

## RELATIONSHIPS BETWEEN STAKEHOLDER ORIENTATION, CORPORATE SOCIAL RESPONSIBILITY AND PERFORMANCE OF TOURISM SMALL AND MEDIUM ENTERPRISES

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### ABSTRACT

Tourism industry in Malaysia is still in its recovery period after COVID19. The performance of small and medium businesses in tourism sector is considered low. Thus, this paper focused on investigating the relationships among stakeholder orientation, corporate social responsibility (CSR) and performance of tourism small and medium enterprises (TSMEs). The theory of stakeholder orientation was employed to develop the research framework. This study used quantitative research methods. A total of 180 TSMEs were randomly selected and surveyed through questionnaire. Partial least squares-structural equation modelling (PLS-SEM) was used to analyze the data. The results indicated that elements of stakeholder orientation, namely employee orientation had significant relationships with performance of TSMEs, while customer orientation, competitor orientation and supplier orientation significantly influenced CSR. In addition, CSR significantly mediated the relationships between customer orientation and performance of TSMEs, and supplier orientation and performance of TSMEs. As a conclusion, elements in stakeholder orientation and CSR should not be neglected in determining performance of TSMEs. This study added new insights to the current literature by investigating performance of TSMEs through stakeholder orientation and CSR. Practically, it provided useful ideas to TSMEs in developing appropriate strategic initiatives and implementing key activities to outperform their competitors.

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## INTRODUCTION

Tourism industry is playing a significant role in Malaysia because it recorded MYR251.5 billion for gross value added of tourism industries (GVATI), contributed 14% to the gross domestic product (GDP) and, employed 23.4% of the workforce in 2022. The performance of tourism industry has showed a sharp rebound in the post COVID19 pandemic period, specifically in year 2022; for instance, inbound and domestic tourism expenditure amounted to MYR33.4 billion and MYR59.2 billion respectively (Department of Statistics Malaysia, 2023). This showed that the performance of businesses in the tourism sector is experiencing a recovery. However, the recovery process is still considered slow and below expectation as compared to situation before COVID19. Thus, problems pertaining to growth and performance of tourism businesses need to be addressed carefully.

Tourism industry is rather complex; it consists of various players with different sizes. Set (2013) categorized small and medium enterprises (SMEs) in tourism sector as follow, (i) food and beverage services; (ii) transportation services, (iii) travel agency, tour operator and tourist guide services; (iv) art, entertainment and recreation services; (v) accommodation services; and (vi) miscellaneous tourism services such as personal care, zoo, museum theme parks etc. Businesses in the tourism sector are affected by various factors. Despite the external environmental factors such as political, economic and sociological conditions, stakeholders of firms also play a crucial role in affecting their performance. As Freeman (1984) mentioned, stakeholders are those parties who impose influence on an organization's goals; or those who are important to the survival and success of an organization. Nonetheless, studies pertaining to the effects of stakeholders on firm performance are still considered incomprehensive. Specifically, how do stakeholders affect performance of SMEs in tourism industry remained unknown and there is a gap in the current literature.

Social sustainability is getting attention from many businesses. Corporate social responsibility (CSR) is one of the dimensions in sustainable management. Porter and Kramer (2006) mentioned that CSR was worth investigating because it entailed the need for creating and emphasizing shared values. They further suggested that the adoption of CSR projects could impact company's strategy, which allowed firms to recognize issues incorporating economic and social achievements and leverage their specializations in generating market-based solutions. In this way, both economic values and social values are maximized. In the context of

Malaysia, even though SMEs are not implementing CSR as frequently as large or public firms, some SMEs are driven to do so. In Malaysia, the importance of incorporating CSR into operations of SMEs are such as enhancing reputation and fostering economic growth. Gupta (2024) stressed that CSR practices allow SMEs to differentiate themselves from their competitors and thus establish a positive reputation. Furthermore, Tan (2019) and Tan and Ann (2023) showed that adopting CSR practices among SMEs could develop a better relationship with their stakeholders and hence improve their effectiveness and eventually contribute to economic growth. Indeed, the adoption of CSR activities by all industry sectors, including SMEs has become increasingly common, especially in the post-COVID19 pandemic era. However, further scrutiny on CSR and firm's performance is needed.

