

## The mediator's position of organisational legitimacy in the business structure of development: the role of corporate social responsibility

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**How to cite this article:** Janaki venkataraju, vethirajan chellaiah (2023) The mediator's position of organisational legitimacy in the business structure of development: the role of corporate social responsibility. *Library Progress International*, 43(2), 315-323

### Abstract

Scholars have paid a lot of attention to the innovative business model (BM) inspired by corporate social responsibility (CSR). But there is little knowledge of whether and how CSR affects BM. In order to close these gaps, this article examined how organisational legitimacy (OL), a mediating factor, influences CSR's impact on BM. The links between CSR, OL, and BM were the subject of the research hypotheses proposed in this work. These hypotheses were empirically tested using data gathered from Indian companies and the hierarchical regression analysis approach. According to the study's findings, OL and CSR have advantageous effects on BM. Additionally; the findings demonstrate that OL gains from CSR and that OL mediates the link between BM and CSR. By addressing the issues of if and how CSR influences BM, this study offers fresh perspectives on the connection between BM and CSR. Managers may benefit from this study's explanation of how to connect CSR and BM.

**Key Words:** organization, legitimacy; corporate social responsibility; innovation, business model;

### INTRODUCTION

In recent years, both empirical and theoretical investigations have paid considerable attention to business model innovation (BMI). BMI could give rise to a persistent competitive advantage that might produce exceptional value creation for the stakeholders. According to several academics, BMI should go beyond standard new product/service development activities and is considerably more significant than merely technology or R&D. Some businesses look for product/service creativity, while others emphasise various organisational process innovation phases, in order to positively impact business via BMIs. For instance, Toyota Motor Corporation used Just-in-Time as a new management technology principle in order to accomplish production and quality assurance. This production innovation enhances labour, the working environment, and human resources but does not offer any new goods or services.

There is no question that BMIs are conducted to preserve competitive advantages and eventually enhance financial performance. Contrary to major corporations like Toyota, small- and medium-sized firms (SMEs) may need to accelerate BMI to gain a competitive edge through supporting value-creation processes. Corporate Social Responsibility (CSR) can be implemented as an alternative, together with a strong organisational culture and clear leadership.

While the latter helps businesses modify their BMs, the former may help SMEs' reputations and demonstrate a decent citizen image. [1] intends to evaluate the business performance metrics of firms based on the Warsaw Stock Exchange (WSE) prior to and during the COVID-19 epidemic with an emphasis on CSR. It demonstrated how the crisis created by the COVID-19 viral pandemic impacts the business of enterprises. Due to their limited labour and financial materials, SMEs would prefer to focus their CSR activities on a small number of narrowly defined issues rather than develop extensive stakeholder involvement initiatives. [2] examined the significant discrepancy between the principles of Corporate Social Responsibility (CSR) and the United Nations 2030 Agenda

for Sustainable Development. The challenge of balancing the need for businesses to generate profits with the shared survival of individuals, communities, and the global system is one that is frequently overlooked in both scientific and public discourse. In order to assure their operational success and survival in a market with low profitability and severe competition, SMEs must, on the one hand, employ the resources more effectively. On the other hand, SMEs' CSR activities hardly ever succeeded in fully adhering to international standards. Indeed, 90% of businesses worldwide, according to the Global Reporting Initiative (GRI) database, are small and medium-sized enterprises (SMEs), but their CSR-related Reports [3] To develop and test a model of moderated mediation that explains employees' perceptions of the relationships between an organization's both inside and outside CSR initiatives and their thoughts and actions at work, incorporate views on identity in society and social exchange. This is vital because employees' perceptions of the motivations behind CSR—whether they are self- or others-focused—can have a big impact on the organisational commitment dimensions and their degree of job satisfaction. When analysing the impacts of CSR innovation on organisational performance, [4] takes into account the mediating effects of green trust as well as the beneficial effects of competitive advantage. [5] bounce back from unforeseen environmental shocks. The manifestation of organisational resilience is challenging to quantify since it is hidden and path-dependent. This study assesses the organisational endurance of firms in the setting of the COVID-19 pandemic utilising pre-shock CSR effectiveness as a predictor. The degree of organisational adaptability to the external shock caused by the pandemic is positively impacted by CSR performance.

