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## Original Article

# Corporate social responsibility as a source of competitive advantage: The mediating role of social capital and reputational capital

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**ABSTRACT** Corporate social responsibility (CSR) has been an important issue in business management since decades. The study proposes a research model from a strategic management perspective. On the foundation of social identity theory and resource-based perspective in developing this argument, the article theorizes CSR as a resource-generating activity by creating support networks, relationships and management of perceptions in the form of social and reputational capital. This article develops propositions for strategic use of CSR activities by creating social and reputational capita that ultimately leads to profitability. Theoretical and practical implications of the proposed model have been discussed.

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**Keywords:** corporate social responsibility; social capital; reputational capital; resource-based view

## INTRODUCTION

The effectiveness and productivity of an organization had always been of great concern to all business organizations and managers. Many variables in organizational structure and system had been identified to evaluate the efficiency and effectiveness of management systems in organizations. These variables encompass a wider aspect of organizational life, such as tangible infrastructure, budgets and investments, and employee work attitudes. Companies are

exploring new areas where they can develop infrastructure and better institutional climate for their employees to sustain their profits in strong competition.

Corporate social responsibility (CSR) has been touted as an effective management tool to strengthen the organizations' performance through a better image in stakeholder's mind and also because of their responsible behavior toward society and environment.<sup>1,2</sup> Although CSR has been more prevalent in those organizations

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that are more exposed to environment and are more prone toward creating contamination, the interest in using CSR as a strategy is increasing in every type of business. Since the 1980s, there has been a series of reforms taking shape in the business, resulting from the increased awareness on the importance of quality management and business role toward society.

CSR as an area of practice is moving toward responsible competition, and the movement of CSR has been through many transitions in its concept and application because of the environmental activism and government regulations, whereas the legal requirements by government are becoming more and more stringent for compliance.

In Asia Pacific, most of the companies are focusing on their markets in order to build efficient outcomes. In Pakistan, it is in the recent times that CSR is coming into the mainstream of business applications and in academia. Although corporate philanthropy is yet in initial stages (largely confined to legal compliance), some companies have now started to use their CSR related activities for their corporate branding as well.

In today's highly competitive global business market, the Business in Pakistan is facing acute problems in almost every industry in terms of acquisition of resources and also profitability. This is also destabilizing the economic situation of the country. The present study focuses on an industry and society relationship from a CSR perspective. The researcher aims to find out how companies' social responsibility activities can reap benefits for the organization by creating smooth relationships between different groups of stakeholders of a company.

Since last decade, global business industry is fostering its pressure to pursue socially responsible activities from many stakeholders, employees, investors and consumers.<sup>3,4</sup>

As the idea of CSR is coming to maturity, many investors have identified the benefits associated with being socially responsible, and its acceptance is increasing as companies are generating strategic capital for this. Therefore, to integrate CSR and corporate identities with business strategy is becoming much more challenging for business leaders to stay up with the future business growth. The CSR domain has been widely studied among various researchers, and much of the focus has been on the role of corporation in a society as wealth maximization or providing socially responsible and ethical output to the society. Most of the studies focus on financial returns because of CSR. There are mixed evidences of the link between CSR and financial performance (FP). Wright and Ferris<sup>5</sup> found a negative relationship between CSR and FP. Posnikof<sup>6</sup> discovered a positive relationship between CSR and FP, whereas in some studies there was no significant relationship found between CSR and FP.<sup>7,8</sup>

Most of the CSR-related literature is based on the link of FP and CSR to justify the cost of involvement into CSR activities. Research in CSR is currently shifting from FP to strategic use of social responsibility to build competitive advantage, which also indirectly seconds the FP concerns. This study is designed to introduce two variables, that is, social capital and reputational capital, which can significantly impact the organizations' performance and can provide organizations a ground to engage in CSR activities.

## **Problem statement**

Despite increasing interest in CSR, the dominant literature of CSR focuses mainly on the compliance-oriented activities such as meeting the legal requirements, government concerns, stakeholder management and satisfaction, and fulfilling community concerns of triple bottom line.

