ARTICLE

THE IMPACT OF SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE THROUGH COMPETITIVE ADVANTAGE AND REPUTATION (CASE STUDY: PRODUCTION COMPANIES LOCATED AT INDUSTRIAL TOWNS OF GILAN PROVINCE)

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ABSTRACT

The present research has been performed with the aim of investigatingthe impact of social responsibility on financial performance through competitive advantage and reputation in the production companies located at industrial towns of Gilan province. The statistical population of this research included production companies located at industrial towns of Gilan province and the sampling method in this research is available non-probable. The data collection method in this research is field survey and its tool is questionnaire. In order to prove the validity of questionnaire, the content validity method, and for determining the reliability, Cronbach'a alpha coefficient were used. To test research hypotheses, structural equations modeling method was applied by using Warp PLS software. The results showed that social responsibility of production companies impacts on their financial performance. The competitive advantage impacts on the financial performance of production companies. Reputation impacts on the financial performance of production companies. Social responsibility impacts on the company's reputation. Social responsibility impacts on the competitive advantage. Company's reputation impacts on the competitive advantage. Company's social responsibility has significant relationship with the financial performance of companies through company's reputation. Company's social responsibility has significant relationship with the financial performance of companies through competitive advantage. Company's social responsibility has significant relationship with the financial performance of companies through reputation and competitive advantage.

INTRODUCTION

Nowadays the role of business units in the community has undergone vary many changes, in a way that it is expected that the business units not only think about increasing their profit, but they are also responsible towards the community and should be useful for the community interacting with. The business unit cannot escape from the community, and the community cannot exist without business unit either. Thus, there is a bilateral relationship between business units and the community. The company's social responsibility towards the community is useful both for the business unit itself and also for the community and better understanding of its potential benefits can result in high outputs of investment for the companies [1].

Performance assessment in decision making process is one of the most important issues in the financial economy domain; hence the function of financial and economic criteria for evaluating companies' performance is essential. In the competitive environments the managers by using performance measurement process should lead affairs accurately in the path of work progress and to the desired goals and strategy of organization consciously [2] .

In an economic enterprise that the goal is to increase the owners' wealth, attention to increasing profit provides the causes of target realization. Actually, calculating the financial performance ratio means achieving organizational goals. Considering that the performance measurement criteria have already been variously classified in different texts, that each one of these classifications alone has basic disadvantages, so in the evaluation process a set of indicators should be the basis of work. Moreover, the investors and stakeholders need to be aware of various dimensions of companies' performance, particularly the financial dimensions of their performance. Continuous improvement of organizations' performance creates a great synergy power that this power can become the supporter of organizational development and growth plan. Without measuring and evaluating performance, the continuous improvement of performance will not be actualized, to the extent that Lord Kelvin, English physicist about the necessity of measurement says: "Whenever we could measure what we are talking about and say it in the figures and scores format, we can claim that we know something about the topic discussed. Otherwise our knowledge and awareness is incomplete and it will never reach maturity stage." [3].

In today's competitive world of the organizations, the social responsibility of organizations is the main factor of the survival of every organization. Social responsibility is an issue having special importance in new management, because the mangers' disregarding social responsibility will prevent their effective service to the community and the development and credit of organization. Nowadays all managers should perform measures that are acceptable for the community and public to achieve the goals of organization [5].

The desire and urge of business unit to the commitment towards social responsibility in all dimensions has considerable impact on the financial performance. Actually the tendency towards social responsibility encourages the business unit to try for improving environment, use less energy and materials, and

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manage wastes and so on [1]. Thus, the business units can arbitrarily maximize their long term outputs through reducing their negative impacts on the community. So, the implementation of corporate social responsibility results in improving companies' success in long term, and ultimately results in economic growth and company's competitive ability increase, and its financial performance improvement [6]. Thus, the responsibility of company to the community is useful both for the business unit itself and for the community, and better understanding of its potential sources can result in high investment outputs for the companies [5]. The competitive space takes the organizations to the side that exploits various tools and methods for qualitative and quantitative development of their market. The organizations should find the ways to take distinguished strategy compared with others for offering services and producing products (Attaran et al., 2014).

