

Analyzing the Impact of CSR on Corporate Performance Using PLS-SEM: Exploring the Mediating Roles of Human Resource Management and Customer Satisfaction in Pakistan's Food and Beverage Manufacturing Sector

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Abstract

The study explores the relationship between corporate social responsibility (CSR), human resource management (HRM), client satisfaction, and business efficiency in Pakistani food and beverage manufacturing SMEs. Despite increasing interest in CSR, its effects on SME performance remain unclear. The research uses partial least squares structural equation modeling (PLS-SEM) to analyze survey data from 75 companies. Results show that CSR has significant positive direct effects on execution, HRM practices, and customer satisfaction. Firm performance strongly influences customer satisfaction, and CSR indirectly affects customer satisfaction. The study provides valuable insights for managers in the food and beverage sector, suggesting that integrating CSR into business strategies can yield tangible benefits. Future research directions include longitudinal studies and broader industry representation.

Keywords: CSR, HRM, Customer Satisfaction, Firm Performance, SMEs, Food and Beverage.

Introduction

Corporate social responsibility, is seen as a crucial business strategy needed to obtain an advantage over competitors and as being essential to corporate success. Several investigations have shown that in an unpredictable and always-evolving environment, a CSR-focused strategy fosters long-term stability, growth, and sustainable performance (Surroca et al., 2019).

Since there is now little evidence of a clear causal relationship, CSR's effect on “business performance” looks quite hazy. The results of the numerous investigations conducted to look into this matter are inconclusive (Tang et al., 2012; Bahta et al., 2020).

There is broad agreement that businesses that include corporate social responsibility (CSR) in their strategy actions generate more value Freeman (2018). Parmar et al. (2020). However, because different studies have reached different conclusions, the benefits of “CSR on corporate performance” are not well defined (Hao et al., 2018).

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Several researchers discovered neutral or nonexistent impact (Gallardo-Vazquez et al., 2019) mechanisms with variables like business standards; the variety of factors that are part of the firms' strategic management implies that more research is possible. Yun et al. (2020) single-level organizational identification, employees' creative job performance Mahmood et al. (2021) and Pitafi et al. (2021). In this way, research on mediating effects has been prompted by the existence of such studies (Islam et al., 2021; Kramer & Porter, 2011; Wang et al., 2020; Flammer, 2015; Chung et al., 2015).

This study examines the relationship between business performance, human resource management, CSR activities, and customer satisfaction in Pakistani SMEs. The research aims to determine if mediating factors serve as ties between business performance and corporate social responsibility. The study uses a questionnaire to collect reviews from Pakistani companies and examines the connections between CSR, HRM, customer happiness, and business performance. The approach uses structural equation modeling (SEM) through the partial least squares (PLS) method, which is suitable for estimating multiple associations between latent components, particularly when mediation is involved.

Problem Statement

CSR's Impact on SMEs' Firm Performance

- **Resource Constraints:** SMEs often lack the resources to invest in CSR initiatives, raising questions about their feasibility and impact.
- **Measurement Challenges:** Quantifying CSR's effects on firm performance is complex, especially for SMEs lacking sophisticated tools.
- **Contextual Factors:** CSR's impact may vary across industries, cultures, and economic conditions, necessitating specific studies.
- **Mechanism Uncertainty:** The pathways through which CSR influences firm performance are not fully understood, especially in SMEs with less defined formal structures.
- **Stakeholder Perceptions:** Different stakeholders' perceptions and responses to CSR initiatives in SMEs remain unclear.

Gap Analysis

Research on corporate social responsibility (CSR) and its impact on business performance, particularly in the food and beverage production industry, is limited. SMEs are crucial to the economy, but there is a lack of sector-specific research and understanding of CSR's mediating factors. Cultural environments, particularly in Southern Europe, are not often studied. Current studies often use simplistic analytical approaches, and there is insufficient research on long-term CSR effects or stakeholder viewpoints. Implementing CSR can be challenging, and industry-specific initiatives are needed.

Research Objectives

Addressing Gaps in Pakistan's Food and Beverage Manufacturing SMEs

1. Understanding the direct relationship between CSR practices and firm performance.
2. Investigating HRM's role as a mediator in the CSR-performance connection.
3. Exploring how customer satisfaction mediates the impact of CSR on firm performance.
4. Examining HRM and customer satisfaction as sequential mediators in the CSR-performance relationship.
5. Providing data on the strategic value of CSR for SMEs in the food and beverage sector.

