

Investigating the Impact of CSR Practices on Financial Performance: A Multiple Mediation Analysis in the Moroccan Exporting SMEs

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ABSTRACT

Numerous pieces of research have shown that corporate social responsibility (CSR) orientation is key to driving long-term survival, growth and sustainable performance in a complex and dynamic environment. However, studies of the relationship between CSR and financial performance (FP) have yielded disparate results. Therefore, the current study aims to examine the effect of CSR on FP by using customer satisfaction (CS), reputation (REP) and competitive advantage (CA) as mediating variables. The data for this study was collected *via* a survey of 207 Moroccan exporting small and medium-sized enterprises (SMEs) and analyzed using SPSS 25 and Structural-equation Modeling with the aid of AMOS 23. Outcomes revealed that CSR has no significant direct effect on FP, but rather an indirect effect through REP and CS. Likewise, the link between CSR and FP is mediated on the one hand by CS and CA, successively and on the other hand by REP and CA, successively.

These findings provide a verified theoretical framework for SME managers to plan and execute CSR to enhance FP by indirectly targeting the aforementioned intangible assets.

The paper contributes to the knowledge of how CSR practices lead to FP in an under-explored context of SMEs in a developing country.

Keywords: Corporate social responsibility, Financial performance, Intangible assets, SMEs, Developing countries, Structural-equation modeling.

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استقصاء تأثير ممارسات المسؤولية الاجتماعية للشركات في الأداء المالي: تحليل وساطة متعددة في الشركات المغربية الصغيرة والمتوسطة المصدرة

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ملخص

أسفرت الدراسات حول العلاقة بين المسؤولية الاجتماعية للشركات والأداء المالي عن نتائج متباينة. تبعاً لذلك، يهدف هذا البحث إلى دراسة تأثير المسؤولية الاجتماعية للشركات في الأداء المالي باستخدام رضا العملاء والسمعة والميزة التنافسية كمتغيرات وسيطة. تم جمع البيانات الخاصة بهذه الدراسة من خلال دراسة استقصائية لـ 207 شركات مغربية مصدرة صغيرة ومتوسطة الحجم، وتم تحليلها باستخدام SPSS 25 ونموذج المعادلات الهيكلية (SEM) بمساعدة AMOS 23. تكشف النتائج أن المسؤولية الاجتماعية للشركات ليس لها تأثير مباشر كبير في الأداء المالي، ولكن مع وجود تأثير غير مباشر من خلال السمعة ورضا العملاء. وبالمثل، فإنها تشير إلى أن الارتباط بين المسؤولية الاجتماعية للشركات والأداء المالي يتم التوسط فيه، من ناحية من خلال رضا العملاء والميزة التنافسية على التوالي، ومن ناحية أخرى من خلال السمعة والميزة التنافسية على التوالي. توفر هذه النتائج إطاراً نظرياً تم التحقق منه لمديري الشركات الصغيرة والمتوسطة لتخطيط وتنفيذ المسؤولية الاجتماعية للشركات لتعزيز الأداء المالي من خلال الاستهداف غير المباشر للأصول غير الملموسة المذكورة أعلاه. وتبدأ هذه الدراسة فجوة مهمة في الأبحاث حول تأثير المسؤولية الاجتماعية للشركات في الأداء المالي في سياق غير مستكشف للمؤسسات الصغيرة والمتوسطة في بلد نامٍ. الكلمات الدالة: المسؤولية الاجتماعية للشركات، الأداء المالي، الأصول غير الملموسة، الشركات الصغيرة والمتوسطة، بلد نامٍ، نموذج المعادلات الهيكلية.

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1. INTRODUCTION

In recent years, the concept of corporate social responsibility (CSR) has received increasing attention from both academics and practitioners. Today, it is well acknowledged as a strategic imperative for businesses to remain competitive (Elisa & Mukherjee, 2022). In this sense, companies of all types and sizes are encouraged further to incorporate CSR practices into their business strategy. Although large companies are believed to be more responsible and able to implement CSR, the interest in CSR in small and medium enterprises (SMEs) is constantly growing, driven by the need to be profitable and sustainable (Masocha & Fatoki, 2018). Whence, elucidating the relationship between CSR and financial performance (FP) is fundamental for the promotion of CSR for every firm in the business world (Lin et al., 2015).

Many studies have examined the direct relationship between CSR and FP, but the results are often inconsistent and spurious (Margolis & Walsh, 2003). While the majority of studies found a positive relationship (Kammoun et al., 2021), others claimed a neutral relationship (Ullmann, 1985) or a negative (Lee & Yang, 2021) one. To explain the inconclusive and conflicting results, some researchers opine that most of the studies omit important intervening variables, such as customer satisfaction (CS), reputation (REP) and competitive advantage (CA) in the CSR-FP relationship (Ali et al., 2020; Hasan & Yun, 2017; Saeidi et al., 2015; Xie et al., 2017). Including such intervening variables in the analysis would more likely help understand this association and improve the results' accuracy and reliability (Ali et al., 2020). From the foregoing discussion, the direct and indirect effects of CSR on FP require further investigation.

Most of this area has often been empirically explored in developed countries, but there is still a paucity of research in developing countries (Alshehhi et al., 2018), like Morocco. Even though SMEs in Morocco have reported experiencing economic constraints preventing them from significantly engaging in CSR and sustainability efforts (Elbousserghini

et al., 2019), their awareness level is still evolving (Kammoun et al., 2021). According to El Baz et al. (2016), most of the investment of Moroccan SMEs in CSR activities is motivated by the necessity to improve their REP and sustain their competitive advantage. For Moroccan exporting SMEs that are facing national and international competitiveness, CSR investment may be the key to their sustainable financial success.

In this context, this study tries to fill in this gap by addressing the following research question: *To what extent do customer satisfaction, reputation and competitive advantage mediate the relationship between CSR and FP in the Moroccan exporting SMEs?* The current study answers the call for more fine-grained analysis by testing both the complex direct link in the CSR-FP relationship and the mediated link through CS, REP and CA.

Numerous researchers have argued that REP, CS and CA are outcomes of CSR (Ye et al., 2021). According to Saeidi et al. (2015), CSR practices can lead a firm to improve its competitiveness by increasing CS and gaining a decent REP, which can consequently enhance its financial outcome. It has also been reported that sustainable CA is crucial to turn the operational outcomes of CSR (CS, REP and organizational commitment) into financial success (Cantele & Zardini, 2018). Therefore, to shed light on the black box of CSR-FP indirect relationship, CS, REP and CA are tested as mediators.