Competitive advantage indicates a superior performance in specific business indicator. This superior performance gives a competitive advantage to the company that, when compared with competitor companies, can be observed as a positive difference in performance [2]

Scientists such as Porter (1991) observed that the main requirement of companies to succeed in a competitive advantage depends on human resources, which is unique and specific in the company. Seubert et al. (2001) concluded that sustainable competitive advantage is not rooted in physical assets and financial capitals, but it is in effective networking of unique intellectual assets [3].

Social responsibility of companies has also other benefits, among which increasing ability for hiring newcomer employees, and maintaining experienced employees and governmental support can be mentioned. The companies by progressing towards social responsibility comprehend the point that they can employ new forces more conveniently and maintain the experienced employees for an adequate period of time that are obligatory for the success of business unit. The social responsibility of companies has numerous stakeholders, that these stakeholders are regarded the same as shareholders for some companies. The meaning of stakeholders is actually the same as reconfiguration of shareholders' viewpoint that evaluates the stakeholders' measures with regard to the new path. Actually the social responsibility of companies is used for evaluating the performance of stakeholder groups. These groups include employees, customers, investors, community, natural environment and suppliers. The goal of present study is to assess the relationship of social responsibility with financial performance through competitive advantage and reputation in the production companies located at industrial towns of Gilan province. Regarding the points stated above, this question is formed in the researcher's mind that does the social responsibility have impact on financial performance of production companies through competitive advantage and reputation?
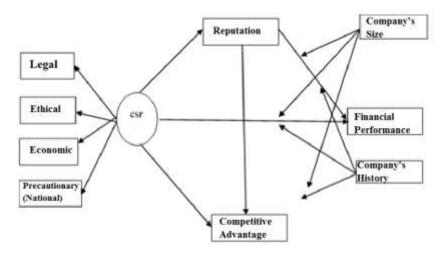
Research model

Fig. 1: Conceptual Model (Taken from Saiedi et al.,2015)
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Research hypotheses

1. Social responsibility of production companies impacts on their financial performance.
2. Social responsibility and the performance of companies have significant relationship with the presence of mediating variables.
3. Competitive advantage impacts on the financial performance of production companies.
4. Companies' reputation impacts on the financial performance of production companies.
5. Companies' size and history adjust the relationship between social responsibility and the financial performance of production companies.

6. Company's reputation impacts on competitive advantage.

MATERIALS AND METHODS

Research methodology

This research is applied, since a theoretical structure among the actual and real contexts and situations will be investigated. Moreover, in this research the case study will be used. In this method, both statistical analyses and qualitative data analysis can be used. As the main goal in this research is to find the relationship among several variables that occur naturally and no empirical manipulation will be done, it is descriptive. This research that will also distribute and collect the main tool of data collection (questionnaire) among the population and samples is a survey. The tool of data collection of this research is questionnaire that its validity will be determined by the viewpoint of experts and professionals, and its reliability will be obtained by Cronbach's alpha. The statistical population in this research is the production companies located at industrial towns of Gilan province that for years maintained their growing process in all economic crises and conditions in the country and have already done necessary measures to perform the corporate social responsibility actively by creating the committee of social responsibility within their company, and have had also special attention in their decisions in this respect. In the research by the aid of the analysis of collected data, we search the research and scientific reality and questions.

In this research the structural equations modeling with Partial Least Squares (PLS) and Warp PLS software are used, and the analysis of data is performed based on data analysis algorithm in partial least squares method that includes two parts of "investigation of model fitness", and "research hypotheses test". The reason of this issue returns to the point that partial least squares method unlike first generation software of structural equations modeling such as LISERL or AMOS is not sensitive to the sample size and the normality distribution of variables. In the present research due to the existence of adjusting variables, the PLS method or partial least squares approach seems to be appropriate in data analysis.

Evaluation of the Reliability of Measurement Model

Table 1: Evaluation results of the reliability of research measurement model

Reliability Criteria	Competitive Advantage	Social Responsibility	Reputation	Financial Performance
Combined Reliability Coefficient	0.862	0.951	0.825	0.878
Cronbach's Alpha Coefficients	0.806	0.945	0.717	0.838

ring the above [Table 1], the combined Reliability coefficients and Cronbach of variables are higher than 0.7. The extracted variance mean is also at least 0.5, so the reliability of measurement tool is confirmed.