Through organisational trust and organisational identification, [6] evaluate the effects of CSR on organisational commitment (OC) in Vietnam medicinal firms. The survey's findings, which are based on 289 Vietnam medicinal companies, demonstrate that CSR initiatives and practises have a beneficial effect on organisational identification and dedication as well as organisation trust.

[7] In order to better understand CSR as a strategic instrument for boosting organisational competitive advantage and profitability, the research "the impact of CSR on organisational profitability" was conducted. The data were analysed using simple regression, coefficient of determination ( $R^2$ ), and coefficient of correlation ( $R$ ). [8] Organisations with a strong CSR and green culture are known for making significant contributions to societal and organisational growth. [9] investigate the impact of senior executives on the happiness of various stakeholders and long-term organisational outcomes. We study how CEO greed influences firms' attitude towards CSR before to the start of the global financial crisis (GFC) in 2008 and how this, in turn, transforms firms in the setting of the GFC.

[10] Despite evidence that pro-environmental actions have a number of advantages for businesses and that CSR has a positive impact on employee attitudes and behaviour, very few studies have looked at how CSR influences pro-environmental actions. As a result, this study examines how organisational identity and coworkers' environmental activism affect employees' pro-environmental actions.

[11] Examine the connection between organisational identification, organisational commitment, and CSR and intents to turnover. The article also shows how organisational identification and organisational commitment to CSR and turnover intentions interact. The information was acquired from banking specialists employed by several Pakistani banks. [12] combines literature from organisational behaviour and marketing. The authors show through two field experiments that self-construal has a moderating effect on how effective employee co-creation activities are at raising employees' favourable CSR attitudes. From the perspective of multinational European companies, [13] looks into how corporate social responsibility (CSR) affects organisational performance, particularly competitive performance (CP) and the organisational culture's (OC) moderating influence, using data from China's banking industry. [14] Invoking the stakeholder theory, the initial objective is to look at the connections between organisational CP and CSR. The second goal is to assess how well OC is moderated by the link between CSR and CP.

## **2. METHODS**

### **2.1 Data Collection**

Data collection is appropriate with a questionnaire survey. Studies using Indian enterprises as the sample have frequently employed the survey approach to gather data on CSR, OL, and BM because there isn't a well-developed database in India.

Table 1. Traits of the participating businesses.

	Features	Range	(%)
Sales revenue (RMB million)	10 or Lower	52	31.4
	10-300	81	40.5
	Above300	70	38.4
Firm ages (years)	10 or Lower	71	51.8
	Nov-20	62	30.9
	Above 20	68	25.9
Industry sector	Product making	87	45.8
	Services	114	60.2
Industry	Electronics and equipments	35	11.5
	Chemical	20	12.8
	clothing	17	9.2
	wholesale and retail	19	10.9
	Economics	21	9.3
	Internet	22	20.7
	Information technology	35	8.6
	Logistics and distribution	11	9.4

This article employed a questionnaire survey to gather data after these investigations. According to Table 1, a sample with a variety of firm sizes, firm ages, and industry types was created.

## 2.2 Corporate Social Responsibility

Corporate social responsibility is described as the "enforced, implied, or felt obligation of managers, interacting with their position of authority, to serve or defend the interests of entities other than themselves" by scholars. Three definitions of CSR from various international organisations are offered by UNIDO (2002) in their report, and two of the definitions are as follows: Going above and above legal requirements to invest more in human capital, the environment, and relationships with stakeholders is what it means to be socially responsible. operating a business in a way that satisfies or above the legal, ethical, and social standards that society has of business.

## 2.3 Inspiring Parties For Corporate Social Responsibility

The fundamental forces behind CSR are identified as being: strategy, public pressure and values in a 2002 UNIDO report.

1. Values: Businesses today recognise the need to address the detrimental effects of their activities on their stakeholders and sustainable development rather than making profit maximisation their main objective.
2. Strategy: Both within and external to the organisation, different elements influence an organization's strategy. Planned and unplanned strategies combine to become a company's actual strategy. CSR initiatives support strategic planning, execution, and management.
3. Public Pressure: Businesses are finding it difficult to conduct "business as usual" due to public opinion. Any failure on the part of an organization's CSR could result in the public demanding for stricter legislation and organised protests against the organisation. Organisation CSR efforts are influenced by one or a combination of these drivers.

