variable. PLS-SEM is superior than SEM for estimating composite models (Gimeno-Arias et al., 2021). To analyse the model, we deemed PLS-SEM, a variance-based structural equation modelling method, to be the most suitable approach. We choose this approach for many reasons. Firstly, PLS-SEM is particularly suitable for estimating numerous correlations between latent components, particularly when mediation is involved.

4.0 Findings and Results

4.1 Measurement Analysis

Table 4.1: Reliability Analysis

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Corporate Performance	0.7065	0.7202	0.7832	0.5243
Corporate Social Responsibility	0.7365	0.751	0.8254	0.5089
Human Resource Management	0.8101	0.8128	0.8642	0.5171

The table presents the results of a reliability analysis conducted on three constructs: corporate performance, corporate responsibility, and human resources management. The reliability of each construct is evaluated through different metrics: The Cronbach's alpha, rho_A, composite reliability, and average variance extracted (AVE) are the indexes that are used. The Cronbach's alpha, which is an indication of internal consistency, recorded values from 0.7065 to 0.8101 for all the constructs, which implies rather high reliability. Rho_A, too, is the alternative reliability measure, having been found to show values above 0.72 for all constructs. Composite reliability, which is the measure of the correlation of the items to their own construct factors, is relatively high, ranging from 0.7832 to 0.8642. This indicates that the reliability of the factors is strong. In addition, Common Method Variance (CMV) is below the recommended threshold of 0.08, thus indicating the absence of bias due to the study method. Moreover, all constructs capture an amount of variance that is greater than 0.5 due to measurement error. This displays acceptable convergent validity. The research in the concerned areas indicates that the chosen measurement instruments for corporate performance, corporate social responsibility, and human resource management have satisfactory reliability and validity depending on the objectives of this study.

Table 4.2: Validity Analysis (Fornel Lickert)

	Corporate Performance	Corporate Social Responsibility	Human Resource Management
Corporate Performance	0.6514		
Corporate Social Responsibility	0.2421	0.6993	
Human Resource Management	0.2461	0.3371	0.7191

The table here shows the outcomes of a validity analysis done through the Fornell-Larcker criterion, which is used to evaluate the discriminant validity between the constructs in a measurement model. Each table's cells indicate the square root of the mean average variance extracted (AVE) of all constructs on the main diagonal, as well as the correlations between the constructs off the main diagonal. This analysis provides the diagonals as an average variance extracted (AVE) for each construct, where AVE stands for the proportion of the variance observed in the measured variables that is specific to the construct. This is essential given that the off-diagonal elements demonstrate the nature of correlations between constructs. A value of one is for perfect measurement when a construct is to be compared with itself. Near-zero is for weak discriminant validity. Observing the results, we see that the diagonals (indicating the AVE) for each category are fairly high, which demonstrates that the variance in each construct is mainly obtained from its measured variables. Also, within the off-diagonal elements (correlations between constructs), the numbers are lower than the diagonal elements, meaning that there is a great deal

of discriminant validity between these constructs. For instance, the correlation value between CSR and CPR is 0.2421, showing that such constructs differ from each other. In addition, the correlations between other sets of constructs are also comparatively low, which is a sign of good discriminant validity between them. Therefore, these findings indicate that the measurement model built on the constructs of corporate performance, corporate social responsibility, and human resource management shows good discrimination between these constructs.

Table 4.3: Validity Analysis (HTMT)

	Corporate Performance	Corporate Social Responsibility	Human Resource Management
Corporate Performance			
Corporate Social Responsibility	0.3395		
Human Resource Management	0.321	0.4283	

The table illustrates the results of the validity analysis with the help of the heterotrait-monotrait (HTMT) ratio. In this assessment, the relations between the constructs are examined to assure discriminant validity, which means that each construct in the model is not the same as the others. A value of 0 stands for ideal discriminant validity, representing the case that a construct correlates with itself but not with another. In the table given, the diagonal values are the correlations between the constructs and themselves. All of the autocorrelations are zero, which means that the discriminant validity is perfect within each construct. For example, the values on the off-diagonal line represent the correlations of different constructs. Significantly, though, the interrelationship between corporate social responsibility (CSR) and human resource management (HRM) is 0.4283, whereas the relationship between CSR and corporate performance (CP) is 0.3395, indicating some level of overlap but still an acceptable level of discriminant validity.

