

# The Impact of Corporate Social Responsibility Performance on Competitive Advantage and Business Success: A Case of Vietnamese Enterprises

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## ABSTRACT

This study investigates how types of corporate social responsibility (CSR) practices (economic, legal, ethical, philanthropic, and environmental) affect competitive advantage and business success in an emerging country. Data were collected by surveying 869 respondents from manufacturing, real estate, trade, and service sectors. The data analysis applied partial least square structural equation modeling. The results showed that ethical, legal, and philanthropic CSR initiatives have a positive effect on competitive advantage. Economic CSR practice is the only factor that affected both competitive advantage and business success. The competitive advantage also directly affected business success. Environmental CSR practice did not show a significant relationship with competitive advantage or business success. The findings of this study may be beneficial in informing managers' decisions on CSR investment to gain competitive advantage and, in turn, business success in a developing context.

## KEYWORDS

Business Success, Competitive Advantage, CSR Types

## INTRODUCTION

Corporate social responsibility (CSR) is a concept that has been studied for over 50 years. The concept was initially defined as the obligation of businesspeople to make policies and decisions in accordance with societal objectives and development (Bowen, 1953). Kotler and Lee (2005) discussed the role of philanthropic business activities and corporate resources in contributing to social development and stakeholder satisfaction (Barnett, 2007). Businesses have a social responsibility to consider the societal effects of their activities. Thus, companies should integrate environmental, social, ethical, and consumer concerns, and human rights into their daily business activities, and attempt to maintain a good relationship with stakeholders (European Commission, 2011).

Vietnam's economy has been gaining success since the introduction of economic reforms in 1986. However, as an emerging country undergoing rapid economic development, Vietnam is facing a lot of social issues. Recently, the Vietnamese people have been experiencing high-level air pollution in big cities, such as Hanoi, Ho Chi Minh, and other industrial zones. In addition to air pollution, they are also encountering water and land pollution, mostly because of business activities. Hence,

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the Vietnamese have had to suffer a low quality of life. Furthermore, according to Nguyen, Ho and Vo (2018), like other emerging economies, Vietnam is facing different challenges in sustaining its economic growth. Thus, the question that arises is: which is more important, the economy or the society? It has been clearly indicated that the objective of CSR is to improve societal wellbeing. The performance of CSR should be examined through the lens of the different dimensions of responsibility. The most famous CSR concept is that of Carroll (1979), who identified the four main responsibilities of businesses: economic, legal, ethical, and philanthropic. According to Carroll (1991), the first responsibility is economic responsibility, which refers to the provision of products and services to meet societal needs and earn profits. The second responsibility is adherence to law and regulatory obligations. The last two types of responsibility are ethical and philanthropic responsibility. Ethical responsibility is the expectation of society that companies will conduct their business in line with ethical and social norms. Society also expects companies to initiate voluntary activities that are not required by society to contribute to social wellbeing. The fulfilment of these responsibilities enables companies to contribute to profitability and social needs. The outcomes of CSR practices are expected to help companies thrive. Carroll's (1979) pyramid prioritizes the importance of each dimension (Schwartz & Carroll, 2003). However, all aspects should be treated alike in terms of their level of importance. Furthermore, Currás, Dolz, Miquel, and Sánchez (2018) suggested that CSR practices should have separate social and environmental dimensions. Thus, this pyramid needs to be extended to examine how different CSR aspects contribute equally to business success (Wang & Berens, 2015).

Many papers have examined the business case for CSR to determine how CSR can provide competitive advantage (Carroll & Shabana, 2010; Looser & Wehrmeyer, 2016; Rekik, 2016). Competitive advantage is an important concept in strategic management (Sigalas, 2015). According to Sigalas (2015), competitive advantage is defined by the drivers of performance. Performance can be demonstrated through profitability and superior operations; meanwhile, the determinants are cost leadership, location, and differentiation. However, the concepts of competitive advantage and performance are often used interchangeably, which can complicate the understanding of competitive advantage (Powell, 2001). Competitive advantage should be considered as a determinant of superior performance/business success. Competitive advantage is an intangible asset that helps companies to survive in the market.