Malaysia is still in the stage of recovery from the hit of COVID19 pandemic. For instance, Karim et al. (2020) found that the pandemic affected the standing of tourism sector profoundly in both short- and long-term standing. Furthermore, as Kamaruddin and Shamsudin (2021) mentioned, SMEs in the tourism sector are the most impacted, such as those operating food and beverages services, transportation services, travel agencies, tour operators, and other accommodation services. Therefore, there is a need to examine the performance of SMEs in the tourism sector in the post-COVID19 era.

The extant literature showed a lack of studies that concentrated on a specific category of stakeholders, especially customers who can make a major contribution to the firm's performance. Furthermore, a large number of earlier research that looked at how stakeholder influence affected a firm's performance did not concentrate on CSR adoption. As suggested by Ansong (2017), future studies are urged to provide interventions that explicitly scrutinize the principle of financial results, stakeholder participation and CSR initiatives.

Based on the above discussions, several significant research gaps were identified, such as (i) lack of studies focusing on performance of SMEs in tourism industry in the post-COVID19 era and (ii) the incomprehensive research on the relationships among stakeholders, CSR and performance of firms. These gaps have then led to an urgent need to investigate the relationships among stakeholders' orientation, CSR and performance of SMEs in Malaysia's tourism sector.

## LITERATURE REVIEW

### Tourism Small and Medium Enterprises (TSMEs)

Tourism small and medium enterprises (TSMEs) are small- and medium-sized businesses generally involved in activities that cater to tourists' wants and requirements, such as food, lodging, transportation, and other essentials. Rashid et al. (2013) divided tourist business activities into four categories, namely (i) food and lodging services, (ii) retail and souvenirs, (iii) vacation agencies, transportation and sport, and (iv) other relevant business activities. The author also listed local diners that catered to visitors, as well as various lodging options such as budget hotels, homestays, boutique hotels, transportation and other requirements as part of tourism business activities. TSMEs are typically family businesses that are operated by their owners, normally married couple who can be known as "copreneurs" (Main, 2002). The proprietors are likely to have complete control over the company's operations, money, and decision-making. TSMEs also offer lodging, notably in the tiny category of bed and breakfast, small hotels and restaurants, lodges, and the handcraft sector (Mbaiwa, 2003).

Venkatraman and Ramanujam (1986) delineated that firm's performance can be considered as an element in organizational effectiveness which comprises operational and financial output. Operational performance is best deemed as a factor of financial performance which moderates the influence of resources (Combs et al., 2005). Specifically, operational performance normally includes effectiveness and efficiency indicators such as production efficiency and marketing effectiveness, manufacturing efficiency etc. Meanwhile, financial performance is the simplest definition of business success; it is a basic result based on financial indicators which reflect the firm's achievement of its economic goals (Hofer, 1983). Indicators such as sales growth, profitability (reflected by ratios such as investment return, return on sales, and equity return) and income per share are normally examined. Although measuring an organization's financial success has long been acknowledged; it is insufficient to assess the organization's entire performance. As a result, non-financial metrics should be considered valuable enough to be included as a means of measuring performance (Murphy et al., 1996). Indeed, a balanced approach which considers both financial and non-financial performance is crucial in determining how successful a firm is. This is because it allows firms to gain more complex, holistic and comprehensive insights into their

operational efficiency and long-term sustainability in fostering overall business success (Mashovic, 2018).

To date, studies focusing on TSMEs in Malaysia are still scarcely found because majority of research on SMEs focus solely on the other industrial sectors (Set, 2013). Specifically, performance of TSMEs has received less academic interest and requires further investigation. The literature thus far has established that there are still challenges in defining and measuring performance or business success of TSMEs.

### **Stakeholder Theory and Its Categories**

According to Freeman (1984), stakeholders are parties that have the potential to influence or be affected by the goals of an organization. He then further conceptualized them as parties who are important to the operations and achievements of an organization. After that, many researchers have categorized stakeholders into different categories. For instance, Morgan and Hunt (1994) formed four groups of stakeholders, namely internal, consumers, providers, and lateral. Meanwhile, Lerner and Fryxell (1994) identified five main stakeholders, namely consumers, community, stockholders, administration, and workers. In addition, Sirgy (2002) divided them into three groups known as internal, external, and distal. Researchers are starting to consider a wider approach to stakeholders by developing the philosophy of stakeholders, which entails a focus on the major categories, including customers, action holders, staff, vendors, and competitors, to name a few (Greenley & Foxall, 1997). As there are different categories of stakeholders, discrepancies between stakeholders are considered as a significant topic that TSMEs should pay attention to in order to determine which stakeholder would have a greater effect on their performance.