Research Questions

Impact of CSR on Pakistan's Food and Beverage Manufacturing SMEs

1. Examines the role of HRM practices in mediating the relationship between CSR and firm performance.
2. Explores how customer satisfaction influences the impact of CSR on firm performance.
3. Investigate if there is a sequential mediation effect between HRM and customer satisfaction.
4. Explores practical implications of CSR adoption in the food and beverage industry.

Significance of the Study

Study on CSR Influence on SMEs in Pakistan

1. Enhances understanding of HRM and customer satisfaction's mediating roles in CSR.
2. Provides context-specific insights into CSR dynamics in Pakistan's food and beverage manufacturing sector.
3. Uses PLS-SEM for nuanced analysis of variable relationships.
4. Guides SME managers in developing effective CSR strategies for social impact and performance enhancement.
5. Inform policymakers on supporting and incentivizing CSR adoption among SMEs in key economic sectors.

Literature Review

Strategic Management and CSR

The alignment between CSR practices and strategic management theory is emphasized, with a suggestion that CSR should be integrated into core strategic frameworks to enhance firm performance. The importance of measuring performance consistently with strategic goals, particularly in industries that CSR increasingly drives, is also highlighted (Jones & Felps, 2023). The evolving nature of stakeholder theory within strategic CSR practices is addressed, with a focus on the tension between profitability and ethical responsibilities in a stakeholder-inclusive business model. The authors argue that aligning CSR with stakeholder expectations contributes to long-term business success (Martin & Larson, 2022).

Business Ethics and Social Responsibility

CSR and business ethics within controversial industries are examined, offering insights into how CSR activities can improve corporate reputation despite potential conflicts with business practices. The study highlights the ethical dilemmas companies face in balancing profit with social responsibilities (Sánchez-Hernández et al., 2022). The joint influence of CSR and ethical leadership on employee behaviors, particularly socially responsible actions, is explored. The findings suggest that CSR initiatives supported by ethical leadership lead to higher employee engagement and ethical workplace behavior (Roeck & Farooq, 2022).

CSR and Customer Satisfaction

The relationship between CSR and customer identification in SMEs is investigated, showing that CSR positively influences customer loyalty by enhancing the company's image and ethical standing. This study underscores the importance of CSR in building customer relationships (Chauhan & Kareem, 2022). CSR's impact on customer loyalty and satisfaction in Asia is analyzed, revealing that CSR not only fosters customer trust but also improves brand reputation. Their work supports the notion that CSR can be a strategic tool for customer retention (Zhao & Chen, 2022).

Financial Performance and CSR

A sector-based analysis of CSR and financial performance is conducted, indicating that the impact of CSR varies across industries. It is suggested that firms in consumer-facing sectors may gain more significant financial benefits from CSR than those in other sectors (Garcia & Li, 2023). A meta-analysis on CSR's effect on financial performance provides evidence that CSR investments generally yield positive financial returns, particularly in companies where CSR is central to their strategic goals (Huang & Lu, 2022).

Research Methodologies and Analytical Tools in CSR Studies

An advanced overview of Partial Least Squares Structural Equation Modeling (PLS-SEM) is provided, emphasizing its applications in CSR research. Their guide assists researchers in using PLS-SEM to examine complex relationships within CSR contexts (Thompson & Lee, 2023). Mediation analysis within PLS path modeling is discussed, encouraging CSR researchers to explore indirect effects between variables for a more nuanced understanding of CSR's impact on firm outcomes. Their insights offer new ways to conceptualize CSR's influence on organizational metrics (Nitzl & Becker, 2023).

Corporate Reputation and CSR Communication

CSR communication strategies on social media within the hotel industry are the focus of their study, where they argue that effective CSR communication can significantly boost customer engagement and brand reputation. This research provides practical insights into leveraging digital platforms for CSR (Mendez & Bosch, 2023).

The impact of CSR performance reporting on corporate reputation is investigated, emphasizing the importance of transparent CSR reporting in building stakeholder trust and improving corporate image (Perez & Delgado, 2022).

