

CORPORATE SOCIAL RESPONSIBILITY AND SMES' PERFORMANCE: MEDIATING ROLE OF SUSTAINABLE COMPETITIVE ADVANTAGE

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Abstract

The main objective of this study was to examine the mediating effect of a sustainable competitive advantage on the relationship between corporate social responsibility (CSR) and organizational performance among Thai SMEs. A questionnaire survey was used to gather data from 336 small and medium-sized enterprises (SMEs) in Thailand. Investigation of the resulting data demonstrated that participating in CSR initiatives enhances the sustainable competitive advantage and organizational performance of Thai SMEs. Moreover, a sustainable competitive advantage was found to serve as a partial mediator between CSR and organizational performance. This research uses stakeholder theory and the resource-based view theory to explain the link between CSR and organizational success. A competitive advantage significantly influences both strategic management and organizational performance. CSR is a process of transforming a company's sustainable initiatives into sustainable competitive advantages that impact the organization's performance.

Keywords: Corporate social responsibility; performance; sustainable competitive advantage; small and medium-sized enterprises (SMEs); Thailand

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) are crucial to the majority of economies worldwide, particularly in developing and emergent economies (Hang et al., 2022; Ndiaye et al., 2018). In emerging economies, SMEs account for up to 60% of total employment and 40% of national income (GDP), while these numbers are higher in developing countries, according to the World Bank (Ndiaye et al., 2018; Zou et al., 2021). According to Wening and Moertono (2023), SMEs constitute almost 97% of the commercial world. Developing economies with industry growth potential need strong SMEs. There is an immense capacity for SMEs to serve as a foundation for the development of entrepreneurial skills, income diversification, wealth creation, employment creation, and sustainable economic development (Eniola & Ektebang, 2014). Thailand's economy relies heavily on a diverse range of SMEs, which collectively contribute about 70 percent of the country's total employment. However, Thai SMEs still require development in practically all fields. The government must accelerate SME growth (The Office of Small and Medium Enterprises Promotion, 2021), with support for SMEs being essential due to their ability to boost growth.

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Economic volatility, infrastructure shortages, rising operational costs, political unrest, and other difficulties affect SMEs. The above variables affect small and medium-sized firms' long-term viability (Ye & Kulathunga, 2019). Previous research has shown that CSR holds significant importance for SMEs (Ikram et al., 2020; Oduro et al., 2022; Oduro et al., 2024; Perrini, 2006). This is due to the fact that SMEs play a pivotal role in transforming the economic landscape and have expanded their involvement in global trade over the years. SMEs have long engaged in CSR activities, even though they may not have used the term "CSR project" in the past (Soetjipto et al., 2018). CSR is a critical business strategy that has the potential to enhance the social value of SMEs (Ikram et al., 2020; Moneva-Abadía et al., 2019; Valdez-Juárez et al., 2019). Organizations achieve sustainable development by integrating business processes with CSR strategies. In the context of CSR, it is imperative to prioritize the sustainable development of SMEs in developing countries (Ali et al., 2023; Rochayatun et al., 2023).

The COVID-19 pandemic crisis tested organizations' dedication to genuine social responsibility. In times of financial stress, businesses frequently prioritize short-term profits over long-term investments. However, organizations also fulfill their social responsibilities as long-term investments (Shin et al., 2021). Despite this, the immediate impact of social responsibility on business performance may not be obvious. The literature also suggests that CSR achievement influences organizational performance, not only in the current year but also in the following year (Garg, 2016). Nevertheless, management decisions regarding managing the practices and contributions of CSR are contingent upon organizational strategies (Lv et al., 2020).

In addition to the positive impact of CSR policies on the performance of businesses, CSR also influences the businesses' competitive advantages (Ali et al., 2023; Chang, 2011; Hang et al., 2022; Jain et al., 2017; Mahmood, & Khan, 2023; Saeidi et al., 2015; Soetjipto et al., 2018). Businesses can generate significant value by utilizing their resources effectively. Ultimately, the effective implementation of a strategy can lead to a competitive advantage, as evidenced by previous research. In addition to facilitating the development and introduction of new products and services, the capacity to access and utilize restricted resources results in improved performance, which generates a competitive advantage (Ali et al., 2023; Hang et al., 2022; Omidvar, & Palazzo, 2023; Zahid et al., 2021). According to previous research, a competitive advantage could potentially act as a mediating variable. There is also a correlation between performance and social responsibility. In various international studies, it has been shown that following such guidelines will improve performance (Ali et al., 2023; Hang et al., 2022; Jain et al., 2017; Omidvar, & Palazzo, 2023; Rochayatun et al., 2023; Saeidi et al., 2015; Zahid et al., 2021).