### **Stakeholder Orientation**

Post et al. (2002) described stakeholder orientation as a means for organization to generate wealth; it is also the effect of management decisions on multiple groups or impacted parties. Stakeholder orientation is crucial for a firm in leveraging its resources and social network, as well as growing its business and society together. It allows for a more robust interpretation of effect on performance of businesses. Yau et al. (2007) mentioned that it is important to investigate the function of stakeholder orientation in different market structures, particularly during transition period. As such, it is appropriate to consider such orientation within the

context of TSMEs. It is worth mentioning that the stakeholder orientation in this study comprises market orientation (which consists of customer orientation and competitor orientation), employee orientation, and supplier orientation. It is due to the fact that they are deemed as significant to TSMEs and able to influence the performance of TSMEs.

### ***Market Orientation***

Market orientation, within the realm of marketing theory, is used to assess a company's status in relation to its customers and rivals (Day, 1994). There is a strong association between market orientation and productivity in various contexts (Kirca et al., 2005). There are two components of market orientation, namely customer orientation and competitor orientation. Some researchers pointed out that the most important component of business orientation is customer orientation; while others argued that a balance between customer and competitor path is essential for effective competitive performance (Deshpande et al., 1993). Both customer and competitor orientation are crucial because they can improve customer retention and engagement, as well as financial and marketing efficiency, by relying on customer needs and reactions (Narver & Slater, 1990).

Many earlier studies had examined the combined influence of business orientation and stakeholder orientation (Luk et al., 2005). It has been shown that there was a positive impact of business orientation (customer orientation and competition orientation) on organizational performance in the marketing literature (Kirca et al., 2005). Thus, two hypotheses are proposed:

H1: *Customer orientation significantly and positively influences performance of TSMEs.*

H2: *Competitor orientation significantly and positively influences performance of TSMEs.*

### ***Employee Orientation***

Employee orientation relates to ways the company deals with its employees' wants and wishes. Organizations should spend resources on various facets of well-being of their employees in ensuring workplace security and the attainment of job satisfaction (Luk et al., 2005). Past studies have shown that happier staff possess higher levels of job motivation and work morale; then they perform better, more effectively and successfully (Berman et al., 1999). For example, frontline workers will serve their



customers well if they are pleased with their work; this will then lead to a higher degree of customer loyalty and better performance.

Employee orientation is essential in increasing corporate achievement because it helps to achieve greater employee loyalty and commitment while reducing employee turnover (Awan & Sarfraz, 2013). Firms with a high degree of employee orientation would acquire trust and respect from staff which eventually contribute to greater success and financial results than others (Bussy & Suprawan, 2012). Kelleher (2011) asserted that engaging with employees is essential in the tourism service because employees are the ones who have close relationship with customers. If an employer is able to release the capacity of its workers, employees will continue to make the business prosper. Therefore, the following hypothesis is proposed:

*H3: Employee orientation significantly and positively influences performance of TSMEs.*

### ***Suppliers Orientation***

Clarkson (1995) pointed out that suppliers are as important as consumers because they are among the principal stakeholders. Partnership with suppliers is essential for businesses to strengthen their competitive position. Past studies have demonstrated that efficient supplier relationships affected performance of firms positively (Soehadi, 2003). Studies in Europe and the U.S. also found that businesses with secured supplier relationship gained business benefits (Rais & Goedegebuure, 2009). In addition, Tektas and Kavak (2010) also found that hotel managers who upheld trust, commitment, sharing of know-how and retaining supplier relationships quality achieved positive benefits.