It is not enough for companies to just survive, as it is crucial for them to maintain sustainability. Business success is the main desired outcome of strategic initiatives. The integration of CSR in business strategy is recommended to gain competitive advantage and contribute to business success. Fisher, Maritz, and Lobo (2014) defined business success as a phenomenon measured by positive values as perceived by managers. Thus, managers must clarify what they consider to be the indicators of business success. Business success is widely measured by financial performance or profitability (Bampton, 2010; Fisher et al., 2014). The performance indicator is a practical and useful tool for measuring success. Further, business success can be generated by increased turnover and market share (Ahuja, 2012). Bampton (2010) supported the notion that CSR leads to business success by implementing CSR practices, especially environmental and labour policies. Businesses can maximize profits if they satisfy the demands of stakeholders. CSR seems to be a strategy for helping businesses to maintain their legitimacy with society and ensure profitability.

Based on the research problems, this study proposed a research question:

**RQ:** To what extent does CSR practices affect business success?

The aim of this study was to investigate the effects of the types of CSR practices (economic, legal, ethical, philanthropic, and environmental) on competitive advantage and business success. To examine these effects in emerging economies, the research extended the CSR pyramid to the environmental dimension. Carroll (1979) referred to environmental activities as an ethical aspect. Publics have paid greater attention to environmental business activities in exchange for economic

development, while developing countries are facing many environmental issues. Thus, environmental issues should be addressed through business activities. Furthermore, environmental activities can bring benefits because environmental CSR practices can affect consumer awareness (Kim, 2017), and competitiveness (Chuang & Huang, 2018). Given its importance, the environmental dimension was added to the CSR pyramid to explore how all these CSR practices affect competitive advantage and business success.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### Stakeholder Theory

Companies appear to be struggling to balance profitability with social responsibility due to the cost of implementing CSR. However, it is more crucial for companies to understand how and why they should invest in CSR. To survive in a highly competitive market, stakeholder satisfaction is necessary as stakeholders are defined as groups of people or individuals who affect business practices and are also affected by these practices (Freeman, 1984). More importantly, since stakeholders can either negatively or positively affect business activities, managers must decide how they can take responsibility for the needs of stakeholders. Every stakeholder has his or her own interest, and companies must act to satisfy that interest and maintain legitimacy (Pava & Krausz, 1995). According to Donaldson and Preston (1995), the stakeholder theory is considered as an instrument for forming a framework to examine the link between stakeholder management and the goals of business performance. This will strengthen the philosophy of good management, indicating that good stakeholder management will relatively result in business success, such as growth, stability, and profitability. Based on this philosophy, the stakeholder theory was selected as the ground theory for this research. The stakeholder theory is an appropriate paradigm for examining why and how companies get involved in CSR to maximize the long-term benefits of their investment, especially in business success, through recognizing the important role of stakeholders (Samy, Odemilin & Bampton, 2010).

### CSR Practices and Competitive Advantage

According to Sigalas (2015), compared to other concepts in the field of strategic management, competitive advantage is “the most taken-for-granted concept” (p. 2004). It is not easy to define this concept because of the differing perspectives and awareness of managers on the sources and nature of competitive advantage. However, significant academic attention has been given to the drivers of competitive advantage in companies. Researchers have studied CSR as a determinant of competitive advantage (Becchetti, Ciciretti, Hasan, & Kobeissi, 2012; Martinuzzi & Krumay, 2013). Furthermore, companies are interested in CSR performance because of increased competition. That is, the less competitive a market is, the fewer socially responsible activities a company conducts (Campbell, 2007; Rekik, 2016). Porter and Kramer (2006) reported that CSR practices can help companies increase their competitive advantage by integrating social aspects into business strategies. Companies can obtain a “license to operate” in society by addressing social issues related to their business activities, thereby improving their performance. A company can act as a good corporate citizen by committing itself to comply fully with legal requirements, environmental protection, social contributions, and the provision of quality goods and services. CSR performance is considered as competitive advantage when sustainability values are institutionalized and all the members of the industry act in accordance with accepted social responsibilities (Quairel-Lanoizelée, 2011). The strategic inclusion of ethical values and CSR activities in corporate strategies can generate different outcomes, such as innovation, human development (Guadamillas-Gómez & Donate-Manzanares, 2011), and successful business performance (McWilliams, Siegel, & Wright, 2006), all of which serve to improve competitive advantage.