Considering the significance of SMEs for Thailand and global economies, as well as the need for robust and promising SMEs to fuel sustainable economic growth in the future, it is indisputable that CSR is a crucial business strategy. However, SMEs may face more financial costs than benefits from these operations, as they may be required to invest without immediate returns. This study aims to demonstrate the impact of CSR practices used by SMEs, which not only enhances operational performance but also provides a sustainable competitive advantage. CSR is highly beneficial for SMEs since it enables them to generate additional value from their current resources and attract new resources and capabilities (Jain et al., 2017). By adopting CSR practices, an organization can gain a competitive edge, which in turn can enhance its operations. Therefore, we can deduce that a competitive advantage plays a mediating role in the relationship between CSR and SME performance, suggesting that CSR doesn't directly impact performance on its own. It also indirectly influences competitive advantage. Nevertheless, there are a limited number of studies that have examined this approach for SMEs in Thailand. Developed countries have conducted the majority of research on the relationship between CSR and company performance, with the extant literature focusing on European and

American data (Saeidi et al., 2015). Consequently, it is essential to develop the conceptual understanding of CSR and competitive advantage in light of these preliminary findings. To be able to implement this approach with SMEs in Thailand, research is required. The Thai context necessitates the application of guidelines to foster SMEs that significantly contribute to the country's economy, along with the incorporation of fresh literature.

Therefore, this study considers the main objective of sustainable competitive advantage as a mediating variable between CSR and organizational performance. This study conducted research using stakeholder theory to explain the connection between CSR and organizational success. Strong CSR policies can lead to a sustainable competitive advantage, greatly impacting the competitive performance and sustainability of a company (Anwar, 2018). The resource-based viewpoint theory explains this relationship. It is anticipated that this research will offer new insights into the CSR, sustainable competitive advantage, and performance of Thai SMEs, particularly regarding the mediating role of a sustainable competitive advantage. The management of SMEs can involve implementation of strategies to enhance their effectiveness and efficiency through CSR and the development of a sustainable competitive advantage.

The remainder of this paper is organized as follows. Section two provides review of related literature including hypothesis development. Section three describes the research methods consisting of the focal population and sample, data collection and variable measurement, and data entry and analysis. Section four provides the empirical findings, discussion, and conclusion, while implications and contributions, limitations, and suggestions for future study will be in the final section.

2. REVIEW OF LITERATURE

2.1 Stakeholder Theory and Resource-Based View Theory

CSR enables a company to prioritize the interests of its stakeholders, which in turn leads to a rise in the company's overall performance. The implementation of CSR sustainability practices can offer a distinct edge over competitors (Hang et al., 2022; Moneva-Abadía et al., 2019). According to Ali et al. (2023). Stakeholder theory places an emphasis on the significance of taking into account the interests of all stakeholders when making decisions. Moreover, stakeholder theory elucidates the dynamic relationship between a corporation and a diverse range of stakeholders, offering a structured approach to defining the extent of a company's activities (Lv et al., 2020). CSR, according to stakeholder theory, is a method for businesses to maximize profits (Suttipun & Nuttaphon, 2014). In a fiercely competitive business environment, organizations actively pursue any opportunity to enhance their organizational performance, as the objective of business is to maximize profits for all stakeholders (Sing & Misra, 2021).

In addition to stakeholder theory, this study also encompasses a resource-based view theory when examining CSR and the development of a competitive advantage. Resource-based perspectives can elucidate the relationship between a company's internal characteristics and its performance (Valdez-Juárez et al., 2019). The resource-based view theory posits that a company's internal capabilities significantly influence its competitive and sustainable performance, more so than its external capabilities (Anwar, 2018). Organizations which possess ample resources and strong capabilities can achieve a competitive edge (Sungthong et al., 2023). Additionally, stakeholders may make substantial investments in CSR initiatives to attract customers. Multiple stakeholders' loyalty enhances a company's internal intangible resources (Hang et al., 2022; Khan et al., 2019). A company's long-term survival and success are therefore determined by its ability to build and maintain such relationships (Branco & Rodrigues, 2006). In the same way that a competitive advantage is an organization's strategy,

management must optimize the utilization of available resources through the implementation of strategy (Rivard et al., 2006). The resource based theory, based on the principle of earning profit, employs diverse strategies to achieve this objective. Firms that possess distinctive resources are able to achieve superior performance and competitiveness in comparison to those that lack assets and capabilities (Yang et al., 2018).

2.2 Corporate Social Responsibility (CSR)

CSR is now automatically the primary concern of company leaders worldwide. Businesses are already taking steps to enhance the social and environmental impacts of their operations (Porter & Kramer, 2006). CSR practices also serve to advance stakeholders' interests by potentially assessing their requirements (Hang et al., 2022; Werastuti et al., 2022). At the same time, CSR initiatives offer advantages, such as enhanced efficiency and an increase in the advantages of human resource management (Soetjipto et al., 2018). CSR is a highly effective instrument for small and medium-sized firms to achieve company sustainability, differentiated advantage, and consistent growth. Haseeb et al. (2019) and Oduro et al. (2022) assert that CSR is a very efficacious instrument for small and medium-sized firms.

The globalization of business networks, as well as the challenge of limited resources, have made CSR a critical issue between governments and business networks. Haseeb et al. (2019) assert that CSR is a critical guideline for the investment of SMEs with a broad scope. According to Hang et al. (2022), SMEs are conscious of CSR. Furthermore, CSR practices might vary between large and small firms. One method to evaluate a business's social responsibility practices is survey-based research. However, there is no consensus on the most effective method (Galant & Cadez, 2017). This study aims to fill a gap in the literature by offering greater insights into both the direct and indirect effects of CSR on the performance of SMEs in a developing country. It specifically focuses on examining the mediating variables of sustainability and the competitive advantage.