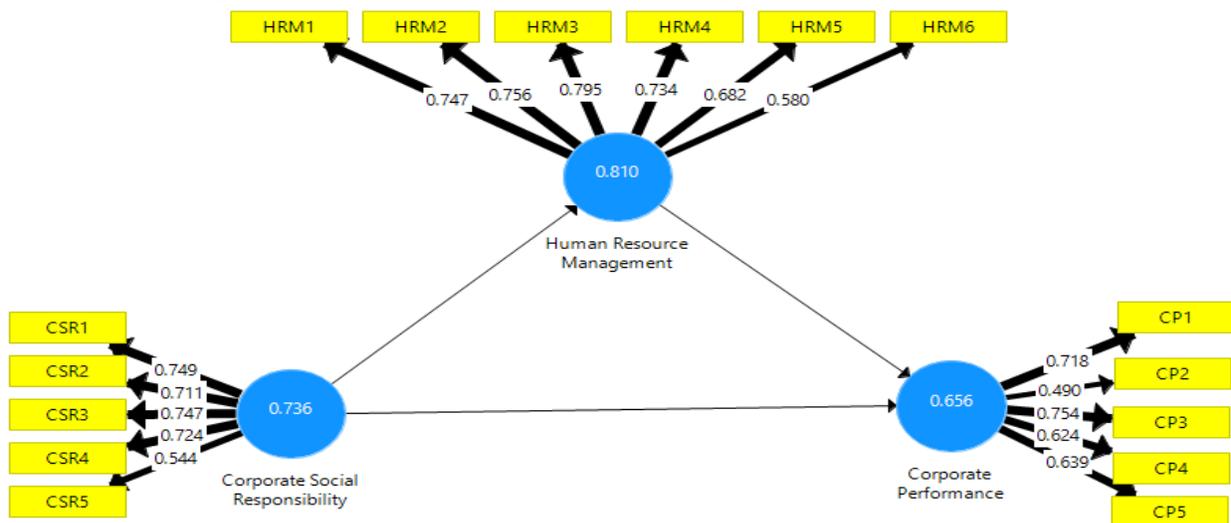


Figure 4.1 Measurement Model

4.2 Structural Equational Model

Table 4.4 Structural Equational Model

	Original Sample (O)	T Statistics (O/STDEV)	P Values
Direct Effect			
Corporate Social Responsibility -> Corporate Performance	0.1795	4.5962	0.001
Corporate Social Responsibility -> Human Resource Management	0.3371	5.5726	0.0002
Human Resource Management -> Corporate Performance	0.1856	5.3887	0.0003
Mediating Effect			
Corporate Social Responsibility -> Human Resource Management -> Corporate Performance	0.0626	3.1063	0.0111

The structural equation model (SEM) that is in Table 4.4 is an illustration of the causal relationship between CSR, HRM and corporate performance. Moreover, the findings disclose that there exists a strong positive correlation between CSR and company performance on different dimensions as well as HRM practices, suggesting that firms with stronger CSR values tend to have higher levels of performance and better HRM practices. Along with this, HRM is demonstrated to have a positive direct impact on corporate performance, which means that effective human resource management is a driving factor that leads to better overall performance. Moreover, the analysis of mediation reveals that HRM partly intercepts the CSR and corporate performance relationship, which indicates that CSR has a direct and indirect effect on corporate performance through HRM. These findings give weight to the fact that CSR and HRM play significant role in organizational effectiveness and also underline the interdependency of these constructs in terms of the organizational context.

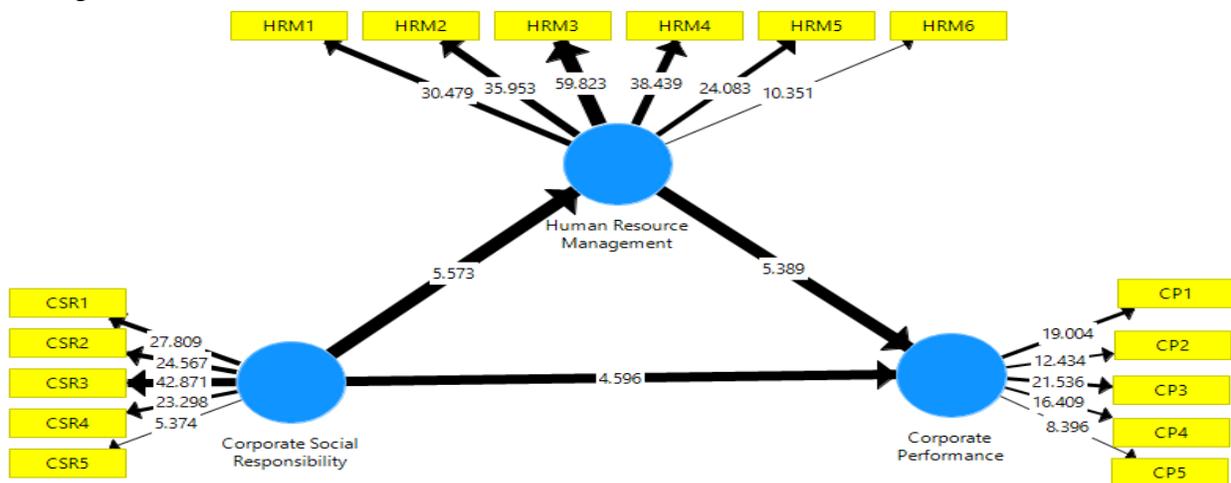


Figure 4.2: Structural Equational Model.