## 2.4. Corporate Social Responsibility's Orientations

The objectives of CSR are not fully understood by corporations, who think it is all about giving back to the society and promoting the social advancement of their stakeholders. Beyond charitable giving and intentional corporate bribery, CSR involves strategically promoting the company as a good corporate citizen. The guiding concepts of the CSR are:

- 1) Revenue Orientation: In accordance with this idea, a business is socially responsible if it makes money for its shareholders and accomplishes other corporate objectives that are connected to its potential for profit. Profit maximisation is both a social and an economic endeavour. Understanding how an organization's social conduct influences its financial success is the study's main objective.
- 2) Governance Orientation: The business serves as a trustee for the community-donated funds that it uses to further its mission. This viewpoint holds that the organisation and the various players in the environment in which they operate have an agreement in principle. The social contract is a web of responsibilities between all parties engaged in a sector to cooperate and communicate for the good of all parties and future generations.
3. Quality of Life: In order to fulfil its goals, a corporation must acknowledge that every stakeholder, regardless of economic or social standing, has an innate right to a high standard of living. Therefore, it is important to remember and not compromise on the definition of sustainable development while you work towards accomplishing your goals.

## 2.5. Corporate Social Responsibility Principles

- 1) Sustainability: According to this guiding concept, an organisation should only undertake CSR initiatives that are both consistent and sustain over the long term. Sustainability "is concerned with the impact that action taken today has on the choice that will be available tomorrow."
- 2) Accountability: The organisation must understand that in order to accomplish its goal, external stakeholders hold it accountable for its actions. Organisations must therefore accept responsibility for their actions. The organisation is at the heart of the social contract; as such, it should be held accountable for its activities because it is answerable not only to the business's owners but also to all other social contract participants.
- 3) Transparency: Organisations need to keep their objectives on every facet of their operations clear to read and understand. All stakeholders ought to be able to discern the organization's actions from its policies and demand justifications when they detect it deviating from the policy. External stakeholders have a right to know what the organisation is doing for itself and for them because they are the ones who are most negatively impacted by its externalities.

## 2.6. Business Profitability And Social Responsibility

Profits and more general values and principles are becoming more widely accepted: " This article firmly think that the secret to our long-term commercial success lies in our dedication to supporting sustainable development.

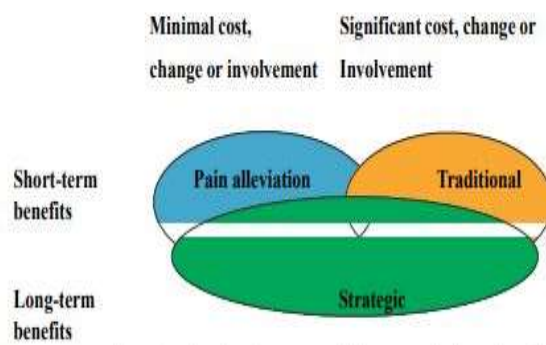


Figure 1. weighing the commercial rewards of the long term and the short term

## 2.7. Organizational Legitimacy

Due to the fact that OL is a widely held belief or assumption, it is challenging to observe OL. As a result, the case study method has been mostly utilised in past literature. Some research, however, have addressed this methodological difficulty by contending that OL can be indirectly inferred from the behaviour of external as well

as internal audiences. The scale created by Elsbach takes into account organisational normativity, which is a quality that a legitimate organisation ought to possess, in addition to external and internal endorsement, which is compatible with earlier assertions of OL measurement. OL was therefore assessed in this study using the Elsbach scale.