2.3 Sustainable Competitive Advantage

A company's capacity to generate enhanced value for its customers is the source of its competitive advantage (Porter, 1985). According to Anwar (2018), competitive advantage is defined as the strategic advantages of a company which provide superiority over its competitors within its industry, enabling it to surpass its competitors. Furthermore, a company gains a competitive advantage when it has superior resources compared to its competitors (Barney, 1991).

Sustainable competitive advantage refers to the state in which a corporation maintains a profitable or superior position in the business industry over an extended period of time. Companies with a sustainable competitive advantage can maintain their business operations throughout time (Wening & Moertono, 2023). In SMEs, it is crucial to oversee the development of a competitive advantage (Eniola & Ektebang, 2014). Possession of a competitive advantage indicates that an organization is capable of maintaining its market position as a provider of exceptional value for its products and services, in addition to possessing a higher level of reliability than its competitors (Rochayatun et al., 2023). In the future, these capabilities have the potential to significantly enhance economic efficiency (Lee & Yoo, 2021; Novitasari & Agustia, 2023).

2.4 Organizational Performance

Organizational performance can be employed to evaluate an organization's current

development potential and its anticipated future growth. This prediction of growth is particularly dependent on the organization's performance. Even if there are many different indicators that are used to analyze performance (Le Thi Kim et al., 2021). According to Novitasari and Agustia (2023), a company's performance demonstrates its success in economic indicators such as returns on investment, market share, and sales growth. Financial measurement continues to be a significant aspect. Financial performance measures assess the extent to which a company's strategies, execution, and operations enhance its profitability (Sungthong et al., 2023; Tippong et al., 2020).

Nevertheless, traditional performance evaluations that emphasize financial data tend to include alternative viewpoints in the current competitive landscape, where data serves a significant role in determining an organization's success or overall condition. Financial performance measures are simply insufficient for representing the complex nature of business performance (Kalender & Vayvay, 2016). Entrepreneurs face a challenge in monitoring SMEs' performance. Nevertheless, when performance data is not available, researchers might rely on admitted measurements (Yang et al., 2018). We can derive data collection methods for performance evaluation from secondary and primary data obtained through questionnaires (Chakroun et al., 2019; Famiyeh, 2017; Simionescu & Dumitrescu, 2018; Suttipun et al., 2021). Therefore, this study scrutinizes the performance indicators of organizations, classifying them as either financial or non-financial.

2.5 Hypotheses Development

To assess the mediating effect of a sustainable competitive advantage on the relationship between CSR and the performance of Thai SMEs, four main hypotheses were used in this study. CSR benefits organizations by enhancing operational efficiency, leading to higher sales revenue and market share. Additionally, it improves customer satisfaction and mitigates company risks (Fuzy et al., 2018; Shayan et al., 2022; Werastuti et al., 2022). During the economic crisis, Moneva-Abadia et al. (2019) discovered that having a CSR strategy is a factor which can determine a company's competitiveness. The COVID-19 pandemic had a profound impact on a variety of stakeholders, including employees, consumers, and communities, all of whom were direct victims of the pandemic (Carroll, 2021). In times of crisis, such as COVID-19, CSR policies which prioritize community and environmental concerns have a beneficial effect on both communities and organizations. They promote growth, reduce social conflict, and improve the efficacy of companies. Additionally, effective CSR policies foster employee engagement and enthusiasm, leading to increased job satisfaction and loyalty to the organization (Hasan et al., 2024).

This suggests that CSR can be advantageous for small and medium-sized companies during challenging and turbulent times. In addition, previous research has identified a positive relationship between CSR and the performance of SMEs (Ali et al., 2023; Hang et al., 2022; Ikram et al., 2020; Jain et al., 2017; Oduro et al., 2022; Saeidi et al., 2015; Soetjijpto et al., 2018; Valdez-Juárez et al., 2019). These findings promote the adoption of CSR practices by small and medium-sized firms as a means to ensure organizational success. This research investigates CSR practices which encompass customer, environmental, employee, and social aspects. It is anticipated that the research findings will provide guidance for SMEs on how to receive support and how to participate in CSR, thereby creating value for these companies in the future. Consequently, the following hypothesis is proposed:

H1: Corporate social responsibility positively influences organizational performance.

An organization's resource integration and learning capabilities can be enhanced through CSR initiatives. CSR is a significant strategy for establishing intangible assets,

including a sustainable competitive advantage, reputation, and consumer satisfaction (Saeidi et al., 2015). The socially responsible practices of SME firms have the potential to attract new resources and capabilities that are associated with the network of relationships the firm possesses (Jain et al., 2017). CSR offers a significant competitive advantage for SMEs, and can strengthen corporate reputation and employee ownership, resulting in the establishment of shared values related to society and the economy (Zhao et al., 2019). Additionally, building corporate commitment in these areas reduces human resource costs. CSR improves the capacity to meet the requirements of communities and customers, as well as to enhance identity (Yusuf et al., 2022; Zahid et al., 2021). It is evident that CSR functions as a strategy for differentiation, which in turn generates success in competition (Gallardo-Vázquez et al., 2019; Hang et al., 2022).