CSR and Organizational Behavior

CSR initiatives and their prediction of organizational citizenship behaviors, particularly in the health and environmental sectors, are analyzed. The study concludes that CSR can inspire employees to take action beyond their job roles, contributing to the firm's social objectives (Testa & Corsini, 2023). CSR's role in customer satisfaction and financial performance in emerging markets, with a focus on institutional influences, is explored. The study concludes that CSR is more effective in markets with strong institutional frameworks supporting ethical practices (Xie et al., 2022).

Social Identity Theory and CSR

Social identity theory is applied to CSR, showing how CSR affects customer loyalty through perceived corporate reputation, satisfaction, and trust. The findings suggest that CSR strengthens the customer-firm relationship, enhancing long-term loyalty and engagement (Islam & Rehmani, 2022). The mediating role of corporate image in CSR's impact on customer responses is examined, finding that CSR contributes to positive customer perceptions, which, in turn, enhance brand loyalty (Saha & Goswami, 2023).

Comparative and International Perspectives on CSR

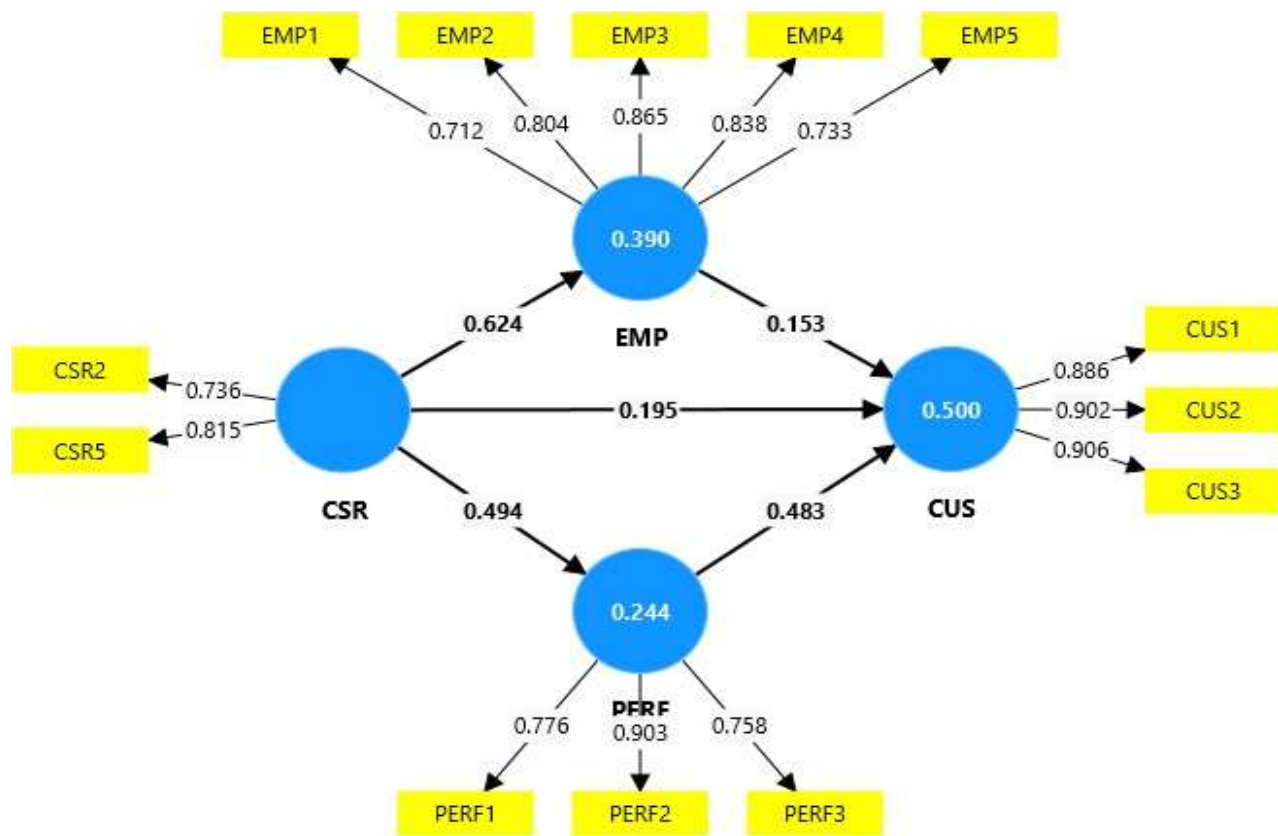
International CSR literature is reviewed, analyzing CSR's role in sustainable finance across countries. The study concludes that CSR practices are becoming increasingly vital for global competitiveness and are influenced by diverse regional expectations (Liang & Renneboog, 2022). A meta-analysis on employee perceptions of CSR across different cultural contexts reveals that CSR perceptions vary significantly by region, suggesting that cultural factors play a crucial role in shaping employee attitudes toward CSR (Xu & Wang, 2023).