In the context of travel and tourism industry, the roles of each member within the supply chain are essential in ensuring a smooth flow of process in reaching customers. It is important to ensure a balance of control between buyer and supplier in order to establish a cooperative and long-term relationship between them (Spekman et al., 1998). The primary goal of the firms in a cooperative partnership with suppliers is to achieve zero-defect output at the lowest possible cost of production. Firms may face serious problems if suppliers are not selected carefully; the recurring sourcing issues may lead to long-term problems that have negative impact on the firm. These entail financial and profitability losses, as well as a

tarnished image and negative press responses (Boer, 2001). Therefore, the hypothesis below is suggested:

*H4: Supplier orientation significantly and positively influences performance of TSMEs.*

### **Corporate Social Responsibility (CSR)**

Nowadays, the idea of corporate social responsibility (CSR) has gained much interest especially among developed societies where socially responsible actions are deemed crucial in business conducts (Sriramesh et al., 2007). Carroll (1991) described CSR as a concept that emphasizes ethical practices and encompasses technological, discretionary, and legal responsibilities of businesses toward society, viewing these responsibilities as commitments that are essential not only for business success but also for the overall well-being of society. CSR is an undertaking that goes beyond economic interests and essentially aims to influence stakeholders in a positive way (Turker, 2009).

Spence (2014) indicated four pyramids in CSR for small business; (i) CSR for self and families, (ii) CSR for workers, (iii) CSR for local populations and, (iv) CSR for partners. However, it is not recommended that all organizations interpret their CSR in the same manner; thus, consensus on the basic principles is necessary for CSR to be widely applicable to SMEs. CSR is seen as a commitment of enterprises to minimize or abolish all risky commercial practices and to increase their beneficial social commitments. The concept of CSR should ensure that company practices adhere to ethical and economic principles to sustain higher-quality relationships with stakeholders (Piacentini et al., 2000).

The theory of stakeholders can be used to infer the concept of CSR and parties in stakeholders (Pirsch et al., 2007). Domestic and external stakeholders frequently exhibited varying values on operations and business activities of organization (McLaughlin & Talbert, 2001). CSR also reflects on organization's financial and cultural implications (Carroll, 1989). It is important to note that the central element in the effectiveness of CSR activities is stakeholders. A company could not accomplish its goals without stakeholder's participation, experience, abilities, creativity, and loyalty. CSR is a concept which is liable to different stakeholder's values and perceptions because it is a practice that can have legal and moral impact on an organization (Mitnick, 1995). An increasing number of scholars are now placing the stakeholder approach at the center of CSR theories (Cohen,



2010). Khanal et al. (2021) pointed out that small firms integrated CSR into their operations and utilized social media to examine and convey various elements of CSR to stakeholders. Small firms were further advised to comprehend acceptable and relevant CSR activities and screen out those undesirable ones. Therefore, four hypotheses are proposed:

H5: *Customer orientation significantly and positively influences CSR.*

H6: *Competitor orientation significantly and positively influences CSR.*

H7: *Employee orientation significantly and positively influences CSR.*

H8: *Supplier orientation significantly and positively influences CSR.*

CSR practices can only improve a company's reputation or access to capital if the public is convinced that those practices are really having a positive impact on society (McWilliams & Siegel, 2000). Addressing the benefits of CSR to an organization can be simply measured in terms of bad to good; nonetheless, assessment of the effect of CSR must represent the nature of market (Waddock & Graves, 1997). Meanwhile, Peloza (2006) published a study stating that CSR in business recorded an increasingly positive effect on the reputation of organization and was a conscious and practical means of contributing back to society. In addition, Bikefe et al. (2020) showed that CSR had potential to make a firm successful; so, owners of SME should participate in CSR to attain business profitability. Therefore, the following hypothesis is posited:

H9: *CSR significantly and positively influences performance of TSMEs.*

CSR is known to be a response to the needs of different groups, such as community and stakeholders; it is connected to the relationship between the organization and its employees as well (Famiyeh, 2017). Evidence showed that CSR brings about consumer satisfaction, support from stakeholders, and improvements in performance of firms (Maignan et al., 2005). Moreover, firms can gain various long-term benefits by integrating CSR activities into their operations. These benefits include retaining trained staff, enhancing employee standards, attracting socially conscious investors, expanding the customer base, improving creditworthiness, and strengthening relationships with suppliers (Soewarnoa & Nugroho, 2020).

As Freeman (1994) mentioned, CSR engagement helped to enhance relationships among various parties of stakeholders, which then improved company performance. Such relationships are deemed beneficial to the performance of business. As supported by Jo and Harjoto (2011), managers who are involved in CSR could resolve conflicts among stakeholders and

maximize resources of equity. Shareholders, creditors, customers, vendors, environment and government are considered stakeholders (Chariri, 2007). CSR priorities and goals are often conflicting or ambiguous because businesses are trying to respond to different demands from different components of stakeholders, such as workers, consumers, suppliers, societies, NGOs, government and media (Simonsen & Midttun, 2011). This therefore illustrates that CSR has a growing effect on business strategies, especially in terms of its effects on company outcomes.