According to Saeed and Arshad (2012), internal and external CSR practices - in terms of ethical, philanthropic, economic, environmental, and legal factors - create intangible resources and strengthen competitive positioning. Similar to Saeed and Arshad (2012), Saeidi, Sofian, Saeidi, Saeidi, and Saeidi (2015) investigated the effect of CSR practices on financial performance through the mediating role of competitive advantage, reputation, and customer satisfaction. These authors measured CSR performance in four dimensions: economic, legal, ethical, and discretionary. The reported findings indicated a positive link between these CSR elements and competitive advantage. More recent evidence by Lee, Lee, Pae, & Park (2016) proposed that CSR capabilities - defined as how organizations use resources, skills, and knowledge to implement CSR activities - enable companies to achieve competitive advantage.

A crucial element in sustaining competitive advantage regarding customer satisfaction and prices is the way companies respond to ethical and social requirements. The environmental dimension of CSR is another source of competitive advantage. Publics have begun to pay attention to business activities in view of their relation to environmental issues, such as the use of natural resources, production of waste materials, and manufacturing pollution. Companies that embed green management practices in their business activities, especially in exports, have a greater opportunity for competitive advantage in product differentiation (Bıçakcıoğlu, 2018; Leonidou, Fotiadis, Christodoulides, Spyropoulou, & Katsikeas, 2015). Green strategies are affected by external and internal factors, such as stakeholder pressure and management consideration of environmental issues. If managers are aware of the importance of green management and create a green culture in the organisation, they increase the likelihood of competitive advantage (Wang, 2019). In an increasingly competitive market, companies are under pressure to apply appropriate strategies and achieve profitability. The cost of business activities is also a concern in the quest for business success. However, Khaksar, Abbasnejad, Esmaili, and Tamošaitienė (2016) asserted that profitable activities that consider environmental and economical elements help companies achieve green performance and innovation, which will lead to competitive advantage. Green management begins in the early stages of a business - securing green suppliers and investing in green innovations to achieve organizational outcomes. Thus, five hypotheses were suggested for this study:

**H1.1:** Economic CSR practices are associated with competitive advantage.

**H1.2:** Legal CSR practices are associated with competitive advantage.

**H1.3:** Ethical CSR practices are associated with competitive advantage.

**H1.4:** Philanthropic CSR practices are associated with competitive advantage.

**H1.5:** Environmental CSR practices are associated with competitive advantage.

## **CSR Practices and Business Success**

CSR practices provide companies with many positive outcomes. Business success, which is one of these outcomes, improves business sustainability. While investment in CSR is not an operational cost, it can help companies maximize profits and achieve success. Bampton (2010) reported that a company is a successful business when its business focuses on CSR practices, especially regarding environmental issues and labour policies. The link between CSR performance and business success is strengthened because it allows companies to capitalize on a positive corporate reputation. The disclosure of positive activities in the areas of environmental pollution, waste treatment, and gas emissions can satisfy stakeholder requirements and improve the reputation of an organization. In addition, internal CSR practices related to labour policies not only improve the working conditions of employees, but also have positive ethical effects on the community. Providing jobs, and paying wages and taxes are meaningful to society in general; moreover, it is not considered enough to simply create success for a business (Palazzi & Starcher, 1997). A company is successful when it has links with the community through philanthropic activities and social investments. Corporate philanthropic activities

can generate benefits, and allow companies to take advantage of these benefits. Corporate reputation is one of these benefits because it helps companies maintain a good relationship with stakeholders and avoid losing access to vital resources (Fombrun, Gardberg, & Barnett, 2000; Godfrey, 2005). In other words, philanthropic CSR practices contribute to financial performance (Orlitzky, Schmidt, & Rynes, 2003). Based on this evidence, managers should change their perspective to view philanthropic initiatives as a necessary business investment.