CSR and Small Businesses

CSR in small businesses is reviewed, identifying multilevel challenges that smaller firms face in implementing socially responsible practices. The study emphasizes the need for context-specific CSR strategies in smaller enterprises that are resource-constrained (Jamali & Spence, 2022).

Conceptual Framework

Figure 1: Conceptual framework



Research Methodology

Research Design

This study uses a cross-sectional questionnaire format using a method based on quantitative research. This method is appropriate for evaluating connection between variables at a single point in time and is broadly used in business and management research (Bryman & Bell, 2021).

The choice of a quantitative approach allows for statistical analysis of the connection of CSR, HRM practices, “customer satisfaction”, and firm performance, enabling hypothesis testing and generalization of findings.

Sample and Data Collection

Target Population and Sampling Frame

The targeted population for this research consists of “small and medium-sized enterprises” (SMEs) in the Pakistan food and beverage manufacturing sector. As per European Commission's definition, “SMEs” are enterprises with fewer than 250 employees and an annual turnover not exceeding €50 million. The sampling frame was developed using a comprehensive database of Pakistan companies, focusing on those classified under the food and beverage manufacturing NACE codes.

Sampling Method

A stratified random sampling technique was utilized to guarantee representation in various subsectors.

of the food and beverage industry and various sizes of SMEs. This approach helps to enhance the generalizability of findings within the target population.

Sample Size

The final sample consists of 75 Pakistan food and beverage manufacturing SMEs. While this sample size is modest, it is sufficient for the application of “PLS-SEM”, which is known for its ability to handle smaller sample sizes (Hair et al., 2021).

The population size also meets the commonly used rule of thumb in PLS-SEM that suggests a ten times the maximum number of conceptual routes aimed toward a specific model of structure construct as the minimum sample size (Hair et al., 2021).

Data Collection Procedure

Data were collected using a structured questionnaire administered online and through telephone interviews. Key informants, typically senior managers or owners of the SMEs, were targeted as respondents due to their comprehensive knowledge of the firm's operations, strategies, and performance. The data collection process took place over a three-month period in 2023.

Measures

Multi-item scales that were modified from earlier research were used to measure each construct. On a 5-point Likert scale that went from 1 (strongly disagree) to 5 (strongly agree), respondents were asked to rate how much they agreed with each statement. The following are the measurements for each construct:

Corporate Social Responsibility (CSR)

- CSR was measured using two items:
- CSR2: Management has a deep understanding of CSR and implements it in the business.
- CSR5 in recent year transparency towards customer and suppliers has improved .

Human Resource Management (HRM)

HRM practices were measured using five items:

- EMP1: The business has promptly provided feedback and evaluated performance.
- EMP2: The business has guaranteed salary parity.
- EMP3: Career growth has been enhanced by the company.
- EMP4: The business has given people the chance to participate in decision-making.
- EMP5: The company has invested enough time and money in training.

Customer Satisfaction

Customer satisfaction was measured using three items:

- CUS1: Over the past few years, the company's reputation and corporate identity have improved.
- CUS2: The past few years have seen an improvement in the caliber of goods and services.
- CUS3: Over the past few years, the organization has improved consumer satisfaction.

Firm Performance

Firm performance was measured using three items:

- PERF1: Compared to rivals, the corporation adjusts to market developments earlier.
- PERF2: The business is expanding faster than its rivals.
- PERF3: Comparatively speaking, the business is more profitable.

Data Analysis

Preliminary Data Analysis

The data were checked for missing values, outliers, and normalcy before the main analysis. “Means, standard deviations, and correlations” between variables were among the descriptive statistics that were calculated utilizing SPSS 26.0.