In most situations, stakeholders and shareholders have different CSR perspectives. Stakeholders are more concerned with sustainability and service quality. Meanwhile, shareholders are more concerned with asset values, dividends and outcomes. They are more likely to support creation, growth, acquisitions, mergers and other actions that improve the profitability of business (Dolan, 2020). Nguyena et al. (2020) found that CSR could produce shareholder value as long as management was well monitored by long-term owners. They further argued that long-term investors must ensure that executives select the best amount of CSR activities which could maximize shareholders' values. Therefore, four hypotheses are proposed:

H10: *CSR significantly mediates the relationship between customer orientation and performance of TSMEs.*

H11: *CSR significantly mediates the relationship between competitor orientation and performance of TSMEs.*

H12: *CSR significantly mediates the relationship between employee orientation and performance of TSMEs.*

H13: *CSR significantly mediates the relationship between supplier orientation and performance of TSMEs.*

## **Research Framework**

By referring to the explanation in the previous sections, this research identified customer orientation, competitor orientation, employee orientation, and supplier orientation as the four elements under the scope of stakeholder orientation. They are the factors that influence CSR and performance of TSMEs. Figure 1 shows the research framework of the relationship between stakeholders' orientation, CSR, and performance of TSMEs.

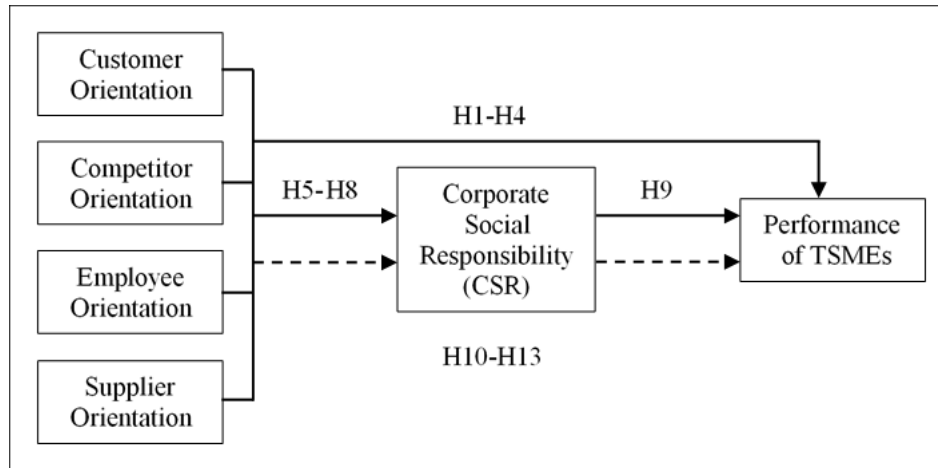


Figure 1. *Research Framework*

## METHODOLOGY

### Research Design

This research employed quantitative methods, specifically a questionnaire survey was used. It was considered suitable because it aimed to examine the causal relationships among elements of stakeholders' orientation and performance of TSMEs mediated by CSR, and all of those variables were measurable. Since this study adopted questionnaire survey, it was conducted in a non-contrived environment and the degree of interference from researchers was reduced to minimal. The time horizon of this study was cross-sectional because the data collection was executed at one point in time across the selected sample of respondents. The unit of analysis was individual, specifically the owner-managers of TSMEs. This study selected owner-managers as respondents because they are the key individuals who possess a comprehensive understanding of their organizations' operations. Moreover, they hold greater authority than others regarding information on stakeholders, CSR activities, and firm performance.

### Population and Sample

This study identified TSMEs registered under the directory of Ministry of Entrepreneur Development and Cooperatives (MEDAC) Malaysia as the population. The directory was selected because it was recorded by reputable body and thus deemed reliable. There was a total of 290 TSMEs and they served as the population frame of this research. All of the TSMEs listed in the population frame were used for sampling selection and no further filtration was performed. This study utilized probability sampling

which is simple random in sample selection because of the availability of a trustable population frame. By using Krejcie and Morgan's (1970) table of sample determination, the minimum sample size was deemed sufficient at 165 subjects. In selecting the desired subjects, random number generator was used to generate the required random numbers and subject was determined accordingly.