Bocquet, Le Bas, Mothe, and Poussing (2017) suggested that CSR initiatives improve business growth through innovative products and processes. Integrating social and environmental concerns into business strategies enhance technological innovations, leading to the growth of a firm. Furthermore, their study investigated the effects of types of CSR practices on innovation and the growth of a firm. Nowadays, consumers are more aware of their products and their manufacturing origins. A growing demand for environmentally friendly products and services has prompted companies to take into consideration their CSR practices. According to Brammer and Millington (2008), environmentally friendly business strategies can produce valuable intangible outcomes, such as reputation, customer satisfaction, and brand image, which enable companies to achieve their business objectives.

According to El-Bassiouny and Letmathe (2018), it is important to cultivate CSR practices in the culture of an organization. CSR practices are derived mostly from internal influences; however, their study emphasized the significant role that government legitimacy plays in CSR performance. The regulatory element in business is associated with CSR practices. This also requires companies to comply with the legal system and strengthen the legal dimension of CSR practices. Ntim and Soobaroyen (2013) proposed that corporate life can be threatened if its operations are not aligned with the rules of the social system. Corporate activities need to meet social requirements and legal rules. More importantly, Parker (2007) emphasized the importance of laws and regulations in shaping socially responsible behaviour at the level of firms. Rather than simply obeying the laws, CSR practices related to legal compliance help companies meet social requirements and to thrive.

In Carroll's (1979) CSR pyramid, the first requirement is economic responsibility. The core of economic responsibility is how to be profitable. Freeman (1984) also identified the maximization of profitability as the aim of businesses. CSR is defined in terms of two facets: creating outputs and activities beyond legal obligations (Kitzmueller & Shimshack, 2012). Outputs are necessary for a society, and contribute to business success and societal development. The economic responsibility of CSR requires companies to generate outputs and be profitable. This helps companies to fulfil their mission and achieve their objectives. According to Oskouei (2019), the economic responsibility of CSR enables companies to achieve business success. There is a positive link between economic responsibility and innovation, leading to sound financial performance. The activities of economic responsibility, such as providing quality goods and excellent customer services, and maintaining a long-term relationship with suppliers, lead to increased profit and innovation in the production process (Kim, Chang, & Kim, 2018). Based on the literature review of CSR and business success, it was posited that:

**H2.1:** Economic CSR practices are associated with business success.

**H2.2:** Legal CSR practices are associated with business success.

**H2.3:** Ethical CSR practices are associated with business success.

**H2.4:** Philanthropic CSR practices are associated with business success.

**H2.5:** Environmental CSR practices are associated with business success.

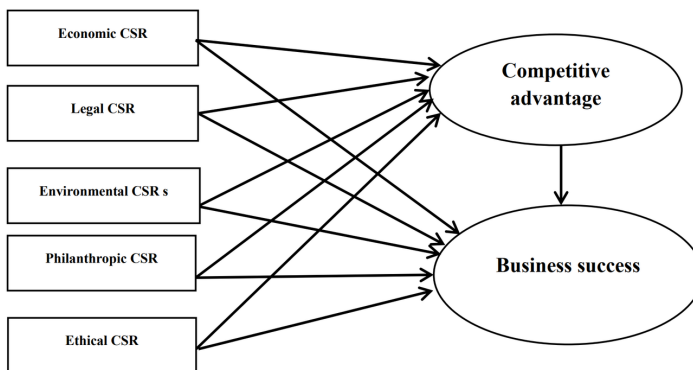
### **Competitive Advantage and Business Success**