This paper contributes to the extant literature in three ways. First, it enriches the literature by responding to the call for more research on the CSR-FP relationship using mediating factors. Second, it bridges the gap in the CSR-FP relationship by including three intermediate outcomes of CSR; namely, CS, REP and CA. Lastly, it employs a sample of exporting SMEs from Morocco to examine the direct and indirect relationships between CSR and FP, thereby, to the best of the authors' knowledge, being the first study in this context.

The remainder of this article is structured as follows. In Section 2, the theoretical underpinnings of the paper and hypotheses are introduced. In Section 3, the dataset and the research methodology adopted are outlined. The main results are discussed in Section 4. In conclusion, the research contributions, limitations and future-research directions are highlighted in Section 5.

2. Literature Review and Formulation of Hypotheses

2.1 Corporate Social Responsibility: An Overview

CSR is a topic that is increasingly receiving more attention and has become mainstream. This popularity of CSR is due to the significant tangible and intangible outcomes of corporate responsibility for multiple interest groups. Indeed, more and more companies are embarking on CSR initiatives to consider the interests and meet the demands of their numerous and exigent stakeholders.

Despite the trending status of CSR, the concept is still ill-defined. The various proposals that have been made by researchers, experts and practitioners to define CSR indicate no consensus on a common definition. From a literature review of CSR topics, Činčalová & Prokop (2019) analyzed 100 definitions of CSR and concluded that CSR is an optional concept of socially responsible conduct beyond the legitimate commitments of the company that integrates the social, environmental and economic parts and therefore, it satisfies the objectives of all the interested parties. This definition is in line with most of the theoretical frameworks in which CSR was developed, such as the four-part model of CSR (Carroll, 1979), the stakeholder theory (Freeman, 1984) and the Triple Bottom Line (TBL) framework (Elkington, 1998) proposing that CSR is a win-win initiative for both the company and the CSR beneficiaries at large.

Carroll's pyramidal model (1979) considers that CSR consists of economic, legal, ethical and discretionary initiatives aimed at fulfilling stakeholder expectations. His early definition of CSR is thus closely tied to the stakeholder theory considering the stakeholders as an essential part of the motivation for enterprises to engage in CSR. In essence, the

stakeholder theory emphasizes that in order to maximize the benefits of CSR, businesses need to identify their stakeholders and assess their needs, interests and expectations. Elkington (1998) contributes to the definition by highlighting the importance of balancing the pillars of TBL, *scilicet*, social (people), environmental (planet) and economic (profit), to ensure the firm's sustainable performance.

It is also in this sense that Cantele & Zardini (2018) proposed their conceptualization of CSR. Based on the stakeholder approach (Madueno et al., 2016), the TBL approach (Reverte et al., 2016) and the CSR practices approach (Godos-Díez et al., 2011; Perrini et al., 2007), Cantele & Zardini (2018) provided four CSR constructs that are adapted to the SME context: (a) the social dimension, which refers to the management's obligation to make choices and take actions that will contribute to the welfare and interests of society; (b) the environmental dimension, which refers to the actions undertaken by the company to preserve the environment; (c) the economic dimension referring to the direct and indirect economic impacts that the organization's operations have on the surrounding community and the company's stakeholders; (d) the formal practices dimension considering the firm's compliance with environmental, human-labor and quality regulations. Given that, this study adopted Cantele & Zardini's (2018) operationalization of CSR to measure the company-specific level of CSR activities.

2.2 CSR in Moroccan Exporting SMEs

In the Moroccan context, the debate on CSR is omnipresent today. This situation is mainly attributed to two factors: a) the trend towards a growing awareness of CSR on a global scale, which is also reaching emerging economies and b) the integration of the Moroccan economy into global value chains (Ouriachi et al., 2021). As a result of these facts, the

wave of CSR sweeping across companies, particularly globalized companies, has already begun to sweep along their value chain. Moroccan companies that are integrated into these value chains must not only be able to integrate CSR principles and meet the requirements of their stakeholders, but also derive benefits.

For export-oriented Moroccan SMEs, the challenges faced by the multiplicity of stakeholders are even more redoubtable. Many Moroccan exporting SMEs face a dilemma. They do not know how to meet the increasing social and environmental demands of global buyers and supply chains and fear losing their competitive advantage in international markets (Abbasi, 2017). However, they are aware of that if they do not profitably meet these requirements, they will not be able to access new foreign markets and risk losing even the contracts that they already have (Nave & Ferreira, 2019).

Thus, this interest in CSR is not without reason. Moroccan exporting SMEs intend to benefit from CSR practices; for instance, in terms of the amelioration of REP, the conquest of new markets, the ease of access to capital, the enhancement of CA and the improvement of FP. In this regard, several studies have been conducted to measure the impact of CSR on FP in developed countries and other emerging markets. However, little literature exists in the context of Morocco. Therefore, the debate is still open and further investigations are required to address this important research gap (Abdulsaleh & Sefiani, 2020).

2.3 CSR and Financial Performance (FP)

Throughout the plethora of CSR research, the idea that companies can do well by doing good has been strongly raised. Therefore, many studies on the relationship between CSR and FP have been reported, but they showed mixed (positive, negative or neutral) results.

First, the studies that argue for a positive association emphasize CSR as a core driver in attaining a firm's financial success (e.g., Abu Farha & Alkhalaileh, 2016; Kammoun et al., 2021). The argument is that a firm that

engages in CSR activities per the expectations of its stakeholders finds positive impacts, which enables it to pursue its profitability interest with the consent and support of its stakeholder environment (Carroll & Shabana, 2010).

In contrast, other scholars agree that undertaking CSR activities can have a negative effect on a firm's performance (e.g. Lee & Yang, 2021; Tandelilin & Usman, 2022). Friedman (1970) and other neoclassical economists state that CSR activities will incur higher costs overriding the benefits, which will lessen profit and lower shareholder wealth.

Lastly, some empirical results suggest a neutral or no relationship between CSR and FP. Proponents of this view argue that many contingent factors affect the relationship (Ullmann, 1985; Rintala et al., 2022). Given this, while the CSR-FP relationship is still an unresolved puzzle, the adoption of a contingency perspective may offer new clues to clarify this relationship.

In effect, while an extensive body of literature is available on the relationship between CSR and FP, the studies are predominantly focused on testing the direct link (Margolis & Walsh, 2003). However, more recent studies claim that the direct association between CSR and FP veils many influential factors (Saeidi et al., 2015; Ye et al., 2021). To obtain reliable results, those influential omitted and neglected factors should be considered and empirically proven. Hence, to go beyond the tip of the iceberg, three factors; namely, CS, REP and CA, will be tested. Based on the above discussion, it is hypothesized that:

H1: CSR has no significant direct effect on FP.