### **Research Instrument**

As survey was used in this study, the research instrument was a self-administered questionnaire. The questionnaire consisted of 43 closed-ended items to measure all the variables. All items were adapted from previous studies, such as Luk et al. (2005), Maignan et al., (1999), Lintukangas et al. (2019), Alvarado-Herrera et al., (2017) and Charles et al., (2012). For each item in the questionnaire, respondents were requested to mark their degree of agreeableness or disagreeableness based on the Likert scale; in which 1 represented strongly disagree while 5 represented strongly agree. Prior to the distribution of questionnaire to respondents, face validity and pre-testing were performed to ensure that it was valid and reliable.

### **Data Collection and Analysis Process**

Researchers contacted the selected subjects through telephone to ensure their availability and willingness to participate in the research. Then, the questionnaire link was distributed to them via social media applications such as WhatsApp and Telegram. It was done so to ensure swift responses and easy administration. They were given two weeks to complete the questionnaire. However, a reminder was given to them at the interval of every two weeks. The entire data collection was completed in ten weeks. All collected data were keyed into computer for further statistical analysis such as descriptive and structural equation modeling (SEM). Specifically, Statistical Package for Social Sciences (SPSS) and Smart PLS 4.0 were used.

## **RESULTS AND DISCUSSIONS**

### **Preliminary Analysis**

This study distributed 225 questionnaires to respondents; however, there were 185 questionnaires returned. This indicated a response rate of 82.2%. All the returned questionnaires were completed, and no missing data was found. However, five cases were discarded because they were regarded as potential univariate outliers. As such, 180 responses were forwarded for

further analysis. Furthermore, Harman's single factor test was performed to ensure that common method bias (CMB) did not exist. The single factor accounted for 47.15% of variance, which was lower than the threshold of 50% of total variance explained; thus, it indicated that CMB was not an issue.

### **Respondents' Demographic Profiles**

Males made up more than half of the respondents (n=93; 52%). There were 121 respondents (67%) in the range of 29 to 50 years old. Most of the respondents had completed their undergraduate degrees (n=125; 69%). In terms of the types of tourism business, about half of them operated tourism agencies (n=89; 49%). About one third of them had operated the business for 11 to 20 years (n=58; 32%). The result further indicated that almost half (n=85; 47%) of the firms employed less than 20 employees.

### **Measurement Model Assessment**

In order to evaluate the measurement model, indicator and internal consistency reliability, as well as convergent and discriminant validity of constructs were assessed. Table 1 summarizes factor loadings, average variance extracted (AVE), composite reliability (CR) and Cronbach's alpha ( $\alpha$ ).

As shown in Table 1, each item recorded a factor loading varied from 0.666 to 0.938. Factor loadings greater than 0.6 were retained. The reliability of construct was assessed using  $\alpha$  and CR. The results indicated that both internal consistency reliability and indicator reliability were achieved because both  $\alpha$  and CR values were greater than 0.7. Meanwhile all constructs recorded AVE values above the threshold of 0.5 and indicated that convergent validity was achieved (Bagozzi et al., 1998).

In addition, this study evaluated discriminant validity through Fornell and Lacker's criterion (Table 2), cross-loading criterion (Table 3), and Heterotrait-Monotrait ratio of correlations (HTMT) (Table 4). Table 2 shows that all square root of AVE values (diagonal) were larger than the correlation values (off-diagonal). Meanwhile, Table 3 exhibits that all indicators loaded high on its constructs but low on the other constructs. Lastly, Table 4 reveals that all HTMT values were below 0.90. As such, discriminant validity has been established. Thus, this study obtained a reliable and valid measurement model which indicated that structural model assessment could be performed.