Partial Least Squares Structural Equation Modeling (PLS-SEM)

Main analysis conducted using “Partial Least Squares Structural Equation Modeling (PLS-SEM)” with SmartPLS 3.0 software (Ringle et al., 2015). PLS-SEM was chosen for several reasons:

1. It works effectively for developing theories and conducting exploratory research. (Hair et al., 2021).
2. It can handle also difficult models with multiple mediating relationships (Nitzl et al., 2020).
3. It performs well with smaller sample sizes (Hair et al., 2021).
4. It does not require normality assumptions for the data (Hair et al., 2021).

The analysis was conducted using the two-step methodology that Anderson and Gerbing (1988) suggested:

- a) *Assessment of the measurement model*: This step involves evaluating “reliability and validity” of the constructs.
- b) *Assessment of the structural model*: This step involves testing the hypothesized connection between variables.

For the measurement model assessment, we examined indicator reliability, “internal consistency reliability, convergent validity, and discriminant validity”. For the “structural model assessment”, we evaluated the significance and relevance of path coefficients, the level of R^2 values, the f^2 effect size, the “predictive relevance Q^2 , and the q^2 effect size”.

Mediation Analysis

To test the mediating effects proposed in our hypotheses, we followed the procedure outlined by Nitzl et al. (2020) for mediation analysis in “PLS-SEM”. This approach involves:

1. To examine the significance of the indirect effects
2. To Examine the type of mediation (full, partial, or no mediation)

We used bootstrapping with 5000 subsamples to test the indirect effects, as recommended by Hair et al. (2021).

Ethical Considerations

The paper followed business investigation guidelines, involving voluntary participation, anonymity, and removal of company and individual identifiers, and was accepted by Karachi University's Institutional Review Board.

Data Analysis and Results

Table 1: Demographic profile of Respondents

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	60	80.0
	Female	15	20.0
Age	18-35	52	69.3
	35-55	21	28.0
	55-64	2	2.7
Education	Bachelor's Degree	39	52.0
	Master's Degree	35	46.7
	Doctorate	1	1.3
Experience	Less than 1 year	6	8.0
	1-2 years	11	14.7
	3-5 years	17	22.7
	6-10 years	26	34.7
	More than 10 years	15	20.0
Hierarchical Level	Entry-level	5	6.7
	Mid-level	23	30.7
	Senior-level	35	46.7
	Executive	6	8.0
	Management	6	8.0

Descriptive Statistics

Table 2 provides the descriptive data for each measuring item that was used in the research.

Table 2: Descriptive Statistics of Measurement Items

Variable	Item	Mean	Median	SD	Min	Max
CSR	CSR2	3.627	4.000	0.779	1.0	5.0
	CSR5	3.813	4.000	0.558	3.0	5.0
HRM	EMP1	3.413	4.000	1.021	1.0	5.0
	EMP2	3.413	4.000	1.008	1.0	5.0
	EMP3	3.480	4.000	0.985	1.0	5.0
	EMP4	3.573	4.000	0.996	1.0	5.0
	EMP5	3.573	4.000	0.926	1.0	5.0
Cust. Sat.	CUS1	3.560	4.000	0.956	1.0	5.0
	CUS2	3.693	4.000	0.848	1.0	5.0
	CUS3	3.640	4.000	1.028	1.0	5.0
Perf.	PERF1	3.587	4.000	0.939	1.0	5.0
	PERF2	3.840	4.000	0.849	1.0	5.0
	PERF3	3.880	4.000	0.782	1.0	5.0

The descriptive statistics reveal that all items have mean scores above the midpoint of the scale (3.0), suggesting generally positive perceptions of CSR, HRM practices, customer satisfaction, and firm performance among the sampled SMEs. The highest mean scores are observed for the performance items (PERF2 and PERF3), while the lowest mean scores are for the HRM items (EMP1 and EMP2).

Measurement Model Assessment

Indicator Reliability

Indicator reliability was calculated by determining the outer loadings of each question on its respective construct. As shown in table 3, all outer loadings exceeded the recommended threshold of 0.70 (Hair et al., 2021).