Ma (2000) considered competitive advantage as being different from performance. Thus, it is possible that competition does not always create superior performance - that is, superior performance can be achieved with or without competitive advantage. However, studies have indicated that competitive

advantage is necessary for companies to achieve superior performance (Fahy, 2000; Ray, Barney, & Muhanna, 2004). As companies gain a competitive advantage over their opponents, they have more opportunities to improve business performance, as measured by profitability and market growth. Competitive advantage can create value for customers by prompting the provision of better goods and services, thereby contributing to better business performance. The relationship between competitive advantage and performance creates a potential for access to valuable and hard-to-duplicate resources (Peteraf & Bergen, 2003; Rose, Abdullah, & Ismad, 2010). Companies that have been operating in the market for years have more experience in exploiting their competitive advantage for success (Ismail, Rose, Abdullah, & Uli, 2010). Competitive advantage can be obtained by the strategic use of intangible and tangible resources, thereby enabling companies to achieve their corporate objectives (Tuan & Yoshi, 2010).

**H3:** Competitive advantage leads to business success.

Figure 1. Proposed research framework



## RESEARCH METHODOLOGY

### Construct Measurements

The questionnaire was divided in two parts. Part A consisted of five demographic questions about the participant's position, type of business, annual revenue, and number of employees. Part B was related to their CSR practices, competitive advantage, and business success, and a 5-point Likert scale ranging from 1 to 5 (1 for strongly disagree to 5 for strongly agree) was used for the questions. The measurements of the items were constructed from previous researches to ensure content validity. Many studies were reviewed to reach suitable scales for the measurement of CSR practices, competitive advantage, and business success. The measurements for CSR practices were derived from Turker (2009), El-Garaihy, Mobarak, and Albahussain (2014), and Galbreath (2010). The scales were selected from these studies due to their validity and reliability through empirical tests. The scales were also consistent with the study by Carroll (1991), which formed the basis for this research. The questions were modified to ensure that the participants understood them. There were five types of CSR

practices: economic (seven items), philanthropic (seven items), environmental (seven items), ethical (five items), and legal (five items). The measurements of the non-financial and financial aspects of competitive advantage (five items) were adopted and modified from the studies of El-Garaihy et al. (2014), Shore, Barksdale, and Shore (1995), and Saeidi et al. (2015). For the business success items, the measurements from Saeidi et al. (2015) were used. The scales for competitive advantage and business success had been developed and tested in the selected studies to ensure their reliability and validity.

### Procedures and Data Collection

The study examined companies from three sectors: manufacturing, real estate, trade, and service. These sectors are the main business sectors in Vietnam. The key informants were business executives or those who held important positions in the accounting and legal departments. These participants were chosen because they were the experts in business performance at their workplace. The entire process was conducted within six months. The questionnaires were distributed online and in hardcopy form, and were sent to approximately 4,000 companies in Vietnam. After receiving their responses, those answers that did not meet the requirements of the study due to incompleteness or irrelevance, were omitted (54 responses). There were 869 valid responses or a 22% response rate. The response rate was acceptable as a sample size of only 351 was needed for a population of 4,000 (Krejcie & Morgan, 1970).

### Statistical Methods

According to Hair, Ringle, and Sarstedt (2011), the partial least squares (PLS) method of structural equation modelling is an appropriate method of analysis in complex research models. The data analysis was conducted using a two-step process: analysing the measurement model, and evaluating the relationships among the constructs (Fathi, Zailani, Iranmanesh, & Kanapathy, 2016; Yusof, Abidin, & Iranmanesh, 2016). This technique ensured the reliability and validity of the measurements before the existing relationships in the research model were addressed. The evaluation of the measurement model with the significant values of the remaining items is presented in Table 1.