Table 2: Load factors for investigating convergent validity

Structure Value	Competitive Advantage	Social Responsibility	Reputation	Financial Performance	P value
C.ADV1	0.73	-0.079	0.238	0.345	<0.001
C.ADV2	0.669	0.252	0.284	0.205	<0.001
C.ADV3	0.78	0.105	0.01	0	<0.001
C.ADV4	0.582	0.298	0.284	0.025	<0.001
C.ADV5	0.736	0.219	0.061	0.01	<0.001
C.ADV6	0.775	0.474	0.123	0.183	<0.001
CSR1	0.268	0.758	0.206	0.018	0.05
CSR2	0.031	0.804	0.024	0.021	0.127
CSR3	0.115	0.676	0.15	0.287	0.073
CSR4	0.025	0.727	0.224	0.308	<0.001
CSR5	0.231	0.58	0.081	0.178	<0.001
CSR6	0.066	0.722	0.244	0.227	<0.001
CSR7	0.356	0.668	0.264	0.199	<0.001
CSR8	0.109	0.746	0.091	0.058	<0.001
CSR9	0.12	0.782	0.073	0.032	<0.001
CSR10	0.02	0.751	0.073	0.057	<0.001

CSR11	0.109	0.72	0.096	0.2	<0.001
CSR12	0.093	0.801	0.018	0.167	<0.001
CSR13	0.083	0.722	0.087	0.183	<0.001
CSR14	0.009	0.64	0.232	0.257	<0.001
CSR15	0.417	0.739	0.173	0.114	<0.001
CSR16	0.05	0.767	0.02	0.043	<0.001
CSR17	0.018	0.546	0.08	0.182	<0.001
CSR18	0.302	0.758	0.104	0.103	<0.001
Rept1	0.35	0.254	0.684	0.175	<0.001
Rept2	0.148	0.175	0.756	0.162	<0.001
Rept3	0.166	0.269	0.761	0.03	<0.001
Rept4	0.305	0.15	0.741	0.358	<0.001
F.P1	0.114	0.065	0.292	0.614	<0.001
F.P2	0.259	0.078	0.059	0.738	<0.001
F.P3	0.259	0.013	0.078	0.763	<0.001
F.P4	0.03	0.041	0.003	0.767	<0.001
F.P5	0.136	0.139	0.121	0.719	<0.001
F.P6	0.267	0.434	0.31	0.67	<0.001
F.P7	0.057	0.073	0.292	0.71	<0.001

The above [Table 2] shows that the factor loads of the indicators inside every structure have allocated more value to themselves than its outside structure that can indicate convergence validity among the indicators of each one of the research structures.

Research hypotheses test

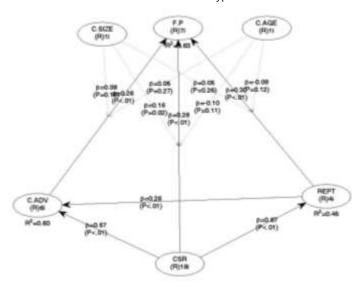For research hypotheses the modal is used as follows:

Fig. 2: Structural equations model (Final Output of Warp PLS Software)
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In the mentioned model, the social responsibility is independent variable, the financial performance is dependent variable, and the variables of reputation and competitive advantage are mediating variables, and the company's history and size are adjusting variables.

DISCUSSION AND CONCLUSION

The results showed that the number of employees of companies under investigation (companies' size) was 26.3 percent less than 100 people, 52 percent, 100 to 300 people, and 18.4 percent more than 300 people.

It was observed that 12.5 percent of companies have less than 10 years, 38.2 percent has 10 to 20 years, and 44.1 percent has more than 20 years work experience.

It was observed that the mean of all research variables was more than the expected mean (3 scores), and is located in the range of [3.6464, 3.3299]. The highest and lowest mean among the research variables are also respectively related to reputation and financial performance variables.

It was observed in the first hypothesis that the social responsibility of production companies impacts on their financial performance. The impact ratio of the social responsibility of production companies on financial performance is also equal to 0.28.

It was observed in the second hypothesis that the competitive advantage impacts on the financial performance of production companies. The impact ratio of the competitive advantage on the financial performance of production companies is also equal to 0.26.