Although a few researchers have tried to link CSR with competitive advantage from a strategic management perspective, they failed to explain the mechanism as to how CSR activities can be helpful in yielding above average returns. Moreover, these studies take into account the Western context of doing business where firms operate in a relatively less volatile business environment.

As the convergent school of thought (one best way-ism approach) is believed to be dying a slow death and organizations seem to be following a more culturally sensitive approach, this makes it imperative to study the linkage between CSR-related activities and competitive advantage in different social, cultural and economic contexts.

This study is aimed at bridging the gap both from a theoretical and a contextual perspective. From the theoretical point of view, the major contribution of the study would be finding an answer to the 'how' question and explaining the mechanism through which an organization is able to outperform its competitors by using its CSR-related activities for development of intangible resources considered indispensable for a sustained competitive advantage position in today's highly competitive business environment.

Furthermore, this study focuses mainly on highlighting the importance of CSR-related activities in an Eastern context (Pakistan). This may be a valuable contribution from a contextual perspective, as well as in understanding the CSR theory and implications thereof in nations representing an altogether different set of social, cultural, economic and political circumstances.

### **Research objectives**

The aim of this research is to examine how CSR can contribute to building organizational-level social capital, which can serve as a useful resource to develop

sustained competitive advantage for organizations. In addition, to help CSR managers attain strategic objectives of business, the concept paper attempts to develop a model that could provide managers with a mechanism by which they can integrate their CSR-related activities to gain strategic organizational outcomes.

### **Significance of the study**

Although CSR is a domain widely investigated by many scholars, the strategic use of CSR activities has been much less studied. There are certain evidences on strategic CSR implications but they have not established the mechanism that defines how CSR can bring strategic outcomes for the organization.

Findings of this research would add to the knowledge and understanding of the area of CSR and its linkage to building social capital and reputational capital by organization. Particularly, the study focuses on investigating the strategic role that CSR activities play in yielding better organizational performance/profitability through development of intangible organizational resources (social capital/reputational capital).

This study would contribute to the academic literature of strategic management by explaining how CSR activities can be helpful in developing intangible organizational resources, which subsequently results in better organizational outcomes.

Apart from theoretical and contextual contributions, the study is going to be equally important from an applied perspective. In today's highly dynamic business landscape, where managers are finding it hard to achieve and sustain a competitive advantageous position, the results of the study can certainly work as a major guiding force on their way to success in a world increasingly becoming complex, volatile and competitive with every other day.

## LITTERATURE REVIEW

### Corporate social responsibility

CSR can be defined as situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interest of the firm and that which is required by law.<sup>9</sup> The term CSR was first coined in the 1950s and it gained peculiar attention in management studies in the 1970s. Predominantly, the activities under the umbrella of CSR fall into three categories: economic growth, ecological balance and social progress.

The accepted influence of CSR involves its impact on organizational FP and social performance. In the case of CSR, the literature indicates two schools of thought that predominantly debate and describe business primary activity as profit maximization or business society interaction for the welfare of society.<sup>10</sup> However, the construct has been related to many aspects of a business, such as stakeholder expectations, increasing social performance/FP and compliance with government regulations.<sup>11</sup> Sharp and Zaidman<sup>12</sup> studied CSR from a strategic perspective and concluded that incorporation of CSR into a firm's strategic management process can yield better outcomes for organizations.

The dominant paradigm about the proponents of CSR earliest starts from the work of Carroll,<sup>10</sup> who has described the range of activities included in CSR from philanthropic activities till larger social benefits. According to Carroll, companies are expected to generate profits, obey the law, operate in line with social norms and do well in society beyond the society's expectations. According to Clarkson<sup>13</sup> and Surocca *et al.*,<sup>14</sup> CSR is about meeting the needs of wider stakeholders in the society. Therefore, CSR discourse is becoming multidimensional, including social needs, stakeholder management and profit maximization, whereas certain researchers, such as Luetkenlorst,<sup>15</sup> identify CSR from

compliance and engagement to harm minimization and value creation.

According to Jamali and Mirshak,<sup>16</sup> many businesses in developing countries are taking into account voluntary CSR practices as philanthropy, whereas on the management front the benefits of CSR in human capital issues management and workers' safety and satisfaction are increasing.