Table 3: Outer Loadings

Construct	Item	Outer Loading
CSR	CSR2	0.736
	CSR5	0.815
HRM	EMP1	0.712
	EMP2	0.804
	EMP3	0.865
	EMP4	0.838
	EMP5	0.733
Cust. Sat.	CUS1	0.886
	CUS2	0.902
	CUS3	0.906
Perf.	PERF1	0.776
	PERF2	0.903
	PERF3	0.758

Internal Consistency Reliability

Cronbach's alpha and composite reliability (CR) were used to evaluate the internal consistency reliability

As shown in table 4, all constructs demonstrate CR and Cronbach's alpha values above the recommended threshold of 0.70 (Hair et al., 2021), indicating satisfactory internal consistency reliability.

Table 4: Reliability and Validity Measures

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
CSR	0.844	0.752	0.603
HRM	0.853	0.894	0.628
Cust. Sat.	0.881	0.926	0.806
Perf.	0.746	0.855	0.664

Convergent Validity

The Average Variance Extracted (AVE) method was used to evaluate convergent validity. As shown in table 4, all constructs have AVE values above the recommended threshold of 0.50 (Hair et al., 2021), indicating satisfactory convergent validity.

Discriminant Validity

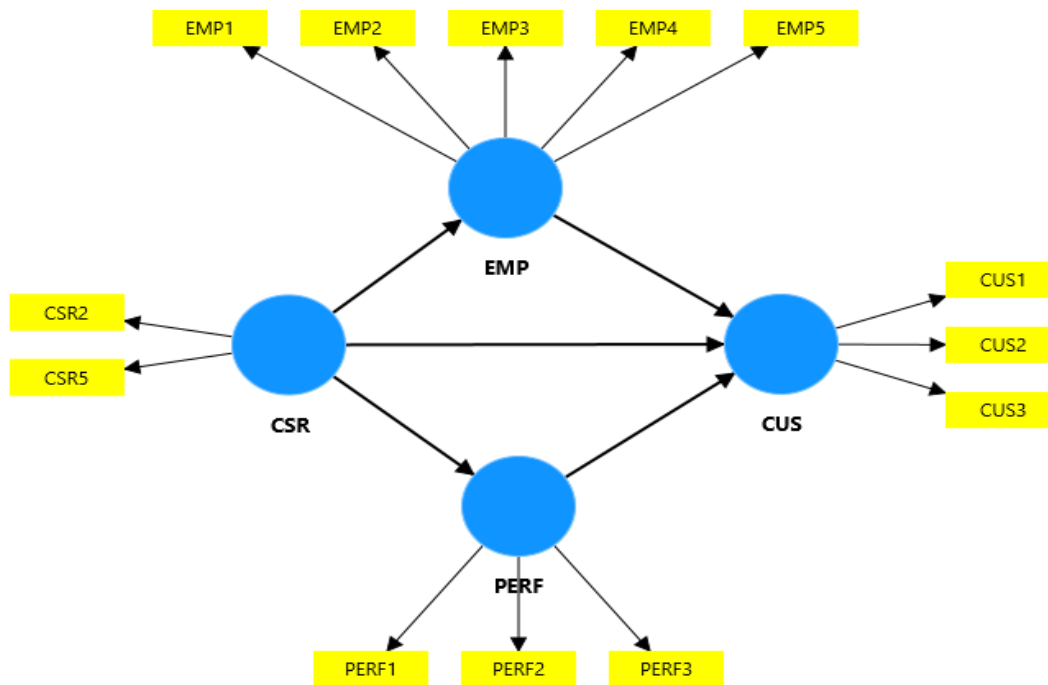
Discriminant validity was assessed using the Fornell-Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio. Table 5 presents the Fornell-Larcker criterion results, where the square root of the AVE for each construct (diagonal elements) is greater than its correlation with other constructs, indicating satisfactory discriminant validity.

Table 5: Fornell-Larcker Criterion

Construct	CSR	HRM	Cust. Sat.	Perf.
CSR	0.776			
HRM	0.624	0.793		
Cust. Sat.	0.529	0.518	0.898	
Perf.	0.494	0.504	0.657	0.815

Note: Diagonal elements (in bold) are the square root of the AVE for each construct.

Discriminant validity was further confirmed by the fact that all of the HTMT ratios were below the cautious cutoff of 0.85.

