

Firm Performance in The Relationship Between Social Responsibility and Digital Orientation

Le Thi Kieu Anh*

* (Van Hien University, Viet Nam
lethikieuanh@gmail.com)

Abstract:

This article was conducted to determine the relationship between social responsibility and digital orientation on firm performance. Qualitative research methods were used to review previous studies on the correlation relationships of firm performance, social responsibility and digital orientation. Literature shows that social responsibility and digital orientation positively affect business performance. In this article, we advise some solutions to increase the performance of firms through social responsibility and digital orientation. With the limitations of the qualitative method, in particular, the documentary method, the summaries of the article are still directional. Future studies should re-test the research model using quantitative methods. Thus, the research performance will be more complete.

Keywords —social responsibility, digital orientation, firm performance.

I. INTRODUCTION

Climate change is becoming more and more complicated globally, and in recent years, there have been no positive signs of this situation. Moreover, the spread of the Covid-19 pandemic has raised an alarm to consider integrating production and business and environmental protection; raise awareness and carry out social responsibility. Since then, the keyword "social responsibility" has been mentioned a lot in government, business and academic conferences. In addition, the world has been going through the phase of the Industrial Revolution 4.0 with outstanding achievements in science and technology. So digital orientation is also an inevitable trend all over the world. Previous research only focusing on the evaluation of social responsibility or digital orientation on firm performance. For example, Tarigan and Siagian (2020); Antoni et al., (2020); Hall et al., (2015); Valida et al., (1994); Sohal et al., (1998)... only consider the relationship between social responsibility and business performance. Or

Arditoet al., (2021); Wonderen (2020)... focus on the relationship between digital orientation and business performance; no research has shown the complete correlation between social responsibility and digitalization. Nevertheless, for social responsibility goals, digital orientation is a solution to increase this goal. Currently, there are no studies that consider the overall relationship between their factors and business performance. This is a void that needs to be filled. Thus, this article is of urgent importance.

II. LITERATURE

A. Performance

Business performance is a matter of interest in many fields. Many researchers have made business performance the main issue for research. Therefore, there have been many rather rich and diverse approaches to the concept of business performance. With a financial approach, business performance is evaluated by Esmael et al., (2018) through criteria such as ROI and profit margin. Some other perspectives have supplemented and generalized

financial indicators such as the increase in sales, the growth of profit, the significant increase in market share, and the efficiency of resource utilization, return on investment (Ahmad and Seet, 2009; Hoque, 2004). Non-financial performance indicators often include some of the more familiar concepts in marketing research, such as satisfaction. For business owners, satisfaction is assessed on the aspect of satisfaction with the development of the unit. From in customer's point of view, satisfaction refers to the perception of service/product quality. Furthermore, other researchers have added non-financial performance measures such as perceived success and growth of the business, future growth prospects, and satisfaction of goals (Reijonen and Kompula, 2007; Shane and Venkataraman, 2000). Approaching from the enterprise perspective, business performance is defined as the result of the central tasks of the enterprise (Wu et al., 2006). Bhasin (2008) extends the concept of business performance by building on a five-component performance evaluation framework. The components of outcomes according to Bhasin (2008) include financial performance, market/customer, process, human development, and future values. With the approach to social responsibility, the concept of performance is added by Torres et al (2019) to external factors, targeting stakeholders. Accordingly, business performance is a series of indicators that focus on assessing the profitability, growth (internal), or social performance of companies. Thus, business performance is products with beneficial values that enterprises receive after the process of production and business, products can be tangible or intangible, financial or non-financial.

B. *Digital orientation*

Digitalization is strategic demonstrates exceptional effectiveness by using and leveraging technology in different ways and different means (Kindermann et al., 2020). Different digital orientations shape how an organization creates and adapts behaviors and resources (Gatignon and Xuereb, 1997; Newbert, 2007), similar to market orientations (Narver and Slater, 1990). Next, digital orientation will change the traditional competitive logic to stimulate different and novel processes as

well as the alignment between manager and organization (Khuntia et al., 2021). According to Schweiger et al. (2019) digital orientation will create value beyond what is seen as the immediate return of digital investments (Kohli and Melville, 2019) and aim for unprecedented scope and openness. In addition, digital orientation provides organizations with strategic directions to nurture and implement specific digitalization strategies and select appropriate digitalization initiatives. The creation of digital value depends on an unprecedented level and scope of openness, often driven by generic and unpredictable processes and dependent on the specific affordability of digital technology (Nambisan et al., 2019). Similarly, Wonderen, (2020) proves that digital orientation is a deliberate strategic position of the company and takes advantage of opportunities brought by digital technology, acquire a substantial technological knowledge base that is used to develop new products. Digital orientation is a strategy for businesses to apply digital technology platforms in their operations and help increase the sustainable development of enterprises. In addition, when businesses implement this orientation, it will help them increase their opportunities to develop and integrate into the regional and global business.