H2: The CSR-FP link is indirect rather than direct.

2.4 The Mediating Effects of Customer Satisfaction, Reputation and Competitive Advantage

Current research studies have evinced that CS has a positive effect on FP through CSR (Xie et al., 2017).

CS can be defined as a *post hoc* customer's overall evaluation of the firm's products, services and capabilities and is a fundamental indicator of business success (Gimeno-Arias et al., 2021). According to the equity theory, satisfaction will result if, during exchanges, consumers perceive their output/input ratio as being fair (Oliver & Swan, 1989). Thus, to achieve higher CS, firms would engage in CSR activities, such as ethical treatment of customers, improvement of product quality and qualified after-sale service as means to exhibit fairness and equity. Further, through the lens of the stakeholder theory, Jensen (2001) argued that managers should make decisions in line with the interests of all constituencies that can affect the value of the firm. When the interest of consumers, as key firm stakeholders, is satisfied, the company's competitiveness will increase and bring benefits to the business. Then, it is hypothesized that:

H3: The relationship between CSR and FP is mediated by customer satisfaction (CS).

Corporate reputation can also mediate the relationship between CSR and FP (Pham & Tran, 2020). Corporate REP is a collective representation of a company's past actions and results that describes the company's overall attractiveness to its diverse stakeholders (Fombrun, 2015). The paper of Hasan & Yun (2017) is one of many others that underline that a decent corporate REP can bring positive behavioral outcomes for various stakeholders, which will presumably improve the firm performance. Wherefore, most firms will tend to be involved in CSR activities (Hasan & Yun, 2017). Therefore, it is hypothesized that:

H4: The relationship between CSR and FP is mediated by corporate reputation (REP).

For many organizations, CA is a top priority and a crucial factor in maintaining a sustainable business. It could be defined as an advantage that a firm has over its competitors, allowing it to generate added value and enhance its performance (Novita & Husna, 2020). To achieve sustainable CA, several studies have posited that investment

in differentiation strategies, such as corporate socially responsible practices, may be beneficial (Shah & Khan, 2019). Accordingly, many researchers have argued that acquiring a sustainable CA through CSR activities will result in higher financial benefits (El-Garaihy et al., 2014). To confirm the mediating effect that CA could play, the following hypothesis has been proposed:

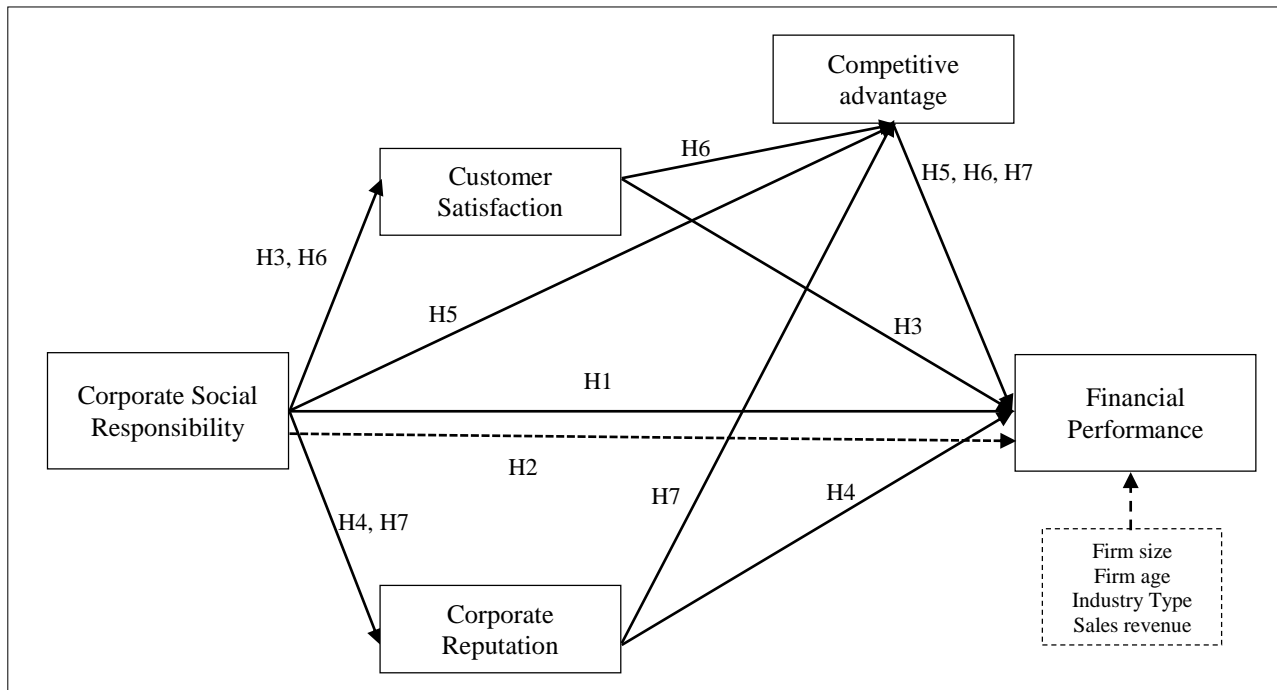
H5: The relationship between CSR and FP is mediated by competitive advantage (CA).

In parallel, various scholars were interested in examining the resources and capabilities developed through CSR practices that lead to greater overall performance due to improved CA (Cantele & Zardini, 2018). A similar picture emerges from the RBV-based stakeholder theory and gives evidence of the importance of stakeholders as a source of a firm's competitive advantage. It was premised that firms with good CSR might build a CA benefiting from the corporate REP and the stakeholders' goodwill (Ali et al., 2020; Bahta et al., 2021). According to this view, investment in and disclosure of social-responsibility activities have significant consequences on the development—or destruction—of intangible resources, such as corporate REP and CS. Those intangibles, if strategically positioned, can lead firms to achieve sustainable competitive success (Hasan & Yun, 2017). Lastly, the following hypotheses are proposed:

H6: The relationship between CSR and FP is mediated by CS and CA, successively.

H7: The relationship between CSR and FP is mediated by REP and CA, successively.

Based on the above discussion, Figure 1 represents the model and the hypothesized relationships for this research.