## 2.8. Business Model Innovation

First, CSR's influence on modifying the current value proposition and development can result in BM. To address the social concerns of stakeholder groups, socially conscious businesses will take steps like enhancing and growing the social aspects of their products and value-creating activities. As a result, these businesses will adapt their current value offer and creation. For instance, studies have shown that companies engage in CSR for their customers, which leads to both the development of products with environmentally sustainable characteristics like pesticide-free components and CSR-related practises like the use of organic methods. Additionally, businesses that address the social problems of stakeholder groups will enhance their reputations. CSR's effects on new business possibilities and new business tactics can result in BM. Obstacles to human progress including resource scarcity and climate change have sped up the decline of conventional sectors and encouraged the emergence of new ones. Companies that participate in CSR can overcome these barriers and so seize new business chances, which will motivate them to give up on the outdated business models and create new ones that are appropriate for the changing industrial features. In contrast to traditional automakers' manufacturing-based BMs, electric car companies have built a variety of novel leasing-based BMs in order to reduce the cost of the battery to end users. Even though they are not in the dying industries, the other businesses may still need to take action to address changes in company approach prompted by customers' increased concerns about society. As a result, they will abandon their current business models and create new ones that are compatible with them. Some businesses in the energy sector, for instance, aggressively modified their business plan and later established new BMs focusing on providing services since consumers value energy services more than energy items.

## 2.9. Hypothesis

The conceptual model connecting OL, BM, and CSR is made up of the four hypotheses mentioned above (figure 1).

**H1. CSR influences BM in a favourable way.**

**H2. CSR has an advantageous impact on OL.**

**H3. OL influences BM in a favourable way.**

**H4: CSR and BM are related through the mediation of OL.**

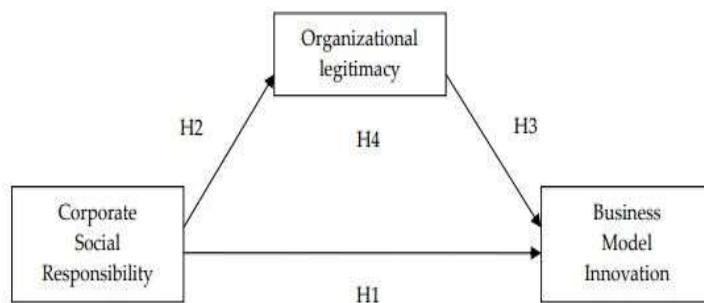


Figure 2 Conceptual model.

## 3 RESULTS

T-test results revealed no appreciable variations in sales revenue or business age. This article also ran a test called chi-squared on the dependent factor to evaluate the initial and late participants. The term "early respondents" refers to the first thirty people who responded and "late participants" to the last 30. There were no statistically significant changes in the outcome ( $p = 0.07$ ). The search for typical technique bias was conducted using Harman's single-factor test. The findings of the factor analysis with exploratory design for all the variables, OL, BM, and CSR, show that three distinct factors arise and account for 72.1% of the overall variation. The first factor does add to the overall variability, even though it only contributes for 30.2% of it. Researchers therefore concluded that common-method bias did not present a serious risk.

### 3.1 Validity and Reliability

The validity and reliability of the concepts and also the structure of the factors of the items were assessed in the present investigation using a CFA (confirmatory factor analysis) with AMOS 24.0 (Table 2). The model appeared to be solid overall based on these indicators. Every item's factor loading was greater than the threshold value of 0.5, suggesting that it was possible to keep the item. This article used Cronbach's reliability to evaluate reliability.

Table 2. Validity and reliability

<b>CSR (Cronbach's <math>\alpha</math> = 0.886, CR=0.897, AVE=0.594)</b>	In response to client concerns, our organisation sets processes.	0.85
	Customers are treated honestly by our company.	0.456
	Our company provides safety admosphere ot staff	0.725
	Our organisation respects each employee equally (without bias or mistreatment).	0.943
	Our business aids in resolving societal issues.	0.345
	The overall welfare of society is something that our company is interested in enhancing.	0.458
<b>OL (Cronbach's <math>\alpha</math> = 0.884, CR = 0.889, AVE= 0.617)</b>	The majority of the general people would be favourable towards our company.	0.357
	The majority of customers in the general public are in favour of the company's practises	0.569
	One of the lowest employee turnover rates in the sector is at our company.	0.429
	Government rules governing industry operating processes are followed by our company.	0.658
	Our company is dedicated to conducting its production activities in accordance with industry standards.	0.257
<b>BM (Cronbach's <math>\alpha</math> = 0.935, Cr = 0.934, AVE= 0.611) (Items complete the sentence "Over the past three years,.....")</b>	The focus of our company is on creating new goods and/or services.	0.246
	The goal of our company is to locate and cater to new markets and clientele.	0.245
	The development and/or acquisition of new resources and competencies (technology, people, IT systems, etc.) is a priority for our organisation.	0.287
	The focus of our company is on creating new essential procedures and tasks (such as design, logistics, marketing, etc.).	0.647
	The development of new strategic business partnerships (with suppliers, distributors, end users, etc.) is what our organisation is most concerned with.	0.548
	The focus of our business is on creating new instruments (personal service, memberships, bonus programmes, etc.) for fostering customer connections.	0.689
	The goal of our company is to offer goods and/or services via new channels (including internet, partner stores, and own stores).	0.458
	The goal of our company is to significantly reduce the total amount spent on running the business.	0.687
	Our company has created novel revenue-generating strategies (including goods, services, leases, sponsorships, etc.).	0.245