## DATA ANALYSIS AND FINDINGS

Table 1. Model Evaluation Measurement

Constructs	No. items	Factor loadings	Cronbach's alpha	CR	AVE
Economic responsibility (ECO)	4	0.694–0.769	0.707	0.820	0.533
Environmental responsibility (ENV)	7	0.687–0.725	0.838	0.877	0.506
Ethical responsibility (ETH)	5	0.679–0.739	0.758	0.837	0.507
Legal responsibility (LEG)	5	0.695–0.764	0.789	0.855	0.542
Philanthropic responsibility (PHI)	4	0.703–0.790	0.716	0.824	0.540
Competitive advantage (CMA)	3	0.706–0.754	0.698	0.815	0.525
Business success (BSS)	3	0.782–0.807	0.705	0.836	0.629

### Sample Characteristics

Respondents from the trade and services sector accounted for the highest rate with 43.3%, followed by those from the manufacturing (39.7%), and real estate (17%) sectors. Of the companies that

responded, 59.3% were private businesses, 32.9% were FDI businesses, and the rest were public businesses (7.8%). In terms of business size, 59% of the companies had 10–200 employees, 26.8% had 200–300 employees, and 14.2% had over 300 employees. Regarding their annual revenue, 56.6% of the companies earned under US\$2 million, 25.1% earned US\$2–8 million, and the rest made over \$US8 million per year (18%).

### Measurement Results of Model

First, the reliability and validity of the constructs were examined by exploring their composite reliability (CR) and average variance extracted (AVE). According to the rule of thumb (Hair et al., 2011), to satisfy the internal validity, the CR had to be above 0.7. The CR of the constructs shown in Table 1 satisfied the internal validity, with indices above 0.8. Regarding the convergent validity of the constructs, it was useful to examine the AVE to determine if it exceeded 0.5 (Bagozzi & Yi, 1988). In this paper, the AVE values of the constructs were acceptable, ranging from 0.506 to 0.629.

Two procedures were employed to evaluate the discriminant validity of the constructs (Zainuddin, Zailani, Govindan, Iranmanesh, & Amran, 2017). First, according to Hair, Sarstedt, Ringle, and Mena (2012), the indicator of cross-loading was examined to check if each opposing construct was not higher than any indicator load. The second step was to determine if the square root of the AVE of a single construct was below the index of the inter-correlations between the construct and other model constructs. The discriminant validity of the constructs in Table 2 was satisfied because the values passed these two tests. In Table 2, the mean of each factor was roughly 4, indicating that the companies that focused on CSR practices achieved competitive advantage and business success.

Table 2. Discriminant Validity Coefficient

	Means	SD	BSS	CMA	ECO	ENV	ETH	LEG	PHI
BSS	3.978	0.602	<b>0.793</b>						
CMA	4.015	0.575	0.731	<b>0.724</b>					
ECO	4.033	0.595	0.552	0.622	<b>0.730</b>				
ENV	4.012	0.560	0.444	0.501	0.557	<b>0.711</b>			
ETH	4.012	0.566	0.528	0.626	0.657	0.639	<b>0.712</b>		
LEG	4.102	0.564	0.454	0.558	0.576	0.533	0.647	<b>0.736</b>	
PHI	3.990	0.572	0.473	0.559	0.560	0.608	0.662	0.488	<b>0.735</b>

### Assessment of Structural Model

After the results of the measurement model were accepted, the structural model was examined. The standardized root mean square residual of the model was 0.062, which was below 0.08, thereby showing that the model fit. The explained variation was assessed to test the predictive accuracy of the model. The results showed that 50.4% and 55.3% of the variations in competitive advantage and business success, respectively could be explained by the five types of CSR practices. Regarding the magnitude of R<sup>2</sup>, the value of the Stone-Geisser Q<sup>2</sup> was examined to explore the model fit (Geisser, 1975) with the condition of Q<sup>2</sup> surpassing 0 (Chin, 2010). The value of the Stone-Geisser Q<sup>2</sup> was calculated in accordance with a blindfolding approach in PLS. The Stone-Geisser Q<sup>2</sup> value was 0.299, exceeding 0 for the average validated redundancy. Hence, the model displayed a good fit and predictive quality.