**Figure (1)****Research model (source: authors)**

3. Research Method

3.1 Sample and Procedures

As indicated previously, the present research focused on a sample of Moroccan exporting SMEs. While widely available datasets, like Kinder, Lydenberg and Domini (KLD) ratings, Dow Jones Sustainability Index (DJSI) and Fortune's Most Admired Companies dominated by United States samples exist, a similarly developed dataset does not exist in Morocco. So, to investigate the mechanisms of turning CSR practices into FP, the survey method was used to obtain data. To conduct a quantitative study, the companies that participated had to be selected randomly from the exporting Moroccan SMEs, which operate in the industrial sector and comply with the Moroccan definition of SMEs, settled under law 53-00 of the SMEs Charter (turnover under 75 million dirhams, employees below 200). To avoid extremely small firms, we excluded those under 10 million dirhams with less than ten employees. Top and

middle managers were chosen as respondents due to their rounded knowledge of their firms.

The fieldwork was carried out from February to August 2021. A total of 1350 invitations were sent out, from which 379 respondents were eligible cases. Of the 379 eligible cases, 80 cases rejected the interview after their eligibility was confirmed, 12 cases were not contacted or failed to return the questionnaire during the field period and 65 cases were undeliverable cases with unknown eligibility. In sum, 222 questionnaires were received, of which 207 were complete and usable. The overall response rate calculated using the American Association for Public Opinion Research (AAPOR) Participation Rate formula (2020) was 54.6% (see supporting information S1). This response rate is comparable to other studies surveying the managers' opinions on CSR (Al-Qarni, 2014; Ali et al., 2020; Mohsine, 2022).

To determine the adequate sample size for using structural equation modeling (SEM), an online *a priori* sample size calculator for SEM (Soper, 2021) was utilized. Assuming an anticipated effect size of 0.3 to obtain a power of 0.80 and a probability level of 0.05, a minimum sample of 184 cases would be required. Thus, the present study had the necessary number of participants to test the proposed model.

To collect the data, a questionnaire was sent to the manager of each company selected. The questionnaire consists of three sections. Sections 1 and 2 gather general information about the respondents and their organizations. The third section of the questionnaire consists of items relating to the study variables. First, the questionnaire was developed through a literature review. Second, to check the questionnaire's content validity and reliability, a pre-test was carried out with a group of three academics and two practitioners. Then, to assess the clarity and relevance of the questionnaire, a pilot test was conducted with seventeen exporting SMEs randomly selected from the population. These respondents were not included in the final sample. Lastly, after making some minor modifications, the final and updated version of the measurement instrument was ready.

The Google Forms application was used to collect the data. The survey link was sent to the targeted participants *via* electronic means. Subsequently, the database with the survey's results was treated in SPSS 25 and AMOS 23.

3.2 Scale Description

The study developed a questionnaire based on theoretical literature and previous studies. Respondents were asked to provide their perceptions of each construct in the research model on a 5-point Likert scale that ranged from 1 = strongly disagree to 5 = strongly agree.

The questionnaire used in this study was a self-reported questionnaire of 38 items (see supporting information S2). It includes five main dimensions, measured as follows: CSR perceptions were measured using 17 items (divided into four dimensions: social, environmental, economic and formal practices dimensions) taken from a study by Cantele &

Zardini (2018). CS was measured by a five-item scale adopted from Galbreath & Shum (2012) and adapted to the current context. REP was assessed by a five-item scale developed by Weiss et al. (1999). CA was gauged by a four-item scale based on Chang's (2011) and Saeidi et al. (2015) previous work. FP was measured by a three-item scale including net profit margin, return on investment (ROI) and sales growth adopted from Bahta et al. (2021) and Cantele & Zardini (2018).

Following prior studies, this study employed firm size, firm age, sales revenue and industry type as control variables (Alia & Mardawi, 2021; Bahta et al., 2021; Saeidi et al., 2015; Xie et al., 2017). Each control variable was measured with only a single question. Thus, firm size and firm age were measured by the number of full-time employees in the firm and the company's number of years in business, respectively. Sales revenue was captured by four categories from less than 3 million dirhams to over 75 million dirhams per year. Lastly, the industry type was identified by ten categories representing different industries.

3.3 Data Analysis

For data analysis, SPSS 25 was used for descriptive analysis, exploratory factor analysis (EFA), reliability and correlation and AMOS 23 was used for confirmatory factor analysis (CFA) and SEM. Simple and multiple serial mediations have been analyzed through bias-corrected bootstrapping—a resampling technique. Before that, the data was analyzed for normality, outliers and missing values in SPSS 25 and upon detection, it was corrected.

4. Results and Discussion

4.1 Demographics

Data was collected from managers of Moroccan exporting SMEs. The majority were males (79.7%), with females representing (20.3%) of the group. More than (73%) of the respondents belong to the age groups

of 35-45 years (37.3%) and 46-55 years (35.8%). 15% of the respondents are under 35 years old, 9% are between 56-65 years old and only 3% are over 66 years old.

As for firm characteristics, 117 SMEs had 50 to 200 employees, whereas 90 had 10 to 49 employees. 50.3% were from the agro-food sector, followed by the textile, clothing and footwear sector with 30.1%. The remaining 19.60% are distributed among the other eight sectors as follows: mechanical and electromechanical sector (6.3%); electronics, electrical, IT and optics sector (3.9%); metallurgical and metalworking sector (3.9%); wood, paper, cardboard and printing sector (1.9%); rubber and plastic sector (1.9%); chemistry and para-chemistry sector (1%); pharmaceutical sector (0.5%); and automotive sector (0.5%).

On the other hand, 76% of the SMEs had existed for more than ten years. 13.5% have between 5 and 10 years of activity and only 10.1% have less than five years of activity. About 70% of the SMEs have sales revenues between 31 million and 75 million dirhams, whereas 30% have sales revenues between 3 million and 30 million dirhams.

4.2 Descriptive Analysis

We performed mean, standard deviation, internal consistency and bivariate Pearson correlation analyses among all the study variables. Table 1 shows the descriptive statistics and correlations among variables, providing initial support for further hypothesis testing.

Table 1
Means, standard deviations and correlation-analysis results

Variables	Mean	SD	1	2	3	4	5	6	7	8	9
Firm age	2.66	0.65	1								
Sales revenue	1.70	0.46	0.606**	1							
Firm size	1.57	0.49	0.456**	0.627**	1						
Industry type	4.71	4.04	0.108	0.128	0.293**	1					
CSR	2.97	0.92	0.001	0.121	-0.003	0.014	1				
REP	2.78	0.89	0.056	0.153*	0.053	-0.008	0.804**	1			
CS	2.93	1.07	0.052	0.118	-0.003	0.036	0.840**	0.616**	1		
CA	3.10	1.00	-0.02	0.105	-0.035	-0.024	0.743**	0.644**	0.688**	1	
FP	2.65	0.90	0.029	0.129	-0.001	-0.052	0.411**	0.439**	0.441**	0.484**	1

Note: **p < 0.01; *p < 0.05, N = 207.