Strategic CSR initiatives generate sustainable competitive advantages for organizations and society (Rochayatun et al., 2023; Xuotong et al., 2023; Zhao et al., 2019). Consequently, CSR establishes a robust foundation for the sustained performance and competitiveness of an organization (Xuotong et al., 2023). Additionally, other recent research has verified that SMEs which implement CSR initiatives attain profitability and sustained competitive advantages (Ali et al., 2023; Hang et al., 2022; Jain et al., 2017; Mahmood & Khan, 2023; Saeidi et al., 2015; Soetjipto et al., 2018). The following hypotheses are established:

H2: Corporate social responsibility positively influences the formation of a sustainable competitive advantage.

A company's competition strategy significantly affects its performance. Porter (1980) describes two key strategies for achieving a competitive advantage: cost leadership strategy and differentiation strategy. In the cost leadership approach, a firm must effectively control its expenses to a greater extent than its competitors. Within the context of management, it is imperative for the organization to minimize production costs, as well as other associated administrative expenses. In the differentiation strategy, an organization must differentiate its products by providing distinct and superior-quality items which set them apart from their competitors. Therefore, a company implementing the differentiation strategy should innovate and adopt new approaches to conducting business. Regardless of the approach an organization takes, the implementation of its chosen competitive strategy has a significant impact on its performance. Organizations should constantly observe and evaluate the implementation of their plans, particularly in the presence of intense competition (Su et al., 2017). Adopting a single core strategy may negatively impact the organization. However, by leveraging all areas of the organization to identify the most suitable strategy for its core client groups, a firm can achieve sustained performance. A company's competitive advantage is a critical strategy for addressing the challenges presented by the broader business environment (Novitasari & Agustia, 2023). To attain a competitive edge, a firm must initially optimize its own resources and subsequently cultivate novel ones. We might view the quest for these new resources as establishing collaborations and implementing strategies (Assensoh-Kodua, 2019). In order to establish a sustainable competitive advantage, an organization must encourage innovative ideas in the creation of products and services. Additionally, it must possess the ability to accurately identify its market position and effectively manage its limited resources. By doing so, the organization can develop superior capabilities and competencies that will provide a competitive edge and ultimately improve the organization's operational performance.

Prior research has established a significant relationship between a competitive advantage and the performance of an SME (Anwar, 2018; Hang et al., 2022; Haseeb et al., 2019; Jain et al., 2017; Soetjipto et al., 2018; Yang et al., 2018). This study supports the use of strategy to effectively manage an organization's resources in order to achieve sustainable competitive advantages that would ultimately enhance SMEs' long-term performance. The

study proposes the following research hypothesis:

H3: A sustainable competitive advantage positively influences organizational performance.

CSR implementation guidelines aid in the understanding of long-term strategy development for SMEs, including their capacity to produce distinctive, one-of-a-kind, and dependable goods. This strategy enables an organization to contend with rivals in terms of both cost and caliber (Rochayatun et al., 2023). Operating earnings will also grow as a result of the organization's greater competitiveness. Saeidi et al. (2015) discovered that there is an immediate relationship between CSR and performance. They also showed that competitive advantage serves a role as a mediating element in this relationship. One study on a sample of Iranian manufacturing and consumer products companies revealed that competitive advantage serves as a mediating variable, fully mediating these relationships. Meanwhile, Jain et al. (2017) examined data from a sample of SMEs in India. The study discovered that competitive advantage serves as a mediating variable in these relationships. However, in this particular study, competitive advantage is considered a partial mediating variable. While both studies show that competitive advantage serves as a mediating variable, the specific findings of the two studies differ. Furthermore, the second study's findings indicate that competitive advantage serves as a mediator in the relationship between CSR and performance. The studies by Ali et al. (2023), Hang et al. (2022), Omidvar & Palazzo (2023), Rochayatun et al. (2023), and Zahid et al. (2021), support this assertion. Previous research has primarily focused on international studies, with little research on Thai SMEs. This study considers the following main assumptions to better understand how the CSR approach, when combined with a sustainable competitive advantage, enhances the performance of SMEs. Based on empirical findings, this study considers the following main assumption:

H4: A sustainable competitive advantage mediates the influence of corporate social responsibility on organizational performance.

3. METHODS

SMEs play a vital role in supporting economic growth and sustainable development. Thus, this study collected data from a sample of SMEs in Thailand. The study employed proportionate stratified sampling, dividing the research area into regions and selecting the provinces with the highest concentration of small and medium-sized firms. We then used a simple random sample approach to collect data in Thailand. The study utilized a questionnaire survey to quantitatively assess the data, adopting a self-administered approach for both online and offline surveys in a cross-sectional way. The participants were either company owners or management employees who completed a survey form to gather primary data. Data analysis was performed using structural equation modeling (SEM) in two steps: first, a confirmatory factor analysis (CFA) was conducted to validate the measurement model; the structural model was then assessed. The hypotheses were tested using the Maximum Likelihood (ML) technique with the Mplus statistical software. Additionally, the bootstrapping method with a bias-corrected approach, utilizing 5,000 samples, was employed to test for indirect effects and correct for potential biases in the results.