The technique of non-parametric bootstrapping with 2,000 replications was employed to evaluate the accuracy and stability of the structural path (Gilani et al., 2016). The results of the structural



model are presented in Table 3. All the paths showed a significant result, with a *p* value that was below 0.05 or 0.01, except for H1.5, H2.2, H2.3, H2.4, and H2.5. Economic CSR practices ( $\beta = 0.285$ ,  $p < 0.01$ ), legal CSR practices ( $\beta = 0.168$ ,  $p < 0.01$ ), ethical CSR practices ( $\beta = 0.205$ ,  $p < 0.01$ ), and philanthropic CSR practices ( $\beta = 0.171$ ,  $p < 0.01$ ) had a positive effect on competitive advantage. The effect of environmental CSR practices ( $\beta = 0.023$ ,  $p > 0.05$ ) was not significant for competitive advantage. Thus, H1.1, H1.2, H1.3, and H1.4 were supported, while H1.5 was not supported. Economic CSR practices ( $\beta = 0.123$ ,  $p < 0.05$ ) positively affected business success. However, legal CSR practices ( $\beta = -0.010$ ,  $p > 0.05$ ), ethical CSR practices ( $\beta = 0.033$ ,  $p > 0.05$ ), environmental CSR practices ( $\beta = 0.042$ ,  $p > 0.05$ ), and philanthropic CSR practices ( $\beta = 0.023$ ,  $p > 0.05$ ) did not affect business success. Hence, H2.1 was supported, while H2.2, H2.3, H2.4, and H2.5 were not. Competitive advantage ( $\beta = 0.605$ ,  $p < 0.01$ ) was positively associated with business success, thereby supporting H3.

**Table 3. Path Coefficient and Hypothesis Testing**

Hypothesis	Relationship	Path coefficient	Decision
H1.1	ECO CMA	0.285**	Supported
H1.2	LEG CMA	0.168**	Supported
H1.3	ETH CMA	0.205**	Supported
H1.4	PHI CMA	0.171**	Supported
H1.5	ENV CMA	0.023	Not supported
H2.1	ECO BSS	0.123*	Supported
H2.2	LEG BSS	-0.010	Not supported
H2.3	ETH BSS	0.033	Not supported
H2.4	PHI BSS	0.023	Not supported
H2.5	ENV BSS	0.042	Not supported
H3	CMA BSS	0.605**	Supported

\* $p < 0.05$ , \*\* $p < 0.01$

## DISCUSSION

The aim of this paper was to investigate how CSR practices can benefit organizational performance in terms of competitive advantage and business success. The CSR practices were grouped into five categories: economic, philanthropic, ethical, legal, and environmental. The environmental dimension was added to Carroll's (1979) CSR pyramid to examine whether it is a necessary responsibility in a developing country. The findings revealed that economic, philanthropic, ethical, and legal responsibilities had a significant effect on competitive advantage. Nevertheless, environmental responsibility did not show any effect on competitive advantage. These findings partly supported the study of Saeed and Arshad (2012), which proposed that internal and external CSR activities lead to competitive advantage. External CSR practices are related to economic, philanthropic, legal, and ethical responsibilities, while practices concerning the environment are internal CSR practices. Companies can obtain intangible and tangible assets through their CSR practices (Chong & Tan, 2010). As companies conduct external CSR practices, they can build a strong reputation and a positive relationship with society, which will assist them to perform well. A company can meet both its basic requirements and societal expectations. Legal and economic responsibilities are the first requirements of society for law enforcement and high-quality goods and services. Further, society expects companies to contribute to community development in terms of expectations for ethical and

philanthropic CSR practices. These contribute to how a company can achieve competitive advantage over its business rivals.