Table 1. *Constructs Reliability and Validity*

Construct	Loadings	AVE	CR	$\alpha$
<b>Performance of TSMEs (FP)</b>		0.827	0.966	0.959
FP_1	0.887			
FP_2	0.874			
FP_3	0.926			
FP_4	0.910			
FP_5	0.938			
FP_6	0.919			
<b>Corporate Social Responsibility (CSR)</b>		0.599	0.957	0.951
CSR_1	0.733			
CSR_2	0.693			
CSR_3	0.668			
CSR_4	0.860			
CSR_5	0.830			
CSR_6	0.899			
CSR_7	0.778			
CSR_8	0.851			
CSR_9	0.835			
CSR_10	0.766			
CSR_11	0.780			
CSR_12	0.730			
CSR_13	0.696			
CSR_14	0.686			
CSR_15	0.764			
<b>Customer Orientation (CO)</b>		0.740	0.945	0.930
CO_1	0.860			
CO_2	0.856			
CO_3	0.874			
CO_4	0.859			
CO_5	0.886			
CO_6	0.826			
<b>Competitor Orientation (COM)</b>		0.693	0.931	0.911
COM_1	0.841			
COM_2	0.809			
COM_3	0.836			
COM_4	0.858			
COM_5	0.868			
COM_6	0.782			
<b>Employee Orientation (EO)</b>		0.748	0.937	0.915
EO_1	0.890			
EO_2	0.860			
EO_3	0.897			
EO_4	0.867			
<b>Supplier Orientation (SO)</b>		0.753	0.938	0.916
SO_1	0.796			
SO_2	0.910			
SO_3	0.925			
SO_4	0.916			
SO_5	0.781			

Table 2. *Fornell and Lacker's Criterion*

	CO	COM	CSR	EO	FP	SO
CO	0.860					
COM	0.728	0.833				
CSR	0.818	0.733	0.774			
EO	0.664	0.725	0.649	0.865		
FP	0.338	0.301	0.337	0.379	0.909	
SO	0.637	0.622	0.711	0.508	0.057	0.868



Table 3. *Cross-loadings*

	FP	CSR	CO	COM	EO	SO
FP_1	<b>0.887</b>	0.187	0.175	0.151	0.198	-0.040
FP_2	<b>0.874</b>	0.189	0.163	0.167	0.221	-0.035
FP_3	<b>0.926</b>	0.316	0.325	0.294	0.356	0.055
FP_4	<b>0.910</b>	0.361	0.373	0.348	0.411	0.103
FP_5	<b>0.938</b>	0.355	0.373	0.335	0.439	0.090
FP_6	<b>0.919</b>	0.354	0.344	0.272	0.353	0.074
CSR_1	0.482	<b>0.733</b>	0.600	0.587	0.645	0.417
CSR_2	0.477	<b>0.693</b>	0.523	0.537	0.493	0.409
CSR_3	0.262	<b>0.668</b>	0.483	0.528	0.493	0.431
CSR_4	0.141	<b>0.860</b>	0.679	0.573	0.486	0.708
CSR_5	0.107	<b>0.830</b>	0.652	0.539	0.479	0.669
CSR_6	0.282	<b>0.899</b>	0.715	0.656	0.550	0.633
CSR_7	0.099	<b>0.778</b>	0.623	0.502	0.392	0.656
CSR_8	0.114	<b>0.851</b>	0.684	0.549	0.457	0.718
CSR_9	0.158	<b>0.835</b>	0.701	0.569	0.491	0.643
CSR_10	0.124	<b>0.766</b>	0.651	0.515	0.380	0.625
CSR_11	0.264	<b>0.780</b>	0.666	0.554	0.611	0.485
CSR_12	0.346	<b>0.730</b>	0.613	0.556	0.452	0.479
CSR_13	0.352	<b>0.696</b>	0.565	0.556	0.448	0.443
CSR_14	0.229	<b>0.686</b>	0.591	0.629	0.490	0.507
CSR_15	0.438	<b>0.764</b>	0.697	0.630	0.618	0.420
CO_1	0.215	0.752	<b>0.860</b>	0.553	0.463	0.626
CO_2	0.198	0.753	<b>0.856</b>	0.548	0.456	0.673
CO_3	0.254	0.737	<b>0.874</b>	0.579	0.509	0.611
CO_4	0.411	0.665	<b>0.859</b>	0.675	0.684	0.456
CO_5	0.357	0.685	<b>0.886</b>	0.699	0.683	0.483
CO_6	0.313	0.621	<b>0.826</b>	0.715	0.643	0.429
COM_1	0.274	0.635	0.672	<b>0.841</b>	0.677	0.494
COM_2	0.202	0.533	0.541	<b>0.809</b>	0.605	0.533
COM_3	0.175	0.593	0.553	<b>0.836</b>	0.482	0.568
COM_4	0.246	0.593	0.584	<b>0.858</b>	0.556	0.539
COM_5	0.268	0.649	0.656	<b>0.868</b>	0.640	0.550
COM_6	0.319	0.638	0.610	<b>0.782</b>	0.641	0.435
EO_1	0.351	0.608	0.600	0.692	<b>0.890</b>	0.461
EO_2	0.207	0.622	0.613	0.700	<b>0.860</b>	0.563
EO_3	0.288	0.640	0.701	0.684	<b>0.897</b>	0.547
EO_4	0.366	0.508	0.521	0.549	<b>0.867</b>	0.349
SO_1	0.159	0.629	0.600	0.540	0.457	<b>0.796</b>
SO_2	0.011	0.601	0.557	0.511	0.387	<b>0.910</b>
SO_3	-0.028	0.624	0.511	0.514	0.373	<b>0.925</b>
SO_4	0.001	0.652	0.552	0.560	0.440	<b>0.916</b>
SO_5	0.102	0.570	0.538	0.570	0.552	<b>0.781</b>