It was determined that the minimum suitable sample size for data analysis using structural equation analysis was 400 (Hair et al., 2019). Out of the 1,200 questionnaires sent, 343 responses were received, indicating a response rate of 28.58%. However, complete questionnaire data suitable for statistical analysis was only available for a sample of 336 questionnaire responses.

The survey was divided into four sections. In the first section of the survey, CSR was

measured using five items for CSR towards customers (CUS) and the environment (ENV), six items for employees (EMP), and six items for society (SOC), as suggested by Bahta et al. (2021). Six items measuring sustainable competitive advantage (SCA) were adopted from Haseeb et al. (2019) for the second section. The final segment concentrated on measuring organizational performance (PERF), employing five items for financial (FN) and non-financial (NF) performance from Ha and Lo (2018). Khan et al. (2019) provided the control variable of company size (CSIZE).

4. RESULTS

The dataset consisted of 363 questionnaire responses that were suitable for data analysis based on the survey's purpose. Details of the respondents and general information about their firms are stated below.

Table 1 Profile of the Respondents (n=336)

Respondents' Profile: Job Profile	Frequency	Percentage
Owner	69	20.54
Manager/Director	121	36.01
Officer	103	30.65
Other	43	12.80
Firm sector		
Manufacturing	155	46.13
Service	98	29.17
Retail and wholesale	82	24.40
Other/no answer	1	0.30
Firm age (Years)		
1 – 5 years	10	2.98
5 – 10 years	49	14.58
More than 10 years	275	81.84
Other/no answer	2	0.60
Firm size (Number of employees)		
1 – 5 employees	8	2.38
6 – 30 employees	70	20.83
31 – 50 employees	57	16.96
51 – 100 employees	77	22.92
More than 100 employees	122	36.31
Other/no answer	2	0.60

Table 1 shows the participants information. There were 69 owners (20.54% of responses), who participated in this study. Out of the 336 responses, 121 (36.01%) were managers in various departments such as Accounting, Factory, Finance, General, Human Resources, Marketing, Production, Purchasing, and Warehouse. Another 103 (30.65%) were officers in various management roles such as Accounting, Administration, Customer Support, Finance, Human Resources, Purchasing, and Sales. Finally, 43 respondents (12.8%) held positions as assistant executive secretary, assistant manager of Human Resources/Administrative, or department head of Human Resources/Administrative. The manufacturing sector accounted for 46.13% of the collected data, followed by the service sector at 29.17%, the retail and wholesale sector at 24.40%, and other sectors at 0.30%. Regarding

the age of the firms, 275 firms (81.84%) began operations more than 10 years ago; 49 firms (14.58%) began operations 5 to 10 years ago; and 10 firms had been working for less than 5 years. 122 of these companies (36.31%) had more than 100 employees, 77 (22.92%) had 51–100 employees, 70 (20.83%) had 6–30 employees, 57 (16.96%) had 31–50 employees, and 8 (2.38%) had 1–5 employees.

Table 2 Descriptive Statistics

Variable	Mean	SD	Skewness	Kurtosis
CUS	4.740	0.359	-1.522	2.443
EMP	4.445	0.544	-0.911	1.067
SOC	4.086	0.659	-0.442	0.177
ENV	4.343	0.581	-0.644	-0.322
CSR	4.391	0.438	-0.661	0.379
SCA	4.032	0.672	-0.439	-0.133
FNP	3.883	0.819	-0.549	-0.100
NFP	4.051	0.641	-0.377	0.334
PERF	3.967	0.647	-0.379	-0.135

The descriptive statistics in Table 2, which include the mean, standard deviation, skewness, and kurtosis, of the observed variables used in this investigation, confirm the normality and adequacy of the data. It was found that the skewness ranged from -1.522 to -0.377, while the kurtosis ranged from -0.322 to 2.443. According to the criteria, the skewness should be between -2 and +2, and kurtosis between -7 and 7 (Hair et al., 2010; Bryne, 2010), thus the observed data is well within acceptable limits. Table 3 shows the correlation matrix used to assess the multicollinearity between the latent variable and the variables utilized in the study.

Table 3 Pearson's Parametric Correlation Coefficients

Variable	CUS	EMP	SOC	ENV	CSR	SCA	FNP	NFP	PERF
CUS	1								
EMP	.528**	1							
SOC	.368**	.561**	1						
ENV	.400**	.502**	.663**	1					
CSR	.637**	.819**	.869**	.818**	1				
SCA	.319**	.490**	.509**	.529**	.594**	1			
FNP	.158**	.294**	.292**	.271**	.331**	.496**	1		
NFP	.294**	.416**	.408**	.446**	.497**	.691**	.563**	1	
PERF	.246**	.392**	.387**	.393**	.456**	.657**	.912**	.852**	1

Notes. Correlation Significance; = * $p < 0.05$; ** = $p < 0.01$ (2 tailed)

4.1 Multicollinearity Test

The variance inflation factor (VIF) was between 1.007 and 1.555, and thus was not more than 10, so there was no linearity problem (Hair et al., 2010). This was consistent with the findings of the Pearson's parametric correlation coefficients among the independent variables, which were found to be between 0.158 and 0.663.