Garriga and Mele<sup>17</sup> categorized CSR theory into instrumental, political, integrative and value theories, which, from all dimensions, lead to sustained development. The principle of social responsibility is leading companies to a concept of triple bottom line for decisions of social responsibility that include economic, social and climate care.<sup>18</sup> Carroll<sup>10</sup> has also defined the role of CSR as a strategic management issue, according to which CSR might be done to accomplish organizational strategic goals and to achieve long-term profit goals. Novak<sup>19</sup> identifies a firm's extra legal social responsibilities, which would be of direct benefit to the business, such as communication to all stakeholders, establishing a sense of community respect and protecting moral ecology.

Jarzabkowski<sup>20</sup> introduced a model of strategization of CSR that advocates that as CSR is goal-directed it can be strategic in nature, and CSR practices can be widely adopted throughout the organizational community because of the value creation feature of CSR.

In sum, the central thesis of CSR is predominantly oriented toward contribution to FP and also toward normative basis, which incorporates human values. Most of the research has focused on the relationship between CSR and economic performance or FP. This is probably to advocate the need of establishing a strong case of practice for all organizations proving CSR's benefits (as investment incurred may not have an immediate payoff).

Branco and Rodingues<sup>21</sup> have described CSR as an important resource for organizations from a resource-based perspective. According to Barney,<sup>22</sup> organizations can capitalize on their unique resources for sustainability, whereas the resources should meet the criteria of resource-based view (RBV), that is, should be valuable, inimitable, rare and immobile. CSR can help an organization build such unique resources, such as reputation, employee capabilities, and knowledge and network of relationships. Oliver<sup>23</sup> also defined strategic use of CSR from an institutional and resource-based perspective to achieve sustainability in the organizations.

On the basis of previous literature, the research divides CSR into two dimensions: external CSR practices and internal CSR practices.

The most common operationalization of CSR has been done in the work of Carroll,<sup>24</sup> who provides the foundational concepts of CSR. The firm's CSR practices should encompass its economical, legal, ethical and voluntary activities for social responsibility, whereas more and more emphasis is only on the voluntary practices that may include philanthropy, corporate volunteerism and corporate citizenship.<sup>25</sup>

Researchers have also documented an internal dimension of CSR that generally covers the employees' well-being at work, particularly including their health and safety and also development and talent identification.<sup>26</sup> Another addition to the dimensions of CSR is the 2001 Green Paper by Commission of European Communities that identifies the typology of CSR as its internal and external dimensions.

Generally, research in social responsibility has focused on only the external CSR, that is, community development and environmental protection, and literature is lacking in the internal dimension of CSR and the link between these two. This study will focus on both dimensions of CSR to

build an integrated model of CSR practices for strategic use of CSR as an important organizational resource.

Carroll<sup>24</sup> described the following dimensions of CSR:

*Economic:* The first of the dimensions to adopt CSR practices is economic value: entailing a good return on investment for the owners and shareholders, creating jobs and fair pay for workers, and making developments in business.

*Legal:* The second of the CSR dimensions is legal responsibility: to obey the rules of business and to govern the business according to government legislation.

*Ethical:* This portrays the dimension of business as being moral and doing just and fair things. Such responsibility is rooted in humanitarian grounds.

*Voluntary:* This is the dimension where a firm has a wide scope of discretionary behaviors by performing certain activities by which they are actually contributing to the welfare of society.

Further research has elaborated more dimensions of CSR, relating it to strategic HR literature more concerned with the internal employees and direct stakeholders of an organization. The following dimensions of social responsibility have been developed in the HR management (HRM) literature, which is categorized as internal dimensions of CSR.<sup>27</sup>

*Nondiscrimination and equal employment opportunity:* This dimension is about the organization's principles on treating the employees on an equal and equitable basis by showing equal opportunity to the talent and promoting diversity.

*Staff development and training:* The organization's agenda for employees'

training needs for identifying and developing the talent.

*Protection of human rights:* To deal with employees on humanitarian grounds and taking care of their health and safety at the work. In addition, providing them with a smooth working environment.

*Managing environmental impacts:* This aspect is about optimization of resource utilization and reducing environmentally damaging effluent can reduce the environmental impact.