5.0 Discussion and Conclusion

The link between corporate social responsibility (CSR) and the success of a company has been an important issue for debate in both the academic and business communities. Although the contribution of CSR to longer-term stability and sustainable performance is generally agreed upon by most scholars, it is unclear as to the specific impact of CSR on organisational success. This work helps to continue the discussion that is already ongoing by looking at the intricate relationships that exist between CSR initiatives, human resource management, and business performance, especially in the case of small and medium-sized enterprises (SMEs) in the food and beverage manufacturing sector in Spain (Saeidi et al., 2015). Through the employment of structural equation modelling (SEM) by using the partial least squares (PLS) method, we aspired to obtain a holistic knowledge of what impacts and consequences CSR practices have on the organization. The outcome of the study brings to light the complex relationship that exists between CSR, HRM, and organisational performance. However, rather than the straightforward linear relationship between CSR and performance assumed, the analysis has shown the mediating role of HRM between the two. This confirms that while CSR initiatives are appreciated on their own merit, the effectiveness of a CSR plan in terms of organisational success depends on effective human resource management practices (Nave & Ferreira, 2019).

This by itself highlights the fact that, apart from the broader organisational context and the internal mechanisms, other factors need to be considered as well when evaluating the efficiency of CSR strategies. The contribution of our study to holistic CSR research that considers the multidimensional factors that shape organisational performance is also highlighted. In addition to this, the research we conducted highlights the importance of using advanced statistical methods, like PLS-SEM, to discover the complexity of the CSR-performance relationship (Rodrigo et al., 2019). We sought to strengthen the study's rigour and validity by putting a strong methodological framework in place, which is intrinsic to the progress of the management research. We not only reveal the specific features that affect SMEs in the food and beverage sector but also illuminate how other types of organisations can employ CSR initiatives to improve their success. This study plays a role as a stepping stone for future research works that endeavour to uncover the different aspects of CSR and to set a more comprehensive interpretation of corporate sustainability practices in today's business world.

5.1 Conclusion

In short, the value of corporate social responsibility (CSR) for the success of companies is increasingly recognized, although the range of its specific effects is still complicated and multidimensional. Despite various studies that have been undertaken to understand the causal relationship between corporate social responsibility initiatives and organisational performance, the link is still unclear. The mixed results emphasise the need for more research, particularly in addressing the mediating mechanisms by which HRM, as a human resource management tool, plays an essential role in shaping the effects of CSR on firm success. Our research tries to fill in the gap by studying the relationship between CSR, HRM, and organisational performance in the context of small and medium companies within the food and beverage sector in Spain.

In addition, the application of advanced statistical techniques, namely Partial Least Squares Structural Equation Modelling (PLS-SEM), improves the reliability of our findings and provides empirical evidence regarding the link between CSR and organisational performance. As we include some of the mediating factors in our analysis, we are able to give a broader impression of what impact the CSR initiatives will have on the firm's performance, especially in the case of SMEs that are a large part of the business community. Our research emphasises the significance of taking into account the inter-relationship between CSR, HRM, and organisational performance to make informed strategic decisions that will contribute to the sustainability of a company. On the basis of the outcomes, future studies should be pursued to discover the complexity of CSR and its impact on organizational success. Researchers should aim to widen the range of mediating variables examined and to investigate the contextual factors that could have an effect on the correlation between CSR and company performance. Through gaining deeper insight into these drivers, businesses can use CSR initiatives to create sustainable value and long-term growth, eventually contributing to the global objective of developing a more socially responsible and robust business ecosystem.

5.2 Implications and Recommendations

The study of the interaction of corporate social responsibility (CSR), human resource management (HRM), and organizational performance in the context of small and medium-sized enterprises (SMEs) within the food and beverage sector offers major implications for academia and industry. First of all, the results highlight the necessity of linking CSR practices with the main business objectives in order to ensure effective sustainability and competitiveness. Additionally, as an intermediary in this relationship, HRM is to be considered an important component that entails investments in human capital development and the creation of a supportive working environment so as to ensure that the organisation gains from the CSR initiatives. These pieces of evidence show that CSR and HRM can be treated as strategic resources for SMEs to achieve business success and social development. It means that managers have to rethink their business philosophy and make CSR a top priority. Additionally, they have to develop the human resource management system. Researchers are convinced that the study showcases the need to consider mediating mechanisms while examining the CSR-performance relationship. Also, the study, in turn, encourages the further exploration of these dynamics across different contexts to enhance our knowledge of sustainable business practices.

Contribution

Muzzammil Abdul Ghafoor: Problem Identification and Theoretical Framework

Neelam Sultana: Data Analysis, Supervision and Drafting

Waqas Patras: Literature Search, Methodology, and Drafting

Conflict of Interests/Disclosures

The authors declared no potential conflicts of interest in this article's research, authorship, and publication.

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