C. *Corporate social responsibility*

Corporate social responsibility has received a lot of special attention in recent years (Keown et al., 2020). This concept can be described as a positive and drastic response to the urgency to take action for the common problems of the whole society (Menguc and Ozanne, 2005). Sharing the same view, Hooley et al., (2020) point out that corporate social responsibility is a self-regulatory mechanism that ensures positive compliance with the spirit of laws, international standards and ethical standards. According to Kuna-Marszale et al., (2020), corporate social responsibility is mentioned as a concept that represents the long-term participation of companies in sustainable business, social and environmental development. sustainable and is an element of corporate culture, related to social and ecological goals. Further, Weygandt et al., (2009) stated that corporate social responsibility is a company's effort in applying sustainable business

practices related to employees, corporate social and environmental. Thus, social responsibility is understood as the activities of individuals, organizations and businesses that perform acts to protect the benefit of the community and society such as environmental protection, gender equality, human rights and employees' rights.

D. The relationship between social responsibility, digital orientation, and firm performance

The relationship between social responsibility and firm performance

Positively, many opinions believe that social responsibility positively affects and increases the operating performance for businesses by improving the relationship between businesses and customers, making customers more engaged (Contini et al., 2019). Besides, corporate social responsibility is also considered as an important capital, increase the shared value of the company (Porter and Kramer, 2011). Therefore, businesses are increasingly conscious of managing the social impacts related to the services and products they provide (Hill and Hill, 2017). Corporate social responsibility claims can also promote corporate image and stakeholder relationships, thereby enhancing an organization's reputation (Bayoud et al., 2012); improve employee engagement and customer satisfaction (Matten, 2006).

However, the implementation of social responsibility also creates significant pressures for businesses. This pressure in a negative direction can reduce the financial health of the business, reduce business performance. Businesses that are heavily influenced by the social and ecological environment can incur significantly higher costs than other businesses if they do not implement appropriate social responsibility strategies (Hall et al., 2015).

In addition, the Stakeholders theory requires that each enterprise when implementing social responsibility must serve the interests of a network of objects related, including suppliers, employees and business partners (Freeman, 1984). This interests sharing also reduces the benefits that firms received. In summary, on the one hand, implementing social responsibility can

increase market share, brand image, and competitiveness of enterprises in general, but at the same time, it also creates a burden to share benefits, incur higher production and operating costs for the business.

Relationship between digital orientation and firm performance

Ardito et al., (2021) highlight that if firm owners choose to simultaneously pursue digital and environmental orientations, their actions will hinder process innovation performance. A firm should refrain from the general implementation of these orientations or take specific actions to overcome obstacles to implementation. On the positive side, based on the research of Wonderen, (2020), it can be concluded that digital orientation can positively affect innovation performance. In spite of that managers are willing to adopt a digital orientation, it is advisable to invest in both digital marketing and technology capabilities. Specifically training marketers and updating their skill sets will enable them to fulfill their new roles. In addition, investments are required to increase their technical knowledge base and harness emerging technologies that will drive excellence. Although no evidence was found to support cross-functional integration, the presence of technology and its influence compromises all functions and thus coordination is required to bring together the This technical component is intended to achieve digital orientation. In short, implementing digital orientation will help businesses increase their competitiveness, speed up the promotion process, promote the image and brand of the business, more, reach multimedia customers and reduce cost and energy.

The relationship between corporate social responsibility and digital orientation

According to Erauskin-Tolosa et al., (2020), environmental management practices lead to better environmental performance, moderated by certification of maturity and environmental innovation. Furthermore, corporate social responsibility performance leads to better brand loyalty (Aljarah and Ibrahim 2020), quality of

customer relationships (Aljarah et al. 2020), and increased employee attitudes and behaviors (Zhao et al., 2020). The level of innovation and the manufacturing industry weakens the link between corporate social responsibility and brand loyalty. The relationship between corporate social responsibility and customer relationship quality is made even stronger by the trust of the customer relationship delegator (Aljarah et al., 2020). Organizational equity, trust, and identity mediate the association between corporate social responsibility and employee attitudes and behavior (Zhao et al., 2020). In addition, science and technology also help businesses increase their competitiveness in the market, shorten the distance between businesses and customers (targets and potentials), and limit energy use (electricity), fuel (gasoline, oil...), and environmentally friendly. Thus, digital orientation is an indispensable measure for the goals of social responsibility or digital orientation will help businesses increase social responsibility.