### **Social capital**

The concept refers to features of social organization that create an environment of mutual benefits and coordination.<sup>28</sup> The concept of social capital is broadly defined as an asset that inheres in social relations and networks. From a micro perspective many researchers have studied it at individual level,<sup>29</sup> and from a macro perspective it has been studied at community and organization level.<sup>28</sup> In the recent era, the term 'social capital' is highlighted more at the organizational facet. Leana and Van Buren<sup>30</sup> describe organizational social capital as a resource reflecting the character of social relations within the firm formed by goal orientation and shared trust. Social capital is broadly categorized as structured social capital and relational social capital. Thus, the conceptualization of organizational social capital is like a value enhancing system resource.

Social capital has been identified by many researchers to be related to organizational advantage. Adler and Kwon<sup>31</sup> have identified organizational social capital to be related to organizational performance through building trust. It also has potential benefits for building intellectual capital and innovation in the organization.

The concept has been further operationalized in different ways in social

science research. The majority of research in the domain of social capital is at the individual level where the motive of research is to identify individual social capital in the society. Management studies have adopted this conceptualization at the organizational level by recognizing the benefits of networking, social ties and resources that are inherent in those relationships.

As defined by Coleman,<sup>32</sup> social capital is an asset that consists of network of relationships and their inherent resources and other network structures. This leads to ties among the members of a group, and these ties affect the individual's attitude, sense of support and attachment. Networking serves as social support to the people that effects satisfaction and ease at work through social support.

Another dimension in networking determines trust facilities, communication, information sharing and collaboration. Trustworthy members can provide social and emotional support, resulting in stronger emotional attachment and satisfaction. This dimension is associated with innovative behavior and employees' individual job-level outcomes.

A deeper facet of social capital extends to intellectual capital. This is determined by a set of shared norms and values, and mutual trust.

### **CSR and social capital**

Not much work has been done on the relationship between CSR and social capital. However, the prevalent researchers have found CSR to create reliable social networks for organizations and social capacity.<sup>33</sup> Corporate activity that benefits the community can increase the level of social participation and generate positive attitudes in the business, and can be a critical component in economic prosperity and sustainable development. According to Putnam,<sup>25</sup> social capital is accumulated through actual human relationship and

interactions that initiate and facilitate strong internetwork ties and norms, which boost cooperation and collective action. Such network of relationship can be developed consciously by the people and also by other social activities.<sup>32</sup> The creation of social capital is embedded into many organizational activities such that it helps knowledge transfer and innovation. In addition, it builds efficiency in creation of new ventures, in community development and CSR.<sup>34</sup>

Companies' internal and external networks provide opportunity for social transactions. An employee may use his formal and informal relationships inside and outside of the company to mobilize resources.<sup>34</sup> In such informal networks, employees can volunteer ideas and opportunities to develop, so that their company can adopt and can capitalize on their social networks to accumulate resources. Such social networking and capitalization can bring the key organizational actors together and utilize their key competencies for collective action.

According to Goddard,<sup>33</sup> corporate activities that can benefit the community can increase the level of social participation and generate positive attitude toward the public and private sector. In addition, this social cohesion can build profitability in the business.

Sacconi and Antoni<sup>35</sup> conducted an empirical research on CSR practices and social capital creation on nonprofit organizations, and concluded that CSR practices adopted as a formal instrument and to implement a multi-stakeholder ownership approach can positively affect social capital creation by maintaining cooperative personal relationships. In addition, in another study on theoretical relationship between CSR and social capital, Antoni concluded that adoption of explicit CSR can build cognitive social capital by emphasizing on the beliefs and fiduciary duties. Moreover, both CSR and

cognitive social capital generate endogenous incentives for the firm to cooperate with weak stakeholders by reciprocal interactions, and therefore they lead to create structural social capital.

In a research on business responsibility and social capital, Moon<sup>34</sup> concludes that the allocation of social responsibility duties to particular personnel can build up a company's expertise and reputation, and generate procedures for handling and prioritizing social responsibility demands. This way, companies can contribute to the community and can align these activities with other company objectives. Such a social role of business involvement is not for short-term market significance, but for long-term relationships to market goals.