In terms of means, the lowest mean was noted in sales revenue, which is 1.70, whereas industry type was found to have the highest mean of 4.71.

The correlation coefficients range from 0.4 (a moderate positive correlation) to 0.8 (a strong positive correlation). This shows that there are significant and positive relationships between variables. None of the control variables showed a significant correlation with the study variables; so, these were not considered for further analysis.

Kurtosis and skewness were used to examine the normality of data. All the variables satisfied assumptions of normality with kurtosis and skewness values between 2 and -2.

4.3 Exploratory Factor Analysis (EFA)

An EFA was performed using SPSS 25 with maximum likelihood extraction and Promax rotation. All items were loaded in their expected groups and a

clean pattern matrix was obtained. EFA confirmed a unidimensional extraction of the scale items. The Kaiser-Meyer-Olkin (KMO) and Bartlett's tests for sampling adequacy were significant and close to 0.90 (0.940), demonstrating that the correlation between the data is perfect and suitable for performing factor analysis. All communalities were above 0.4 and only two variables have a non-redundant residual correlation greater than 0.05, indicating that the solution explains most of the variations for the items. Eight factors emerged with an eigenvalue greater than 1, explaining a total variance of 75.72%.

The factors also evidenced convergent validity with all items having loadings greater than 0.50 and discriminant validity with no cross-loadings of items above 0.30 or shared variance between items above 0.70 in the correlation matrix (Hair et al., 2021). Finally, all Cronbach's alpha values involved in this study surpassed the limit of 0.70. This revealed that the internal-consistency reliability of all scales was maintained in this study.

4.4 Confirmatory Factor Analysis (CFA)

As an initial step in SEM, CFA was performed using AMOS 23 to ascertain the model fit and confirm the factor structure. Based on the literature, two measurement models

were compared to determine the appropriate factor structure for the CSR scale. The measurement model A with CSR as a second-order reflective construct with four underlying dimensions used as indicators—namely, social (SOC), environmental (ENV), economic (EC) and formal practices (PR)—was compared to the model B with the previously mentioned dimensions as first-order reflective constructs. Eight fit indices were examined for each of the two measurement models tested. Chi-square mean/degree of freedom (CMIN/DF), Adjusted Goodness of Fit Index (AGFI), Standard Root Mean Square Residual (SRMR) and Root Mean Square Error of Approximation (RMSEA) were selected as measures of absolute fit. Comparative Fit Index (CFI) and Tucker-Lewis index (TLI) were selected as measures of incremental fit. Finally, the Akaike information criterion (AIC) and Bayesian information criterion (BIC) were selected as criteria for model selection. The results in Table 2 confirm that the fit indices value of the measurement model A is the best fit for our dataset, because indices exceed the threshold values, with smaller AIC and BIC values compared to model B (Kline, 2015).

Table 2
Fit indices for measurement models

Indices	Threshold values	Model A	Model B
CMIN/DF	< 3.0	1.198	1.212
CFI	> 0.95	0.984	0.983
TLI	> 0.95	0.982	0.981
AGFI	> 0.80	0.838	0.836
SRMR	< 0.09	0.0376	0.0354
RMSEA	< 0.05	0.031	0.032
AIC	the smaller the better	780.854	799.055
BIC	the smaller the better	1064.135	1128.994

As part of this CFA assessment, it is necessary to check for convergent and discriminant validity, as well as composite reliability (CR). First, the CR was measured; all components and all constructs exceeded the benchmark of 0.70 (Hair et al., 2021). Then, to establish convergent validity, the average variance extracted (AVE) should be greater than 0.50 for each construct. Table 3 shows that all the constructs had CR and AVE values that exceeded the minima. Lastly, the discriminant validity is attained when

the estimate of the maximum shared variance (MSV) is less than the estimate of the AVE or when the square root of the average variance extracted is greater than any correlation with that factor (Hair et al., 2021). These thresholds were met for all the factors, as presented in Table 3. Consequently, the CR and both the convergent and discriminant validity were proven to be acceptable.

Table 3
Convergent validity, discriminant validity and construct reliability

	CR	AVE	MSV	CS	REP	CA	FP	CSR
CS	0.938	0.753	0.610	0.868				
REP	0.919	0.693	0.553	0.574***	0.833			
CA	0.937	0.788	0.473	0.655***	0.608***	0.888		
FP	0.911	0.773	0.211	0.415***	0.410***	0.459***	0.879	
CSR	0.869	0.625	0.610	0.781***	0.743***	0.688***	0.372***	0.791

Note: Square root of average variance extracted is shown on the diagonal of the table in **bold**; *** p < 0.001.

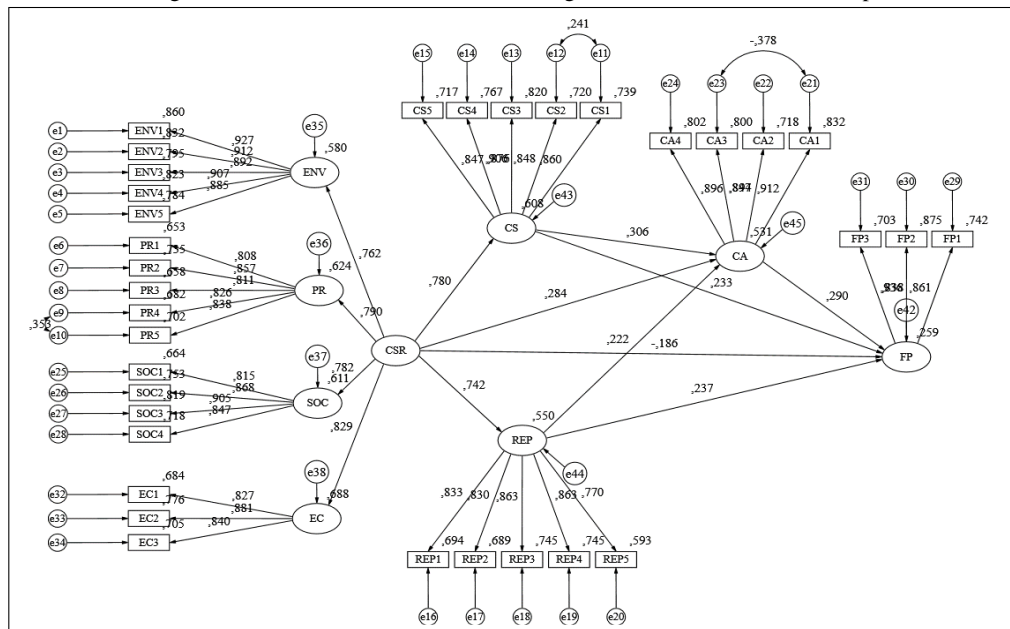


Figure (2)
Structural model (standardized beta values)

