



**Investigating the Relationship between Corporate Social Responsibility and the  
Competitive Advantage and Financial Performance of Small and Medium-sized businesses  
in Gachsaran City**

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businesses in Gachsaran City**

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**ABSTRACT**

The purpose of this study is to investigate the relationship between corporate social responsibility and gaining competitive advantage and financial performance of small and medium-sized businesses in Gachsaran city. This is an applied research in terms of purpose a descriptive-correlational research in terms of nature and method of research, and a cross-sectional research in terms of time. The study population consists of the managers and experts of small and medium-sized businesses in Gachsaran city in 2016, with a total number of 145 people. Due to the limited number of the population, all of the 145 people were selected as sample size using the complete enumeration method. The tool used in this study for data collection was a questionnaire, the validity and reliability of which were confirmed in a preliminary study. The data were analyzed using descriptive and inferential statistics. The data were also processed using SPSS software. The results showed that all dimensions of corporate social responsibility are associated with gaining competitive advantage and financial performance of small and medium sized businesses in Gachsaran city. According to the results of this research, it can be said that further development of corporate social responsibility in the small and medium-sized enterprises of Gachsaran city will help these businesses gain more competitive advantage and



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improve their financial performance. Moreover, the regression analysis showed that philanthropic responsibility, with a beta of (0.375) has had the greatest role in the competitive advantage of small and medium-sized businesses in Gachsaran city.

**Keywords:** social responsibility, gaining competitive advantage, financial performance, small and medium-sized businesses

## 1. INTRODUCTION

One of the most valuable assets of a company is the competitive advantage that it can gain, through which the company can achieve more benefits. Customers, competitors, market, technology, government, and other factors create changes in the company's external environment gradually and intangibly and bring about a new form in the competitive environment. With this in mind, the key question is: What is the key factor for the survival and success of businesses in today's competitive world? Corporate social responsibility has attracted the focus and attention of many researchers in recent years. Corporate social responsibility should be considered a business strategy and a business value for companies, which can bring them competitive advantage. Attention to the effects of companies in societies has led in recent decades to the emergence of the new and important concept of corporate social responsibility in business literature (Nasr et al., 2010).

Now in Iran, factors such as the freedom of the economic space and more competitiveness of some industries have led companies to consider issues such as responsibility towards employees, consumers and the community, and take into account their interests in their programs and activities. At the moment, this concept is, in its current form, a very new concept and companies are mostly at the beginning of the path. Social responsibility can reduce the costs and improve the efficiency of organizations that compete by price for further effectiveness (Rahman Seresht, 2006).

The term "corporate social responsibility" is used to describe how businesses operate in the realm of social responsibility, beyond economic criteria (such as product creation, employment and profits), and in order to meet the broad social and environmental



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expectations. Business sees this social role as "a business commitment to help sustainable economic development, work with employees, their families, society, and community as a whole in order to improve and promote their quality of life" (Font et al. 2012). Carol (1999) states that social responsibility is a multi-dimensional variable that has evolved over recent decades and includes many definitions. Although different definitions have been presented for corporate social responsibility, they all refer to the organization's ability to support actions that pay attention to the welfare of their workforce, as well as society and community. Carl believes that corporate social responsibility has four primary dimensions. These dimensions are: economic, legal, ethical and voluntary dimensions; that Carol proposed in his latest research, to be voluntarily subjected to a humanitarian dimension (Font et al., 2012).

With all this in mind, corporate social responsibility, in addition to bringing competitive advantage to companies, will be effective in their performance. Small and medium-sized businesses of Gachsaran city are also no exception because Gachsaran is a great industrial city in the south of Iran. The development and expansion of small-scale businesses is an effective strategy for fighting unemployment and creating employment in the country. This is why the importance of small and early-return enterprises has been emphasized as a serious policy until the Plan for the Expansion of Small and Early-return and Entrepreneurial Enterprises was set forth in the Eighth Government and its implementing regulation which was aimed at organizing the government's activities and support for the expansion of these enterprises in order to achieve a fair distribution of resources in different parts of the country, in particular deprived areas, non-oil production and export growth, boosting economic stimuli, increasing the efficiency of bank loans, enhancing entrepreneurship and job creation, and increasing job opportunities, was approved and executed from March 2016 (Modarresi Alam, 2011).