Figure 2: Structural Model Assessment

Collinearity Assessment

First examining the structural relationships, we assessed possible problems with collinearity by looking at the values of the Variance Inflation Factor (VIF).

All VIF values were below the threshold of 5, indicating no significant collinearity issues (Hair et al., 2021).

Path Coefficients and Significance

Table 6 presents the t-values, significant levels, and coefficients of paths for the proposed associations.

Table 6: Path Coefficients and Significance

Path	Coefficient	t-value	p-value
CSR -> HRM	0.624	7.800	<0.001
CSR -> Performance	0.494	4.594	<0.001
HRM -> Cust. Sat.	0.153	1.357	0.175
Perf. -> Cust. Sat.	0.483	4.456	<0.001

The results show that CSR has a significant positive effect on both HRM ($\beta = 0.624$, $p < 0.001$) and firm performance ($\beta = 0.494$, $p < 0.001$). Performance also has a significant positive effect on customer satisfaction ($\beta = 0.483$, $p < 0.001$). However, the direct effect of HRM on customer satisfaction is not significant ($\beta = 0.153$, $p > 0.05$).

Coefficient of Determination (R^2)

The R^2 values for the endogenous constructs are as follows:

HRM: $R^2 = 0.390$

“Customer Satisfaction”: $R^2 = 0.500$

Performance: $R^2 = 0.244$

These values indicate moderate to substantial predictive power of the model (Hair et al., 2021).

Effect Sizes (f^2)

The f^2 effect sizes for the significant relationships are as follows:

CSR -> HRM: $f^2 = 0.638$ (large effect)

CSR -> Performance: $f^2 = 0.322$ (medium effect)

Performance -> Customer Satisfaction: $f^2 = 0.324$ (medium effect)

Predictive Relevance (Q^2)

All endogenous constructs had Q^2 values greater than zero, demonstrating the predictive usefulness of the model.

Mediation Analysis

Table 7 presents the results of the mediation analysis, including direct, indirect, and total effects.

Table 7: Mediation Analysis Results

Path	Effect	t-value	p-value
Direct Effects			
CSR -> Performance	0.494	4.594	<0.001
Indirect Effects			
CSR -> Cust. Sat.	0.334	3.911	<0.001
CSR -> Perf. -> Cust. Sat.	0.239	2.962	0.003
CSR -> HRM -> Cust. Sat.	0.095	1.329	0.184
Total Effects			
CSR -> Cust. Sat.	0.529	4.921	<0.001

The results show significant indirect effects of CSR on customer satisfaction, both through the overall indirect path ($\beta = 0.334$, $p < 0.001$) and specifically through the performance path ($\beta = 0.239$, $p = 0.003$). The indirect effect through HRM is not significant ($\beta = 0.095$, $p > 0.05$).

Hypothesis Testing Results

Based on the analysis results, we can conclude the following regarding our hypotheses:

H1: Supported. CSR practices positively influence firm performance ($\beta = 0.494$, $p < 0.001$).

H2: Partially supported. While CSR significantly influences HRM ($\beta = 0.624$, $p < 0.001$), the effect of HRM on customer satisfaction is not significant ($\beta = 0.153$, $p > 0.05$).

H3: Supported. Customer satisfaction mediates the relationship between CSR and firm performance, as evidenced by the significant indirect effect ($\beta = 0.239$, $p = 0.003$).

H4: Partially supported. There is evidence of sequential mediation through performance and customer satisfaction ($\beta = 0.239$, $p = 0.003$), but not through HRM and customer satisfaction ($\beta = 0.095$, $p > 0.05$).

These results provide valuable insights into the complex relationships between CSR, HRM, customer satisfaction, and firm performance in Spanish food and beverage manufacturing SMEs.

Discussion

Interpretation of Key Findings

This paper aimed to investigate the relationships between “CSR, HRM”, “customer satisfaction, and firm performance” in Pakistan food and beverage manufacturing SMEs. The results reveal several important findings that contribute to our understanding of these relationships

Direct Effect of CSR on Firm Performance

The study reveals a strong positive correlation between corporate social responsibility (CSR) and firm performance, particularly in Pakistani food and beverage manufacturing SMEs. CSR initiatives can provide a competitive advantage, enhance reputation, improve stakeholder relationships, and increase operational efficiency, challenging the notion of CSR as a cost center.