The literature in social responsibility and strategic HRM reveals that internal practices relating to workforce ethics and environment greatly impact the acceptability of policy matters in CSR, and build bonding between a company and its employees. In addition, practices such as employee development, health and safety policies, creating a motivating environment in organizations and governing practices, reduce the impact of a company's operation on environment and product responsibility.<sup>36</sup>

Another study on CSR in Jordan concluded that all internal CSR practices such as talent development, work safety and health, diversity management and employee rights are positively correlated to affective and normative commitment of employees.<sup>27</sup> Rupp *et al*<sup>37</sup> explain that employees' perceptions about CSR impact their subsequent behaviors and emotions and coordination in their organizations through an organizational justice framework. This leads us to conclude that certain human resource policies and practices that are not only directly related to employees' job outcomes but also to the responsible behavior of organization and to

the development and well-being of their employees can play a great role in bonding the human resources of an enterprise to form a cohesive workforce, that is, social capital. The responsible behavior of an organization toward its internal stakeholders is categorized as ‘internal CSR practices’ and toward external stakeholders as ‘external CSR practices’. There exists a logical relationship between human resource development, social capital and organizational productivity in an emotional intelligence perspective.

The internal and external dimensions of CSR are closely linked and complement each other to maintain a smooth working environment in organizations through bonding and bridging employee connections, which leads to create social capital.

**Proposition 1:** There is a positive relationship between internal CSR practices and social capital.

### Reputational capital

As defined by the literature, reputational capital signifies the value created by a firm’s image in a stakeholder’s mind because of their interaction with the organization.<sup>38</sup> Many researchers have related reputational capital to positive outcomes in firms, such as customers’ intention to buy a service, attraction for employees and employees’ strong identification with the organizations.<sup>39</sup> According to Peloza,<sup>40</sup> CSR can contribute as a reputation building tool for an organization. They define a CSR–CSP relationship to show the value of CSR that provides incremental gains by increasing the organization’s goodwill and reputation to turn it into insured corporate image.

Strong corporate reputations help organizations to win the war of talent and foster employee retention.<sup>41</sup> Corporate reputation unites all the stakeholders of the organization, as increased corporate

reputation increases customer confidence in services, which effects the buying decisions. According to Schwaiger,<sup>42</sup> companies with strong reputations have better access to capital markets that lowers the capital cost.

Good corporate reputations serve as a guarantee for high-performing workers. Hamori<sup>43</sup> concluded that an organization’s reputational capital can be an indicator of its ability to attract talented employees, and also reputable companies can attract investors more easily.

### CSR and reputational capital

According to Klein and Dawar,<sup>44</sup> CSR is like an insurance policy against negative events of a firm, and proactive social activities achieve and maintain good reputations. The studies in CSR and reputation relationship have been related to many stakeholders such as bankers and investors,<sup>45</sup> corporate FP,<sup>46</sup> a company’s reputation<sup>47</sup> and sense of loyalty among customers and employees.<sup>48</sup>

In an empirical study by Siltaoja,<sup>49</sup> the researcher has concluded that there exists a link between CSR and reputation based on the notion of value priorities. The individual’s perception about CSR activities is very important to build reputation generated by such activities for an organization.

Reputations are outcomes of a competitive process in which firms signal their key characteristics to stakeholders to maximize their socioeconomic and moral status. Reputation is additional to the market value of a firm and that can be attributed for an organization to be a responsible citizen. It is generally believed that corporations’ social responsibility activities can be used for image enhancement of an organization, which can build more legitimacy in the eyes of its stakeholders.

Corporations’ social responsibility toward environmental management, economic growth and philanthropy are categorized

as external CSR activities, and help in building reputations and goodwill of organizations.

**Proposition 2:** There is a positive relationship between external CSR practices and reputational capital.

### Perceived organizational performance

Perceived organizational performance is the performance or achievement assessed by the organizational members to increase people's identification with the company. Perceived organizational performance has been widely measured for assessing a firm's performance in social identification literature, which has its effects on creating a strong network of relationship with organizations. Lim and Seers<sup>50</sup> studied perceived organizational performance owing to the work relationships between people.