Therefore, considering the importance of small and medium-sized enterprises in Iran and its impact on economic indicators such as unemployment in the society, it is necessary to prioritize attention to the performance and development of these enterprises. In this



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regard, it is important to consider the fact that with Iran's accession to the World Trade Organization, social responsibility has become more important, because one of the requirements of the World Trade Organization for the acceptance of companies in this organization is to provide regular reports concerning social performance. It is therefore necessary to examine this issue within a clear and distinct framework, because it will have considerable effects on income, provide new opportunities for innovation, and create value and competitiveness. Therefore, work on the social responsibility of companies and industries, and doing research in this area will be of great value and importance. Therefore, the present study is a small step towards filling a research gap in relation to corporate social responsibility and its effect on competitive advantage and financial performance in small and medium-sized enterprises in Gachsaran City. Therefore, the main motive for doing the present research is to answer the following main question: is there an association between corporate social responsibility and the competitive advantage and financial performance of small and medium-sized enterprises in Gachsaran city?

## **2. LITERATURE REVIEW**

Vahidi Elizaiei et al. (2015) investigated the impact of corporate social responsibility on the financial performance of companies listed in Tehran Stock Exchange. The results of their study showed that there is a significant positive association between corporates' social responsibility and their financial performance.

Badavar Nahandi et al. (2014) conducted a study entitled " Investigating the relationship between environmental efficiency and the return on assets of companies accepted in the Tehran Stock Exchange", and came to the conclusion that after the control of the company size, financial leverage and systematic risk, there is a significant positive relationship between social responsibility and corporate performance (Pacheco et al., 2017). Divkhar Teimurlouei & Abedinpour Teimurlouei, Ali (2011) conducted a study entitled: "Investigating the Impact of Corporates' Responsibility on their Performance Using Balanced Scorecard" with a sample of 248 manufacturing companies located in the northwestern provinces of Iran. These researchers found that social responsibility



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positively affects balanced assessment of customer performance, internal processes, growth and learning, and financial perspectives, but some aspects of social responsibility do not have a direct impact on performance evaluation perspectives.

Wang et al. (2015) investigated the effects of corporate social responsibility on brand equity and firm performance between 2010 and 2013 in Taiwanese companies. The results of their regression analysis indicated that the economic dimension of corporate social responsibility and the credibility of the trademarks for all quarters considered were positive and significant. Moreover, their final findings based on the structural equation model showed that corporate social responsibility and ownership of trademarks had a positive impact on firm performance.

In 2015, Mercedes examined the relationship between social responsibility and financial performance by considering role of good corporate governance in Spanish companies. The results of his analysis at the Madrid Stock Exchange proved that the classification and implementation of all social policies would enhance financial resources and, on the contrary, an increase in financial performance would lead to higher social benefits.

### **3. RESEARCH METHOD**

This is an applied research in terms of purpose a descriptive-correlational research in terms of nature and method of research, and a cross-sectional research in terms of time. In order to collect information in this research, the researchers have used library studies and fieldwork. The main instruments of measurement in this research included a questionnaire for assessing social responsibility adapted from the questionnaire designed based on the Carroll's CSR Pyramid Model (1999), the competitive advantage questionnaire derived from Yousefi (2011) and the standard financial performance questionnaire by Wantao Yu et al. (2013). The complete enumeration sampling method was used in this study. The researchers analyzed the data using descriptive and inferential statistics (Pearson correlation coefficient and multiple regression) by use of SPSS software.

### **4. FINDINGS**



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**Main hypothesis:** There is a significant relationship between corporate social responsibility and competitive advantage of small and medium-sized businesses in Gachsaran.

The Pearson correlation test (1) shows that the correlation coefficient is 0.889, which is significant at the level of 0.004. Therefore, we can say that there is a significant relationship between corporate social responsibility and the competitive advantage of small and medium-sized businesses in Gachsaran at a significant level of 99%.