4.5 Structural Model

Before conducting the main analysis, the present study checked the multivariate assumptions (outliers and multicollinearity). Specifically, Cook's distance was used for identifying outliers and influentials. The maximum Cook's distance was 0.008, below the threshold of $4/n$ (the cut-off value is $n = 0.019$, with $n = 207$), confirming that no outliers or excessive influential data points were present. Then, the multicollinearity was tested by using the variance inflation factor (VIF) value. The criterion is that if the VIF value is between 1 and 5 and the tolerance value is greater than 0.1, there can be no multicollinearity problem (Shrestha, 2020). The results denoted no multicollinearity in the dataset, with VIF values ranging between 2.141 and 3.904 and tolerance values exceeding 0.256. Hence, there were no violations of multivariate assumptions in the dataset.

In addition, to ensure that the structural model illustrated in Figure 2 is properly specified and fits the data, an analysis of the model fit was performed. The outcome in Table 4 indicates that the structural model is a good fit and achieves the threshold criteria of model fitness. As correct measurement has been achieved, hypothesis testing can begin.

Table 4

Fit indices for structural model

Indices	Threshold values	Structural model
CMIN/DF	< 3.0	1.195
CFI	> 0.95	0.984
TLI	> 0.95	0.983
AGFI	> 0.80	0.838
SRMR	< 0.09	0.0376
RMSEA	< 0.05	0.031
AIC	the smaller the better	778.872
BIC	the smaller the better	1058.821

For testing the research hypotheses, path analysis and mediation analysis using SEM through AMOS 23 were used. The result of the direct path of the hypothesized model substantiated that *H1* is supported. As shown in Table 5, CSR has no significant effect on FP ($\beta = -0.186$, $p = 0.281$). This implies that investment in CSR does not directly guarantee favorable financial returns. In essence, this result is consistent with previous studies that showed no clear and direct relationship between CSR and FP (Ullmann, 1985).

Table 5

Path coefficient and its significance

Hypothesis		Unstandardized coefficient	Standard error	CR	p-value	β	Result
<i>H1</i>	CSR \rightarrow FP	-0.180	0.167	-1.077	0.281 (ns)	-0.186	Supported

Note: ns = not significant.

The analysis of mediation is performed using the bias-corrected bootstrap method with 5000 samples (Igartua & Hayes, 2021). This method was chosen because of its higher testing power and its capability to provide more reliable results than the traditional Baron and Kenny method and the

Sobel test (Hayes, 2022; Igartua & Hayes, 2021). Zhao et al. (2010) argued that to establish mediation, all that matters is that the indirect effect is statistically significant. Accordingly, AMOS user-defined estimand, developed by Gaskin (2016), was used for

testing the indirect effects. The indirect effect is considered significant if the 95% confidence interval (CI) calculated from the 5000 bootstrap samples did not include zero (Igartua & Hayes, 2021). The indirect effects of hypotheses 2, 3, 4, 6 and 7 were statistically significant and there was no zero value within the lower to upper CI limits, thereby rejecting the null hypothesis. Hence, the mediation results provided evidence supporting all the hypotheses except for the fifth one (*H5*).

As expected, there was a positive indirect effect of CSR ($\beta = 0.557$, $p = 0.002$; CI = 0.259, 0.860) on FP. The direct effect without the mediator became insignificant when the

mediator was introduced, as listed in Table 6. According to Carrión et al. (2017), this transformation reveals a full mediation effect between CSR and FP and therefore, *H2* is supported (Table 6). This result joins a growing body of literature indicating that CSR's influence on FP is one that is not direct, but rather indirect (Pham & Tran, 2020; Saeidi et al., 2015). Furthermore, the study suggests, as reported by Ali et al. (2020) and many other scholars, that including intervening variables is a *sine qua non* for the accuracy of the results.

Table 6
Results of mediation analysis for hypothesis 2

Hypothesis		Unstandardized coefficient	Bootstrap standard errors	Standardized coefficient β	LB 95% CI	UB 95% CI	p	Result
Direct effect	CSR \rightarrow FP (without mediators)	0.352	(na)	0.371	(na)	(na)	***	-
Direct effect	CSR \rightarrow FP (with mediators)	-0.180	0.178	-0.186	-0.524	0.186	0.324 (ns)	-
Indirect effect <i>H2</i>	CSR \rightarrow FP (with mediators)	0.539	0.160	0.557	0.259	0.860	0.002 (**)	Supported

Note: LB – lower bound; UB – upper bound; 95% CI – 95% bias-corrected bootstrap confidence interval; na = not applicable; ns = not significant; ** $p < 0.010$; *** $p < 0.001$.

As shown in Table 7, *H3* was supported, as the indirect effect of CSR on FP through CS was positive and significant. This finding matches the results of similar studies, which posit that undertaking CSR practices may enhance CS, which can directly contribute to better financial outcomes (Gimeno-Arias et al., 2021; Tarigan et al., 2021). It is only when the customer is satisfied that CSR investments start providing real value.

The indirect influence of CSR on FP through REP predicted by *H4* was also significant (Table 7). A good REP signals firm integrity and competence to its stakeholders and

encourages them to ally with it. In other words, firms with a better REP are perceived as less risky and more reliable by the stakeholders and hence, they are rewarded with better access to resources, increased legitimacy and superior firm performance. In this connection, many other scholars have found empirical support for the mediation role of REP between CSR and FP (Fourati & Dammak, 2021; Pham & Tran, 2020).

H6, predicting the multiple serial mediation effect of CSR on FP through CS and CA, was supported

($\beta = 0.067$, $p = 0.014$; $CI = 0.021, 0.150$). These results are compatible with the hypothesis that there is no direct link between CS and FP *per se*, but rather it occurs through CA (Cantele & Zardini, 2018; Gimeno-Arias et al., 2021). El-Garaihy et al. (2014) have revealed that CA is the main result of CS and the main determinant of a company's performance. *De facto*, obtaining a greater CA through CS is a magic weapon to turn CSR activities into improved performance.

Also, the indirect effect of CSR on FP when mediated by REP and CA successively was significant (H7). The findings of this study are compatible with most of the research contending that the connection between CSR and FP is mediated by REP and CA successively (Cantele & Zardini, 2018; Hamdoun et al., 2021). In a nutshell, a CSR-induced REP represents a strategic CA that is rare, valuable and hard to duplicate. Concurrently, if a firm's purpose is to survive and succeed, it can do nothing better than building a good REP among its stakeholders that could stand out as a CA.