It was observed in the third hypothesis that the reputation impacts on the financial performance of production companies. The impact ratio of the reputation on the financial performance of production companies is also equal to 0.30.

It was observed in the fourth hypothesis that the social responsibility impacts on the company's reputation. The impact ratio of social responsibility on company's reputation is also equal to 0.67

It was observed in the fifth hypothesis that the social responsibility impacts on the competitive advantage. The impact ratio of the social responsibility on competitive advantage is also equal to 0.57.

It was observed in the sixth hypothesis that the company's reputation impacts on the competitive advantage. The impact ratio of the company's reputation on competitive advantage is also equal to 0.26.

It was observed in the seventh hypothesis that the company's social responsibility impacts through company's reputation with companies' financial performance. The impact ratio of the company's social responsibility through company's reputation with financial performance is also equal to 0.201.

It was observed in the eighth hypothesis that the company's social responsibility impacts through competitive advantage with companies' financial performance. The impact ratio of the company's social responsibility through competitive advantage with financial performance is also equal to 0.148.

It was observed in the ninth hypothesis that the company's social responsibility impacts through reputation and competitive advantage with companies' financial performance. The impact ratio of the company's social responsibility through reputation and competitive advantage with financial performance is also equal to 0.045.

With regard to the results obtained from investigating the impact of adjusting variables, it is observed that all beta coefficients resulted from the impact of adjusting variable in the model are insignificant (P>0.05). The only mode that the obtained beta is significant is the impact of company's size on direct relationship between social responsibility and financial performance that the beta ratio is equal to 0.16. The positive sign of beta indicates that considering social responsibility in larger companies will cause financial performance improvement.

Table 3: Summary of research results

No.	Hypothesis	Coefficient	Results
1	Social responsibility of production companies impacts on their financial performance.	0.28	Confirmed
2	Competitive advantage impacts on the financial performance of production companies.	0.26	Confirmed
3	Reputation impacts on the financial performance of production companies.	0.3	Confirmed
4	Social responsibility impacts on the company's reputation.	0.67	Confirmed
5	Social responsibility impacts on the competitive advantage.	0.57	Confirmed
6	Company's reputation impacts on the competitive advantage	0.26	Confirmed
7	Company's social responsibility impacts through company's reputation with companies' financial performance.	0.201	Confirmed
8	Company's social responsibility impacts through competitive advantage with companies' financial performance.	0.148	Confirmed
9	Company's social responsibility impacts through reputation and competitive advantage with companies' financial performance.	0.045	Confirmed

Suggestions in Respect of Hypotheses Results

✓ It is suggested that the companies to create competitive advantage use branding strategies. The companies' reputation is among the effective factors in forming their brand equity. So, identifying the factors impacting on company's reputation is very useful and can bring more loyal customers for the company and be considerable help for company's profitability.

✓ It is suggested that with regard to the high priority of customer's satisfaction and trust and reputation, the contexts of increasing customer's satisfaction and trust, and reputation are provided. Among considerable points in this regard is accuracy in television and media advertisements. Another point in increasing customer's satisfaction and maintaining customers' trust is not delaying in service offering that can create high satisfaction, reliability, and trust. For every company, after employees, there is not any capital higher than customer's satisfaction and trust. To increase the customer's satisfaction and trust, the ethical and social techniques particularly performing social responsibility can be exploited, and recognizing

requirement in appropriate context and time can have wonderful impact on satisfaction, reliability, trust, reputation, identity, and even the brand of company, and creating competitive advantage.

Research limitations

➢ The research being cross-sectional makes the research results low reliable in future,
➢ Assessing financial performance variable qualitatively,
➢ The possibility of the existence of other mediatory variables such as customer's satisfaction that exists in the offered model.

Future suggestions

It is suggested for future researches to use qualitative indicators for measuring social responsibility such as environmental and etc. indicators as the substitution of social performance indicator. Since this research has focused only on the production companies located at industrial towns of Gilan province, it can be performed in other provinces and in other industries. Moreover, it is recommended that future studies are performed about the issue process in other developing countries, because the results might be increasable for other countries. Their results can be compared in various industries and countries.

CONFLICT OF INTEREST
There is no conflict of interest

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