Much of the literature for perceived organizational performance has been studied from the HR perspective. Many studies have researched perceived organizational performance in the context of working relationships, working attitudes, work family settlements and employees' perception of organizational human resource and ethical values.<sup>51</sup>

Although perceptual data are more prone to bias, there is a strong precedence that perceptions of organizational performance have been used as a subjective measure of a firm's performance. In addition, perceived organizational performance has moderate to strong associations with objective measures of organizational performance.<sup>52</sup>

### CSR and perceived organizational performance

Perceived organizational performance has been studied from a social responsibility perspective. Although much literature exists for the relationship between CSR and a firm's FP, evidence is also found for

the relationship between CSR and perceived FP.

CSR activities build reputation in the eyes of stakeholders, which in turn builds perceptions of organizational performance. From a reputation-building perspective, perceived organizational performance complements good reputations that are established among stakeholders and corporate social performance.

Social investments are generally made to build organizational legitimacy and good reputations, which are actually perceived in the minds of stakeholders.<sup>53</sup> In addition, certain responsible behaviors are formed to demonstrate the concern of an organization for its employees' well-being (internal social responsibility). Therefore, it would be useful to study the impact of CSR on perceived organizational performance as well. The philosophy of CSR encourages organizations not only to study economic outcomes, but also the social and environmental consequences that an organization shows to its stakeholders.<sup>54</sup>

**Proposition 3a:** There is a positive relationship between a company's internal CSR activities and perceived organizational performance.

**Proposition 3b:** There is a positive relationship between a company's external CSR activities and perceived organizational performance.

### Corporate FP

Corporate FP has been widely measured for a firm's performance in practice and literature. There has been much debate on the business–society relationship and business responsibility toward the welfare of society at the stake of firm profitability. Many researchers have empirically found that there is a strong positive correlation between firms' FPs because of incorporating CSR into their business activities. CSR is

in the form of incremental gains to the organization, and it provides long-term economic development and sustainability in the organization. CSR activities by providing a reputation insurance lead to greater confidence among stakeholders and investors in the firm, increasing the financial development of the company.

### CSR and corporate FP

Much of the literature in social responsibility has focused on the link between firms' social responsibility and FP, particularly profitability. This is maybe to bring into perspective a strong case for justifying CSR investments for the business. Orlitzky *et al*<sup>2</sup> found a statistically strong correlation between a firm's social performance and FP. McWilliams and Seigel<sup>9</sup> found a positive relationship between CSR investments and a firm's profitability. Most of the research that links CSR to profitability has concluded that CSR investments reap better financial returns to organizations, both in marketing measures and in accounting measures.<sup>55</sup>

**Proposition 4a:** There is a positive relationship between a company's internal CSR activities and corporate financial performance.

**Proposition 4b:** There is a positive relationship between a company's external CSR activities and corporate financial performance.

### Reputational capital and firm performance

Reputational capital is an organization's stock of perceptual and social assets – the quality of the relationship it has established with stakeholders and the regard in which the company and brand is held.<sup>56</sup> According to Carmelli and Tishler,<sup>57</sup> perceived organizational reputation is related to organizational performance.

And reputation serves as an immune system to the organization, which leads to better organizational performance.

**Proposition 5a:** There is a positive relationship between reputational capital and corporate financial performance.

**Proposition 5b:** There is a positive relationship between reputational capital and perceived organizational performance.

### Social capital and firm performance

Corporate social capital is a phenomenon explained by a network of relationships that facilitates resource building and resource development categorized as an intangible asset. Leana and Van Buren<sup>30</sup> studied the link between social capital and organizational performance and found social capital to be a strong predictor of firm performance. A substantial number of studies have worked upon social capital and firm performance and concluded that networking and its related resources are an important contribution to the economic performance of a firm.<sup>25,58</sup>

**Proposition 6a:** There is a positive relationship between social capital and corporate financial performance.

**Proposition 6b:** There is a positive relationship between social capital and perceived organizational performance.

### Social capital, reputational capital and organizational performance

Researchers have established a strong emphasis on the value of intangible resources for increased organizational performance. The RBV of organizations attribute that variation in the heterogeneity of organizations resources can expedite the

performance of organization.<sup>22</sup> In the recent times of information technology, information creation and knowledge sharing are becoming more powerful tools to run a business. Although we cannot negate the importance of physical facilities, the intangible facilities are coming to the forefront.<sup>57</sup>

Organizational reputation is an important intangible resource for the organization when the competition cannot match the value or prestige associated with a particular organization. Similarly, social capital creates a network of association, trust and reciprocity among the members of an organization, which can create an unbeatable workforce for it to sustain organizational performance.