**Table (1). Results of the correlation test between corporate social responsibility and gaining competitive advantage**

variable	Gaining competitive advantage		
corporate social responsibility	Pearson		frequency
	Correlation coefficient	level of significance	145
	0.889**	0.004	

\*\* : significance at 99% level; \* : significance at 95% level

**Sub-hypotheses**

The results of Pearson correlation test (Table 2) show that the correlation coefficient of all hypotheses is significant, so we can say that there is a significant association between economic, legal, philanthropic, and ethical responsibility and competitive advantage of small and medium-sized enterprises of Gachsaran city at 99% level of significance.

**Table 2: Results of correlation between the dimensions of corporate social responsibility and gaining competitive advantage**

Gaining competitive advantage		variable
frequency	Pearson	



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145	level of significance	Correlation coefficient	economic responsibility
	0.001	0.716**	
	0.008	0.754**	legal responsibility
	0.001	0.775**	ethical responsibility
	0.006	0.784**	Philanthropic responsibility

\*\* : significance at 99% level; \* : significance at 95% level

**Second main hypothesis**

There is a significant association between corporate social responsibility and financial performance of small and medium-sized businesses in Gachsaran.

The Pearson correlation test in Table (3) shows that the correlation coefficient is 0.526, which is significant at the level of 0.001. Therefore, we can say that there is a significant relationship between corporate social responsibility and the financial performance of small and medium-sized businesses in Gachsaran at a significant level of 99%.

**Table (3). Results of the correlation test between corporate social responsibility and financial performance**

variable	financial performance		
corporate social responsibility	Pearson		frequency
	Correlation coefficient	level of significance	145
	0.526**	0.001	

\*\* : significance at 99% level; \* : significance at 95% level

**\* The fit of the regression model between corporate social responsibility and the competitive advantage of small and medium-sized enterprises in Gachsaran city:**



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According to Table (4), it can be concluded that there is a significant relationship between corporate social responsibility and the competitive advantage of small and medium-sized businesses in Gachsaran. Moreover, based on the calculated beta rate that prioritizes the effect of the variables in question regardless of the index, Philanthropic responsibility has had the greatest role in gaining the competitive advantage of small and medium-sized enterprises in Gachsaran with a beta of 0.375, followed by ethical responsibility with a beta of 0.290, economic responsibility with a beta of 0.219, and legal responsibility with a beta of 0.156.

**Table (4): Regression coefficients**

variable	Unstandardized coefficients		Standardized coefficient	t	level of significance
	B	Standard error	BETA		
Fixed value	10.727	1.560	**	6.877	0.001
<b>economic responsibility</b>	0.689	0.206	0.219	3.384	0.001
<b>legal responsibility</b>	0.626	0.278	0.156	2.252	0.026
<b>ethical responsibility</b>	0.879	0.177	0.290	4.937	0.001
<b>Philanthropic responsibility</b>	0.939	0.148	0.375	6.329	0.001

**\* The fit of the regression model between corporate social responsibility and the financial performance of small and medium-sized enterprises in Gachsaran city:**

As shown in Table (5), based on the calculated beta of 0.526 at the level of significance of 0.001, the regression model between corporate social responsibility and the competitive advantage of small and medium-sized enterprises in Gachsaran city is significant.

**Table (5). Regression coefficients**





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variable	Unstandardized coefficients		Standardized coefficients	t	level of significance
	B	Standard error	BETA		
fixed value	10.198	1.176	**	8.674	0.001
<b>social responsibility</b>	0.210	0.270	0.526	7.405	0.001

## 5. CONCLUSION

Investigating the relationship between corporate social responsibility and gaining competitive advantage and financial performance in small and medium sized businesses in Gachsaran city showed that all dimensions of corporate social responsibility are associated with the competitive advantage and financial performance of small and medium-sized enterprises in Gachsaran city. According to the results of this research, it can be said that further improvement in corporate social responsibility in the small and medium enterprises of Gachsaran city will help these businesses gain more competitive advantage and improve their financial performance. Therefore, managers should implement social responsibility as a management method in their organization in order to improve the operational processes and, consequently, improve the acquisition of long-term economic benefits and acceleration in innovation.

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