The indirect effect of CSR on FP, when mediated by CA, was not significant, with zero falling within the confidence interval ($\beta = 0.080$, $p = 0.063$; $CI = -0.004, 0.246$) (H5). The findings disprove the hypothesis, but lead to an interesting discussion about the influence mechanisms of CSR. The results of the study specify that the investment in CSR activities is not enough to ensure CA. Unless CSR has a real impact on the firm stakeholders, its role seems symbolic and

goes unnoticed. Firms should execute CSR actions by following a quadruple helix approach (Amar et al., 2021; Yun & Liu, 2019). Simply put, they should not operate alone, but in tandem with their various stakeholders (other businesses, government, society and academia).

Finally, it could be said that for the Moroccan SMEs, the investment in CSR practices is considered profitable as long as it provides some stakeholders-related advantages, such as REP and CS. Those conclusions are in line with other researchers that declared that Moroccan companies are committed to CSR, seeing it as the best approach to enhance their firm image—among customers and society in general—and FP. (Kammoun et al., 2021). However, Moroccan SMEs do not seem to find CSR efforts a CA themselves. This is because, on the one hand, SMEs often face liabilities of foreignness, smallness and limited resources and struggle to compete with stronger companies (Kadi, 2021); on the other hand, the role of CSR appears to be weak when CSR actions are taken in isolation from the stakeholders' chain. Anyhow, by having a CSR fit for their stakeholders, it is expected that Moroccan SMEs would generate positive outcomes essential to create a CA and eventually improve their performance.

Table 7
Results of mediation analysis for hypotheses 3, 4, 5, 6 and 7

	Hypothesis	Standardized indirect effect β	LB 95% CI	UB 95% CI	p-value	Result
H3	CSR → CS → FP	0.176	0.001	0.393	0.047 (*)	Supported
H4	CSR → REP → FP	0.170	0.011	0.373	0.036 (*)	Supported
H5	CSR → CA → FP	0.080	-0.004	0.246	0.063 (†)	Not supported
H6	CSR → CS → CA → FP	0.067	0.013	0.170	0.014 (*)	Supported
H7	CSR → REP → CA → FP	0.046	0.005	0.114	0.023 (*)	Supported

Note: † $p < 0.100$ * $p < 0.050$.

5. Conclusions, Limitations and Further Research

The current business world is ever-changing. Businesses are facing bewildering challenges and need to find new ways to create value and survive. It is in this context that the firm's interest in the development of socially responsible actions emerges. By taking into account the impact that their policies and actions have on the social, economic, environmental and institutional sphere, companies, their stakeholders and the whole society can profit.

In this era, when CSR and profitability are the buzzwords of the new millennium, studies analyzing the mechanisms by which CSR leads to improved FP have become widely deployed. The previous literature has mostly tested the direct effects of CSR on FP and found inconclusive results. It was discussed that those results are misleading due to possible mediation or moderation effects, which are ignored in most studies (Ye et al, 2021). This paper helps fill that void in the literature by investigating the effects of CS, REP and CA as mediators in the CSR-FP link. Furthermore, since this trend of research has been widely explored in developed countries with considerable attention given to large companies (Cantele & Zardini, 2018), it was deemed worthwhile to conduct this study in a developing country, such as Morocco, and precisely in a sample of 207 Moroccan exporting SMEs. This is a significant contribution to the existing empirical research, as it is the first study of its kind in Morocco.

Moreover, the results of this study have more interesting contributions. This study extends the literature on the relationship between CSR and FP in Moroccan SMEs and supports the proponents of the contingency approach, which advocate that there is no direct effect between CSR and FP, as many influential, but hidden, factors affect the relationship (e.g. Ali et al., 2020; Saeidi et al., 2015). This study empirically inspected the indirect relationship between CSR and FP by incorporating CS, REP and CA as mediators and offered additional evidence for this claim.

Furthermore, the mediating effect of CS between CSR and FP was tested and confirmed. This study contributes to the literature by showing that customers will only reward the

company if they believe that this company is fair and is doing good. CS as a CSR outcome is a proven important motivating factor for managers, since satisfied customers can be loyal customers (Uslu & Şengün, 2021) and then, keeping those loyal customers can guarantee the company's sustainable profit (Xie et al., 2017). Therefore, firms may invest in and promote CSR to enhance their customers' satisfaction, either by displaying fairness in their dealings (Bastič et al., 2020) or by fulfilling their expectations (Hassanein & Yeşiltaş, 2022). In that vein, we have pushed the analysis deeper, exploring the nuances of the effect of CS between CSR and FP to prove that there is an indirect link between CS and FP that occurs through CA. Very few studies have examined the serial mediation effect of CS and CA between CSR and FP in SMEs in a developing country (Xie et al., 2017). Thus, this study enlarges the existing understanding of how CS can strengthen the effect of CSR on firms' financial performance by achieving a CA.

Besides, this study is one of the few studies that explored the mediation effect of corporate REP and highlighted the role of REP as a source of CA (Bahta et al., 2021) on the CSR-FP link. In this respect, CSR can act as an answer to the stakeholders' interests and an efficient way to build and enhance the firm's REP. In effect, this study gives a widened view of the relationship.

One of the most insightful implications is the non-existence of a mediating role of CA between CSR and FP. This finding shed light on the importance of earning a social license to operate from stakeholders as a key to creating longer-term CAs (Ruokonen, 2021). Succinctly, CSR practices are not advantageous *per se*. It is only when the company's CSR strategy focuses on stakeholders' interests that CSR becomes a profitable advantage.

Further, the research supported the combination of two well-established paradigms; namely, the RBV and stakeholder theory, insinuating that firms are best able

to benefit from the added value that CSR-related outcomes could provide by serving their stakeholders' interests. Lin et al. (2015) substantiated that when the firm's resources are assigned to CSR activities, REP and corporate image will improve, employees and CS will increase and consequently, CAs and enhanced FP will result. Concurrently, it flows from the confluence of the RBV theory and the stakeholder theory that a firm may enjoy a CA by earning a favorable appraisal from the stakeholders.

The findings of this research provide some practical contributions to SME management. It recommends SME managers to focus on intangible assets, such as REP, CS and CA, to translate CSR investment into business success. This study highlights that CSR strategies play a crucial role in improving FP indirectly through the aforementioned outcomes. Hence, the study provides Moroccan SME managers with an improved understanding of the relevant factors affecting their financial situation.