Under the umbrella of social responsibility activities with internal and external stakeholders, different activities help an organization build certain intangible resources to the organization, such as social and reputational capital. Research identifies a strong link between strategic management of human resources to social capital creation, which is possible through manifestation of a responsible behavior to employees. Similarly, many researchers have concluded that good reputations as a result of an organization's behavior as a responsible citizen are an important intangible resource for an organization, which can increase organizational productivity.

**Proposition 7a:** Reputational capital will mediate the relationship between external Corporate Social Responsibility activities and financial performance.

**Proposition 7b:** Reputational capital will mediate the relationship between external Corporate Social Responsibility activities and perceived performance.

**Proposition 8a:** Social capital would mediate the relationship between

internal CSR and Corporate Financial Performance.

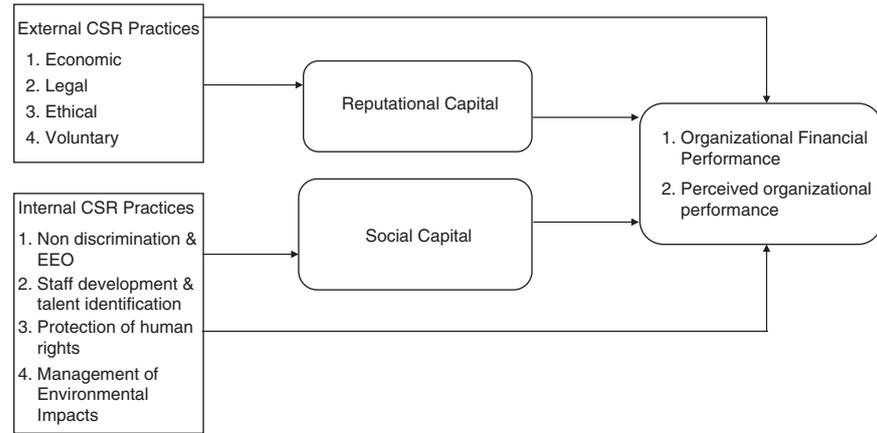
**Proposition 8b:** Social capital would mediate the relationship between internal CSR and Perceived Performance.

Management researchers and practitioners are increasingly concerned with the strategic role of intangible resources for increasing organizational performance. In this context, the RBV presents a framework that defines firms' competitiveness in terms of the resources – both tangible and intangible – that they possess and acquire, following Barney's criteria for the resource's uniqueness and heterogeneity. Bowman and Ambrosini<sup>59</sup> find that these are the intangible resources, important for achieving competitive advantage because they are valuable, rare and difficult to imitate.

This study's major goal is to develop a model for the creation of intangible strategic resources for an organization through inclusion of social responsibility activities in the organization's business strategy, thereby increasing the firm's profitability and competitiveness (Figure 1).

## FUTURE RESEARCH AGENDA

In this article, the use of CSR activities has been discussed for building organizational intangible resources. This article discusses the financial benefits retrieved from engaging in CSR activities. The characteristics and types of CSR activities related to an organization's internal and external stakeholders have been discussed in a logical way. Finally, an integrated model of internal and external CSR activities was developed. As the multiple facets of CSR relate it to many dimensions of business, such as business ethics, marketing and stakeholder satisfaction, we have linked our model to the FP of the organization.



**Figure 1:** CSR as a source of competitive advantage by creating intangible organizational resources.

The constructs described in our model can be operationalized and measured empirically. On an empirical validation of our model, CSR managers can better comprehend the contribution of CSR to resource generation for the organizations.

The practice of CSR initiatives varies widely from developed countries to developing countries; the theoretical framework can be tested by future researchers by setting this study in different contexts. A longitudinal case study model can present a new horizon to future researchers in CSR.

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