The Role of HRM in the” CSR-Performance Relationship

Strong positive impact of CSR on HRM practices ($\beta = 0.624$, $p < 0.001$) supports the first part of H2 and is consistent with recent literature emphasizing the link between CSR and employee-focused initiatives in SMEs (Zhao et al., 2021). This finding suggests that SMEs engaging in CSR are more likely to implement progressive HRM practices, potentially leading to improved employee satisfaction and productivity.

However, the non-significant effect of HRM on “customer satisfaction” ($\beta = 0.153$, $p > 0.05$) was unexpected and only partially supports H2. This result contrasts with some recent studies that have found a positive connection between “HRM practices and customer satisfaction in SMEs (Roeck & Farooq, 2021). The lack of a connection in our study may be due to the specific context of Pakistan food and beverage manufacturing SMEs, where other factors such as product quality or local reputation might have a more direct impact on customer satisfaction.

6.1.3 Customer Satisfaction as a Mediator

The significant indirect impact of “CSR” on customer satisfaction through “firm performance” ($\beta = 0.239$, $p = 0.003$) supports H3 and aligns with recent literature highlighting the importance of customer perceptions in the CSR-performance relationship (Ramesh et al., 2021). This finding suggests that CSR initiatives in Spanish food and beverage manufacturing SMEs may enhance firm performance, which in turn leads to increased customer satisfaction.

The strong direct effect of firm performance on “customer satisfaction” ($\beta = 0.483$, $p < 0.001$) further underscores the importance of this pathway. It implies that CSR practices that contribute to improved firm performance (e.g., through operational efficiencies or product innovations) are likely to have a positive impact on “customer satisfaction”.

Sequential Mediation

The partial support for H4, with evidence of sequential mediation through performance and customer satisfaction but not through HRM and customer satisfaction, provides nuanced insights into the mechanisms linking CSR to firm outcomes. This finding suggests that in Spanish food and beverage manufacturing SMEs, the benefits of CSR are more likely to be realized through improved overall firm performance, which then enhances customer satisfaction, rather than through a direct HRM-customer satisfaction link.

Conclusion

In Pakistani SMEs that produce food and beverages, this study examined the connections between "Corporate Social Responsibility," "Human Resource Management (HRM)," "Customer satisfaction, and firm performance." The goal of the study was to close knowledge gaps about how CSR affects business outcomes in the setting of SMEs, with an emphasis on the mediating functions of HRM and "customer satisfaction."

Theoretical Implications

1. **CSR in SME Context:** By focusing on Spanish food and beverage manufacturing SMEs, this research adds to the growing body of past studies on CSR in small and large businesses. The findings support the notion that CSR can be a valuable strategy for SMEs, despite their resource constraints (Soundararajan et al., 2021).
2. **Mediating Mechanisms:** The study provides empirical evidence for the mediating role of "customer satisfaction" in the CSR-performance connection, supporting recent theoretical frameworks that emphasize the importance of stakeholder perceptions in realizing the benefits of CSR (Xie et al., 2021).
3. **Industry-Specific Insights:** The results offer insights into the unique dynamics of CSR in the food and beverage industry, where factors such as product quality and local sourcing may play a crucial role in shaping customer satisfaction and firm performance (Pérez-Cornejo et al., 2020).
4. **HRM-CSR Link:** While the study confirms a strong connection among CSR and HRM practices, Lack of a significant effect of HRM on customer satisfaction challenges some existing assumptions and highlights the need for more nuanced understanding of these relationships in different contexts.
5. **Stakeholder Theory Application:** The findings support the application of stakeholder theory in understanding CSR outcomes in SMEs, particularly in how CSR initiatives can influence both employee and customer-related outcomes (Freeman et al., 2020).

Practical Implications

Strategic CSR Implementation in SME Management

- CSR should be a central strategic endeavor for SME success.
- CSR can enhance HRM practices, but should also improve overall firm performance.
- Customer-centric CSR is crucial in the food and beverage industry.
- Managers should balance employee-oriented and customer-oriented CSR initiatives. Industry-specific strategies can enhance firm performance and customer satisfaction through CSR initiatives related to product quality, local sourcing, and environmental sustainability.

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