In order to evaluate convergent validity, this paper determined the average variance extracted (AVE). The findings demonstrate that all AVE values exceeded the required level of 0.5. Calculating discriminant validity involved taking the AVE's square root (Table 3).

Table 3 Relationships between different factors and descriptive data.

	Firm age	Firm size	CSR	OL	BM	Mean	SD
1	n.a	0.248	0.658	0.154	0.24	4.21	1.254
2		n.a	0.124	0.227	0.145	3.426	1.254
3			n.a	0.994	0.512	0.365	0.548
4				0.258	0.425	0.369	0.121
5					0.781	0.42	0.121

### 3.2 Hypotheses Testing

In earlier studies on BMs, the hierarchical regression analysis method was frequently utilised to assess hypotheses. This approach was used in this paper to examine the hypotheses. The following procedures were used in this paper's hypothesis testing. We started by looking at how CSR affects BM. Model 1 was created to investigate how company age and size, two control factors, affect BM. To validate H1, model 2 was created based on model 1. Table 4's findings that CSR significantly and favourably impacted BM suggest that H1 is supported.

Table 4. Regression results.

Dependent Variables						
	BM		OL		BM	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Adjusted R <sup>2</sup>	0.008	0.014	0.019	0.005	0.002	0.015
F	5.142**	56.241***	1.425	55.024***	12.015***	54.685***
Firm age	1.015	-1.245	0.05	-1.742	-1.024	-1.002
Form size	0.123	0.145**	0.058	0.111	0.156**	0.151**
OL					1.254***	0.125***
oR <sup>2</sup>	0.045	0.002	0.015	0.078	0.045	0.406
R <sup>2</sup>	0.125	0.421	0.125	0.021	0.032	0.014
SCR		0.581***		0.512***		0.425***

Second, we looked at how CSR affected OL. To investigate the effect of control factors on OL, model 3 was created. To verify H2, model 4 was created based on model 3 and Table 4 shows that CSR significantly and favourably influenced OL, supporting H2. Next, we examined how OL affected BM. This article created model 5 based on model 1 to determine the validity of H3. Table 4 shows that OL significantly and favourably influenced BM. H3 is therefore supported. To determine if the mediating effect of OL exists, we created model 6 as depicted in Table 4.

### 4 Conclusion

The goal of this study was to find out how OL acted as a bridge between BM and CSR innovation.

+This paper presented various research hypotheses and empirically evaluated them utilising the hierarchical regression analysis method. These are the main conclusions this article came to. First, the results show that CSR positively impacted BM. According to this finding, CSR is one of the precursors to BM. This result is in line with earlier studies' findings that CSR encourages innovation, given that BM is a type of innovation. As a result, businesses can employ CSR initiatives to boost BM. The findings demonstrate that CSR has a favourable impact on OL. This result is consistent with that of other studies, which demonstrated that CSR improves OL. This conclusion suggests that businesses can employ CSR initiatives to improve OL. Third, our findings indicate that OL had a favourable impact on BM. This conclusion is congruent with the results of earlier study on BM based on RBV, as OL is a commodity that is equally vital to other commodities as other resources are. This research implies that since OL is one of BM's forebears, businesses can connect OL to BM. Fourth, our findings indicate that OL significantly mediates the association between BM and CSR. According to the study's findings, OL serves as a mediator between CSR's direct and indirect effects on BM. Therefore, businesses may profit from both the immediate and long-term impacts of CSR on BM.

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