According to Tabachnick and Fidell (2001), the recommended level of the tolerance statistic is greater than 0.10, whereas Menard (1995), Huber, and Stephens (1993) recommend

a minimum of 0.20 and 0.25, respectively. Table 4 demonstrates that the level of the tolerance statistic exceeded the recommended minimum, falling between 0.643 and 0.993. The correlation between the independent variables was negligible and would not substantially increase the standard error. As a result, there are no issues with multicollinearity in this study's evaluated model.

Table 4 Variance Inflation Factor (VIF), Tolerance Levels of the Independent Variables, and Measurement of Discriminant Validity

Variable	CSR	SCA	VIF	Tolerance
CSR	0.512	-	1.555	0.643
SCA	0.469	0.622	1.555	0.643
CSIZE	-	-	1.007	0.993

Note. The diagonal values are the AVEs., the off-diagonal values are the bivariate correlation and dependent variable = PERF

4.2 Validity and Reliability of the Measurement

According to the minimum standard requirements, the indicator or observed variable factor loadings ranged from 0.538 to 0.894, all of which were greater than 0.50 (Hair et al., 2019). This shows that each indicator has a reliability coefficient between 0.289 and 0.800, and is able to explain between 28.90% and 80% of the latent variables; the factor loadings for each observed variable have a Z value greater than 3.33 and a statistical significance of 0.001. This indicates that each observed variable is an indicator of the respective latent variable.

Table 5 The Factor Loadings, CR and AVE

Variable	Factor loadings	R ²	Z	CR	AVE
Corporate social responsibility: CSR					
CUS (5 items)	0.538	0.289	10.773***	0.804	0.512
EMP (6 items)	0.716	0.512	18.234***		
SOC (6 items)	0.796	0.634	23.283***		
ENV (5 items)	0.783	0.613	23.221***		
Sustainable competitive advantage: SCA					
SCA1	0.692	0.480	22.552***	0.907	0.622
SCA2	0.782	0.612	33.259***		
SCA3	0.894	0.800	63.632***		
SCA4	0.881	0.776	58.262***		
SCA5	0.678	0.460	21.394***		
SCA6	0.776	0.603	32.028***		
Organizational performance: PERF					
FNP (5 items)	0.633	0.401	13.341***	0.742	0.597
NFP (5 items)	0.890	0.792	26.598***		

Notes. Significance; = *** = $p < 0.001$

The convergent validity is validated by considering the composite reliability (CR) and the average variance extracted (AVE), adhering to the criteria of Fornell and Larcker (1981) and Hair et al. (2019). In accordance with the standard criteria (CR > 0.700 and AVE > 0.500) for internal consistency checks, all Cronbach's alpha values were greater than 0.70 (Cortina,

1993) (CSR = 0.932, SCA = 0.904, and PERF = 0.923). The measurement model's results reveal that CSR yielded a CR of 0.804 and an AVE of 0.512. Sustainable competitive advantage yielded a CR of 0.907 and an AVE of 0.622. Organizational performance yielded a CR of 0.742 and an AVE of 0.597, indicating that all latent variables had sufficient validity for use in the analysis of the structural equation model. Furthermore, AVE values were used to assess the discriminant validity of the constructs. Table 4 allows for comparison of the AVE values (diagonal) with the bivariate correlations (off-diagonal). This comparison indicates that the AVE values were greater than the bivariate correlations for all variables, indicating discriminant validity among the constructs (Fornell & Larcker, 1981).

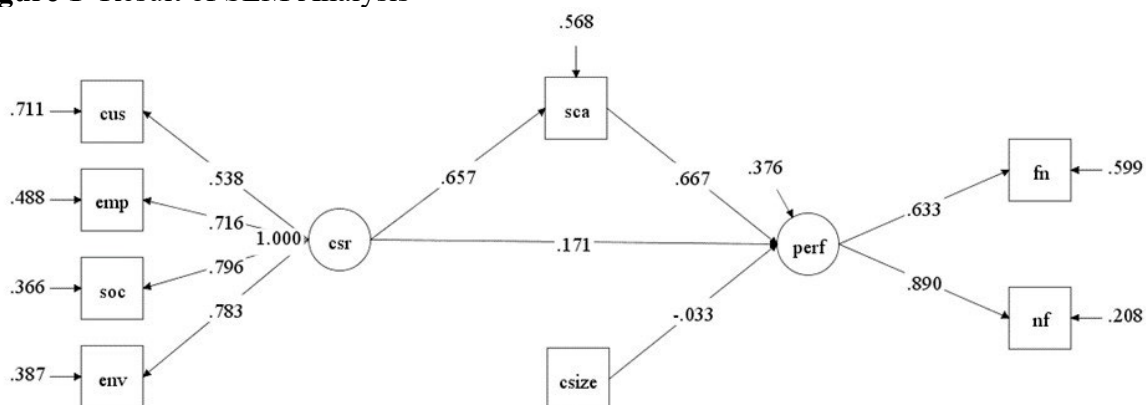
Table 6 Descriptive Measures of Overall Model Fit