III. CONCLUSION

Firstly, there is a positive relationship of social responsibility to business performance. Studies such as Contini et al., (2019); Hall et al., (2015) also point out the similarity in conclusions about the relationship between social responsibility and business performance. Therefore, the influence of social responsibility on business performance is completely consistent with the research context. Second, with the world's scientific and technical trends and achievements, it is inevitable to be digitally oriented and apply technology to business operations and to increase business performance. This view is also supported by some authors such as Ardito et al., (2021); Wonderen (2020). So it is reasonable to affirm the relationship between digital orientation and business performance. Third, there is a positive relationship between social responsibility and digital orientation.

IV. IMPLICATION

Research performance has shown a direct relationship between social responsibility and

digital orientation to business performance. Therefore, business planners need to have different strategies towards each object and the relationship of the above objects to increase business performance of the business and be suitable with the context and trends of the company world today.

Corporate social responsibility is a form of business behavior that causes companies to voluntarily contribute to a better society and a cleaner environment (Kogel et al., 2006). Thus, enterprises should synchronize their corporate greening strategy from green product orientation, green packaging, green pricing, green promotion and distribution... to each organization's activities and programs of businesses are based on the criteria of being environmentally friendly, minimizing energy consumption. Furthermore, the use of green packaging in the marketing strategy also helps businesses create customer tastes, increase the useful and green products, and approach and meet current customer behavior.

The technology platform will help businesses accelerate the process of promoting brands and products, increasing the speed of reaching the target and potential customers, competitiveness, etc. Specifically, the percentage of internet users participating in Online shopping in 2020 in Vietnam accounted for 88%, while in 2019 it was 77%. This shows that customer behavior is increasingly changing and tends to shift from offline purchases to offline and online integration. Therefore, enterprises should integrate the omnichannel retailing model of their business systems. Besides, the number of people using social networks in Vietnam is increasing with 72 million people (an increase of more than 7 million people within 1 year). This is also a large market in terms of target and potential customers of the business. Therefore, businesses should build development strategies, marketing, logistics... based on digital technology. Specifically, the construction of websites, fan pages... to approach and provide services to customers; join some major e-commerce platforms in Vietnam such as Shopee, Lazada, Tiki... and reach out to some major exchanges in the world such as Alibaba, Amazon, eBay, Walmart... Depending on the size and finance of the

company and the nature of the product, businesses can choose the platform which is suitable for the current situation of the business.

Development in parallel with scientific and technological achievements is the development trend of enterprises in the world today. Therefore, it is urgent to change the development strategy from traditional to technology-based applications. The development strategy contains many components, which include a digital orientation. Thus, changing the strategy also increases the digital orientation. Therefore, enterprises should implement business development strategies in line with world trends. Specifically: According to Vietnam Logistics & Aviation School, logistics costs account for about 20.9-25% of GDP, this cost is 6% higher than Thailand, 12% Malaysia, and up to 3 times higher than Singapore. In which, transportation costs account for about 60%, a high cost compared to developed countries. This shows that the cost risk from the traditional business development orientation is too high. The application of the technology platform will also help reduce emissions to the environment and keep information more secure. Specifically, the application of technology to monitor and locate the driver's route in the logistics field will help businesses easily monitor and check the route of goods, helping employees locate the nearest route avoid traffic jams, reduce fuel and emissions into the environment.

V. LIMITATIONS AND FUTURE RESEARCH

Studies on the relationship between corporate social responsibility and firm performance, digital orientation and firm performance can easily be found, confirming the prevalence of these relationships. This paper implements the documentary method to confirm the relationship between these factors. Qualitative methods can determine the nature of relationships. Testing the level and signification of the impact between factors is a limitation that this method cannot do. Therefore, quantitative methods can be used to quantify the degree of impact between these factors. This is the proposed future research direction.

Simultaneous evaluation of the relationships between these three factors is another direction for future research. Structural equation modeling should be used to test all hypotheses at the same time. This technique can determine the impact mechanism of corporate social responsibility on firm performance through digital orientation. In other words, whether the digital orientation plays a mediating role in the relationship between corporate social responsibility and firm performance will also be clarified. This is also a limitation that this article has not done. This direction of research should be carried out in the future.

According to Stakeholders theory, the implementation of corporate social responsibility will lead to a change in firm performance. This effect can be different in short term and long term. While the implementation of social responsibilities can help businesses grow sustainably in long term, it also increases costs for ensuring interest for other stakeholders in short term. Future studies may try comparative analysis techniques, such as time series, to clarify this issue.

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