Previous studies have highlighted the significant relationship between environmental CSR practices and competitive advantage (Khaksar et al., 2016; Wang, 2019). These studies revealed that involvement in addressing environmental issues and integrating these into their strategic performance can help companies gain competitive advantage. However, the findings did not confirm this positive relationship, probably because Vietnamese businesses may not be fully aware of the role of the environmental dimension in sustainability. Priority is given to activities for profit maximization to survive in the market; thus, environmental issues may not be considered a core activity. The lack of environmental concern in business activities can reduce opportunities for sustainable development and competitive advantage in innovation.

These findings supported the positive linkage between competitive advantage and business success reported in previous researches (Fahy, 2000, Ray et al., 2004). Competitive advantage is an intangible source of business success in terms of business sustainability and competition with rivals. The essence of competition is to seek a profit that is higher than the average profit of the business. In a competitive market, companies need to possess capabilities to gain competitive advantage. The implementation of CSR can improve competitiveness and competitive advantage, thereby leading to business success.

In terms of CSR practices and their effect on business success, the findings of this study suggested that only economic CSR practices are directly linked to business success. This finding also confirmed the study of Oskouei (2019), who reported that investment in economic CSR practices improves organizational performance. The economic responsibility of a business is to ensure a good return on investments, stakeholder satisfaction, and stronger business development. Although economic CSR practices provided a good result, other types of CSR practices (legal, philanthropic, environmental, and ethical) did not yield significant results regarding business success. The results were not consistent with those of previous papers that reported the positive effects of legal, philanthropic, environmental, and ethical CSR practices (Orlitzky et al., 2003; Palazzi & Starcher, 1997; Parker, 2007). The results did not support the findings of previous researches. This may have been because of the subjectivity of the term, “business success”. Respondents may have their own perspective on how to define business success (i.e., through profits), which may account for the focus on economic CSR practices rather than on other types of CSR practices.

The theoretical contribution of the paper was to examine each dimension of CSR practices on organizational performance in terms of competitive advantage and business success through empirical evidence in the context of developing countries. Although the added environmental dimension did not show a significant effect, the other types of CSR practices within Carroll’s (1979) pyramid indicated a positive influence on competitive advantage. The study found that the economic CSR dimension had the most powerful effect on both competitive advantage and business success. Thus, this study supported the explanatory power and generalizability of Carroll’s CSR pyramid in the context of developing countries. Some practical implications can be drawn from the empirical results. Managers can invest more in CSR practices, especially in economic CSR practices, to gain competitive advantage and business success. It is necessary for companies to cultivate a CSR culture that has clear benefits for internal and external stakeholders to encourage all contributors to build a CSR culture that will assist their business to succeed in a competitive market.

## **CONCLUSION**

CSR practices can lead to better organizational performance in terms of competitive advantage and business success. However, the strategic implementation of CSR practices is an important issue. Thus, it is crucial to identify how each type of CSR practice can affect business performance. Economic, legal, philanthropic, and ethical CSR practices positively affect competitive advantage. Furthermore,

competitive advantage grants companies more opportunities for business success. Among the types of CSR practices, economic CSR practices were the only type that had a direct influence on business success. It is suggested that a focus on product improvement, stakeholder satisfaction, and effective operations can determine success. Environmental CSR practices did not show a significant result in terms of competitive advantage and business success. Although there are rising concerns regarding environmental business activities, managers have not paid much attention to this. This is probably why the environmental dimension did not have a positive effect in this context.

The present study had limitations that should be addressed in future research. The study examined a wide range of industries, business types and sizes. This diversity may have ignored the specificity of each business type and its CSR performance. Another limitation of this study was the subjective perspective of the respondents in ranking business performance, which may have led to a positive ranking. Thus, for future research, it is important to look at objective measurements of business performance, such as financial measurements. Future research can focus on controlling variables, such as the size and type of industry, to further clarify the effects of the CSR categories on business performance. Further, future studies could consider other CSR determinants that assist companies in their business performance.

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