Fit indicator	Acceptable Fit	BOOTSTRAP = 5000
1. χ^2/df	< 3	2.475
2. CFI	> 0.95	0.972
3. TLI	> 0.95	0.957
4. RMSEA	< 0.08	0.066
5. SRMR	< 0.08	0.032

The research involved testing using SEM, a statistical method that utilizes the fit of the SEM to determine the validity of the findings. According to the results shown in Table 6, all fit statistics met the acceptable thresholds: chi-square = 44.545 and degrees of freedom = 18. The chi-square, divided by the degrees of freedom, is 2.475; comparison of fit index (CFI) = 0.972; Tucker-Lewis fit index (TLI) = 0.957; root mean square error of approximation (RMSEA) = 0.066; and standard root mean square residuals (SRMR) = 0.032 with a 90% confidence interval (90% CI, 0.000~0.062). The model and observed data therefore appear to be in good agreement with these values. Figure 1 shows the standardized parameter estimations.

4.3 Structural Equation Model

Figure 1 Result of SEM Analysis



Structural equation modeling analysis was conducted using the bootstrap method. The indirect effects were tested using the bootstrapping method, following a bias-corrected bootstrap method (Hayes & Scharkow, 2013) with 5,000 bootstrapped resamples, as in the previous study of Xu et al. (2023), which used the same analytical method and found that corporate reputation serves as a mediator in the relationship between CSR and a sustainable competitive advantage.

Table 7 Direct Effect Hypothesis Testing Results

Hypothesized Path		Est	SE	P-value	Results
H1	CSR -> PERF	0.171*	0.076	0.025	Supported
H2	CSR -> SCA	0.657***	0.039	0.000	Supported
H3	SCA -> PERF	0.667***	0.067	0.000	Supported
Control	CSIZE -> PERF	-0.033	0.026	0.191	Not Supported

Notes. Significant; = * $p < 0.05$; ** = $p < 0.01$; *** = $p < 0.001$ (2 tailed)

Table 7 shows the hypothesized model route coefficient estimates. The statistics confirm H1 and H2, with CSR positively influencing organizational performance ($\beta = 0.171$, $p < 0.05$) and a sustainable competitive advantage ($\beta = 0.657$, $p < 0.001$). The sustainable competitive advantage was found to positively influence organizational performance ($\beta = 0.667$, $p < 0.001$), validating H3. However, company size was found to have no significant influence on organizational performance ($\beta = -0.033$, $p > 0.05$), indicated that H4 was not supported by the data.

Table 8 Indirect Effect Hypothesis Testing Results

Hypothesized Path		Est	SE	p-value	99%CIs		Results
					LLCI	ULCI	
H4	CSR -> SCA -> PERF	0.438***	0.052	0.000	0.303	0.573	Supported

Notes. Significance; = * $p < 0.05$; ** = $p < 0.01$; *** = $p < 0.001$ (2 tailed), CIs=90% bootstrap confidence intervals; LLCI = lower limit confidence interval; ULCI = upper limit confidence interval.

For H4, to test the mediating effect of the sustainable competitive advantage on CSR and organizational performance, a statistically significant positive indirect effect ($\beta = 0.438$, $p < 0.000$) was found, indicating that a sustainable competitive advantage was a partial mediator. The model explained (R-squared) 43.20% of the sustainable competitive advantage and 62.40% of organizational performance. The control variable of firm size did not have a significant effect on performance, consistent with the findings of Khan et al. (2019). As a result, the proper integration of CSR into a company's activities is critical for enhancing the competitive advantage, regardless of the company's size.

5. CONCLUSIONS AND DISCUSSION

This study examines how a sustainable competitive advantage can serve as a mediator between CSR and organizational performance. The study's findings confirmed the hypothesis, as they revealed that sustainable competitive advantage played an important role as a partial mediator between CSR and organizational performance.

The study results indicate that SMEs can enhance their operational efficiency by implementing CSR practices. This finding is consistent with the findings of previous studies (Ali et al., 2023; Hang et al., 2022; Ikram et al., 2020; Jain et al., 2017; Oduro et al., 2022; Saeidi et al., 2015; Soetjipto et al., 2018; Valdez-Juárez et al., 2019), particularly during economic crises (Moneva-Abadia et al., 2019). Nevertheless, engaging in social and environmental CSR initiatives can provide significant benefits in a short period of time. Although economically focused CSR initiatives may require a significant amount of time to yield the desired outcomes (Oduro et al., 2022), operations managers must comprehend the significance of external factors in the competitive environment to implement CSR practices. Simultaneously, those accountable for CSR initiatives must possess a comprehensive understanding of each activity in the value chain. CSR administration must be strategic. In

order to attain competitive advantages that will improve the firm's performance, each organization must be capable of identifying the specific set of social issues that it is most capable of addressing (Porter, & Kramer, 2006). Nevertheless, the motivations of SMEs with respect to the adoption of CSR practices and initiatives may vary. It is therefore necessary to meticulously assess the performance or expectations of managers (Oduro et al., 2022).