Furthermore, this study gives evidence of the ability of CSR strategies to strengthen the company-stakeholders relationship, which is key to exporting SMEs' financial performance. Whence, to thrive in the competitive global business environment, firms should exert more efforts in CSR initiatives that are in favor of their various stakeholders and the society overall.

Elbousserghini et al. (2019) have indicated that Moroccan SME managers give considerable importance to their firms' REP, legitimacy and image and build their relationships with their stakeholders based on trust and good intentions. Therefore, Moroccan managers want to prove themselves good by responsible practices, but they are still incredulous whether those practices might be opportunities or burdens. In this study, CSR arises as a promising strategy. SME managers need to consider integrating CSR practices into their business strategies, since CSR has been found to contribute to greater performance by improving CS and REP, which form a CA. The findings of this study encourage SMEs to communicate efficiently with their different stakeholders, open up to new CSR opportunities and benefit from the wisdom of the crowd. Doing good maybe

not enough, as the society needs to know it to be valuable.

These research results are both meaningful and propitious and constitute a valuable empirical contribution to the literature on relationships involving CSR and FP in general and in emerging countries specifically. However, this study constitutes just a glimpse of the big picture and more studies are required to deeply analyze the CSR-FP relationship. Wherefore, some limitations should be addressed. First, this study is cross-sectional. In consequence, it faces the challenges of endogeneity and assessing outcomes that pertain only to a specific point in time. Second, the sample was drawn from Moroccan SMEs. This means that the results cannot be generalized beyond their context. Third, data was collected from the subjective perceptions of the managers of SMEs, which is due to the unavailability of secondary data. Lastly, this study analyzed three mediators—CS, REP and CA—in the CSR-FP relationship; however, there might be other impactful mediators and moderators that are not yet identified.

There are many future directions to be explored for more insight into the CSR-FP relationship. First, perhaps future longitudinal studies could be undertaken, since they may overcome the limitations and biases that may arise from cross-sectional analysis. Second, further studies could include other sectors or be conducted in other developing countries for comparative purposes with the results attained. Third, future studies should consider collecting objective data to demonstrate more thoroughly the CSR outcomes. Fourth, other mediating or moderating variables should be investigated, since the CSR-FP nexus is very heterogeneous (Karyawati et al., 2020) and could cloud important factors. Lastly, this study investigated CSR as a whole. More studies analyzing the impact of every dimension aside could help identify the core areas of performance—where CSR costs should be spent.

Supporting Information

Table S1. Survey outcome rate calculator 4.1

Categories	Final disposition codes	Survey data
Interview (Category 1)	1,0000	
Complete (all versions)	1.0/1.10	207
Partial (all versions)	1,2000	15
Eligible, non-interview (Category 2)	2,0000	
Refusal (phone, IPHH, mail, web)	2,1100	31
Implicit refusal (phone, mail, mail_U)	2,1130	49
Non-contact (phone, IPHH, mail, web, mail_U)	2,2000	7
Completed questionnaire, but not returned during field period (mail, web, mail_U)	2,2700	5
Unknown eligibility, non-interview (Category 3)	3,0000	
USPS: Illegible address (mail, mail_U)	3,2510	65
Not eligible (Category 4)	4,0000	
Out of sample - other strata than originally coded (phone, IPHH, mail, web, mail_U)	4,1000	50
No eligible respondent (phone, IPHH, mail, mail_U)	4,7000	311
Quota filled (phone, IPHH, mail, mail_U)	4,8000	
Not eligible - duplicate listing (phone, IPHH, mail, web, mail_U)	4,8100	610
Other	4,9000	
Total sample used	1350	
I=Complete Interviews (1.1)	207	
P=Partial Interviews (1.2)	15	
R=Refusal and Break-off (2.1)	80	
NC=Non-contact (2.2)	12	
O=Other (2.0, 2.3)	0	
UH=Unknown Household (3.1)	0	
UO=Unknown Other (3.2-3.9)	65	
Response Rate 1		
$I/((I+P)+(R+NC+O)+(UH+UO))$	0,546	

Source: The American Association for Public-opinion Research (2020).

Table S2. Questionnaire items

Construct	Label	Items
Social Dimension (SOC)	SOC1	Providing procedures that help ensure the health and safety of our employees.
	SOC2	Supporting our employees who wish to pursue further education.
	SOC3	Providing our employees with salaries that properly and fairly reward them for their work.

	SOC4	Treating all employees fairly and respectfully, regardless of gender or ethnic background.
Environmental Dimension (ENV)	ENV1	Adopting processes in order to reduce energy consumption.
	ENV2	Adopting processes in order to reduce and recycle waste.
	ENV3	Adopting processes in order to reduce water consumption.
	ENV4	Implementing systems to reduce harmful emissions.
	ENV5	Adopting systems to reduce packaging environmental effects.
Economic Dimension (EC)	EC1	Involving all suppliers in new products' or services' development.
	EC2	Informing all suppliers of products and services about organizational changes affecting purchasing decisions.
	EC3	Providing all customers with the information needed to make sound purchasing decisions.
CSR Formal Practices (PR)	PR1	The company has got a social responsibility certification (SA8000,...).
	PR2	The company has got environmental certifications (ISO 14001, EMAS,...).
	PR3	The company has got a health and safety certification (OHSAS, 18001).
	PR4	The company has got performance measurement systems, including sustainability key performance indicators.
	PR5	The company has got a social, environmental or sustainability reporting.
Customer Satisfaction (CS)	CS1	Compared to competitors, our customers find that our products/services are much better.
	CS2	Our customers are very satisfied with the products/services that we offer.
	CS3	The likelihood that our customers will recommend our products/services to others is high.
	CS4	The ability to achieve high levels of customer satisfaction is a major strength of our firm.
	CS5	The quality of the products or services that the company offers is better than that of competitors' products or services.
Reputation (REP)	REP1	Our firm is viewed by customers as one that is successful.
	REP2	We are seen by customers as being a very professional organization.
	REP3	Customers view our firm as one that is stable.
	REP4	Our firm's reputation is highly regarded.
	REP5	Our firm is viewed as well-established by customers.
Competitive Advantage (CA)	CA1	The company has a better managerial capability than its competitors.
	CA2	The corporate image of the company is better than those of its competitors.
	CA3	The competitors find it difficult to take the place of the company's competitive advantage.
	CA4	The company provides more diverse and differentiated products or services than its competitors.
Financial Performance	FP1	In terms of sales, compared to competitors, we are performing better.
	FP2	In terms of net profit margin, compared to competitors, we are performing better.
	FP3	In terms of return on investment, compared to competitors, we are performing better.

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