Furthermore, CSR has the potential to enhance a company's ability to address stakeholder requirements and concerns in comparison to its competitors, in addition to positively influencing performance. CSR frequently enables an organization to establish a competitive advantage over its competitors in other markets (Zahid et al., 2021). As a result, in order to enhance organizational performance and competitiveness, organizations ought to concentrate on CSR (Ali et al., 2023; Hang et al., 2022; Jain et al., 2017; Mahmood & Khan, 2023; Soetjipto et al., 2018; Saeidi et al., 2015). However, the majority of SMEs devote time and effort to CSR strategies on an ad hoc basis failing to effectively incorporate them into their business agenda. This has impeded the stable and sustainable operation of SMEs (Jain et al., 2017).

The assertion that a company's internal capabilities have a significant impact on its competitive performance reinforces the resource-based perspective in the context of stakeholder engagement and affirms the importance of resources as catalysts for gaining an edge. The study by Khan et al. (2019) supports prior research indicating that a sustainable competitive advantage can greatly enhance the financial performance of SMEs. This finding aligns with the studies conducted by Anwar (2018), Hang et al. (2022), Haseeb et al. (2019), Jain et al. (2017), Soetjipto et al. (2018), and Yang et al. (2018).

Moreover, the study indicates that a sustainable competitive advantage serves as a partial mediator between CSR and organizational performance. Therefore, we can deduce that CSR positively influences organizational performance, both directly and indirectly, via mediators such as the sustainable competitive advantage. This is consistent with previous international studies (Ali et al., 2023; Hang et al., 2019; Jain et al., 2017; Omidvar & Palazzo, 2023; Rochayatun et al., 2023; Saeidi et al., 2015; Zahid et al., 2021).

Nevertheless, the findings of this study indicate that a sustainable competitive advantage functions as a partial mediator variable in the relationship between CSR and organizational performance. It substantiates the notion that, in order for SMEs to achieve superior performance, they should adhere to CSR guidelines. CSR guidelines also have an indirect positive influence by fostering a sustainable competitive advantage, which in turn leads to improved performance. According to the research, if one considers CSR practices, it is important to prioritize customer satisfaction, consider employee benefits, contribute to community development by participating in activities and projects that promote well-being and address social issues, and demonstrate care for the environment. These approaches are all effective strategies that SMEs can use as guidance to improve their strategic operational plans. The increase in CSR has a positive impact on the sustainable competitive advantage. This prompts organizations to create products and services, as well as develop operational procedures and processes, resulting in new offerings that align with the market position of SMEs. By effectively managing existing resources, these organizations gain a competitive edge, leading to long-term viability. Additionally, a sustainable competitive advantage serves as an intermediary variable connecting CSR and SME performance in Thailand, mediating the positive effect on performance.

6. Theoretical and Managerial Implications

This study has shown that engaging in CSR initiatives improves the operational efficiency and sustainable competitive advantage of Thai SMEs. Furthermore, a sustainable competitive advantage can serve as a mediator between CSR and organizational performance. This follows stakeholder theory and the resource-based view theory in explaining the link

between CSR and organizational success. Assessing stakeholder concerns provides a company with a sustainable competitive advantage and demonstrates its commitment to CSR.

The notion of competitive advantage holds significant importance in the fields of strategic management and organizational performance. Each organization must have a competitive strategy that outlines how it will effectively confront and overcome competition. To obtain a competitive advantage, it is necessary to implement specific goals and policies (Novitasari & Agustia, 2023). By prioritizing the concerns and needs of stakeholders, a company gains a competitive edge and demonstrates social responsibility. CSR is the process of converting a company's sustainable initiatives into sustainable competitive advantages (Hang et al., 2022). Nevertheless, the implementation of CSR policies for SMEs should incorporate methods of participation with local authorities in the organization of social and environmental activities. This includes considering stakeholders associated with the business, but it is important to avoid assigning excessive importance to certain stakeholders, as there may be negative future consequences (Graafland, 2018).

7. LIMITATIONS AND SUGGESTIONS FOR FUTURE STUDY

The present study offers researchers a framework for implementing CSR and competitive advantages in SMEs sector, thereby enhancing their discoveries and theories. The study primarily targets stakeholders located in Thailand and specifically focuses on SMEs, which may restrict the generalization of the results to larger organizations. The study focused on examining a wide range of SMEs across several industries. To conduct more comprehensive content analysis in the future, researchers may select more firm-specific research based on operational similarities and structural characteristics (Jain et al., 2017). Furthermore, it's crucial to acknowledge that short-term studies may not fully capture all environmental changes, especially when evaluating their impact on a company's growth phase. Finally, we recommend conducting future studies on current topics in other developing countries. This is because the results may not be generalizable to other countries.

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