Table 4. *HTMT Criterion*

	CO	COM	CSR	EO	FP	SO
CO						
COM	0.789					
CSR	0.867	0.783				
EO	0.716	0.784	0.687			
FP	0.341	0.303	0.340	0.392		
SO	0.688	0.684	0.762	0.549	0.091	

## Structural Model Assessment

The analysis continued further with structural model evaluation through bootstrapping procedure with a resample of 5000. The results are presented in Table 5. Every value of the inner variance inflation factor (VIF) fell below the 5.0 cutoff (ranging from 1.850 to 4.023), which further indicated the absence of lateral multicollinearity issue (Hair et al., 2017). In terms of hypotheses testing for direct relationships; the results supported five hypotheses (H3, H5, H6, H8 and H9) because the t-values were higher than 1.645 and significant values were lower than 0.05 (Hair et al., 2017). Specifically, employee orientation ( $\beta=0.269$ ) significantly influenced TSME performance. Customer orientation ( $\beta=0.478$ ), competitor orientation ( $\beta=0.164$ ) and supplier orientation ( $\beta=0.265$ ) were significantly related to CSR. In addition, CSR ( $\beta=0.326$ ) was found to influence TSME performance. The  $R^2$  for CSR was 0.750 indicating that 75% of variances in CSR was explained by customer orientation, competitor orientation, employee orientation and supplier orientation. Meanwhile, the  $R^2$  for TSME performance was 0.243 showing that CSR explained 24.3% of variances in SME performance.

Table 5. *Structural model assessment*

Path	$\beta$	SE	t-value	Decision	VIF	$f^2$	$R^2$	$Q^2$
CO $\rightarrow$ FP	0.140	0.120	1.172	Not Supported	3.529	0.007		
COM $\rightarrow$ FP	0.025	0.114	0.217	Not Supported	3.040	0.000		
EO $\rightarrow$ FP	0.269	0.106	2.526**	Supported	2.328	0.041		
SO $\rightarrow$ FP	-0.417	0.081	5.156**	Not Supported	2.132	0.108		
CO $\rightarrow$ CSR	0.478	0.069	6.895**	Supported	2.602	0.352	0.750	0.445
COM $\rightarrow$ CSR	0.164	0.078	2.091**	Supported	2.939	0.036		
EO $\rightarrow$ CSR	0.077	0.053	1.457	Not supported	2.300	0.010		
SO $\rightarrow$ CSR	0.265	0.055	4.839**	Supported	1.850	0.152		
CSR $\rightarrow$ FP	0.326	0.130	2.615**	Supported	4.023	0.035	0.243	0.188

To measure the effect size ( $f^2$ ), Cohen's rule was used whereby the exogenous latent variable could have small ( $f^2=0.02$ ), medium ( $f^2=0.15$ ), and large effect ( $f^2=0.35$ ). Moreover,  $f^2$  value of less than 0.02 indicate that there is no effect (Hair et al., 2017). It can be observed that customer orientation ( $f^2=0.007$ ) and competitor orientation ( $f^2=0.000$ ) indicated no effect size, while employee orientation ( $f^2=0.041$ ) and supplier orientation ( $f^2=0.108$ ) recorded small effect sizes in producing the  $R^2$  for TSME performance. As for effect sizes in producing  $R^2$  for CSR, customer orientation ( $f^2=0.352$ ) had a substantial effect, supplier orientation ( $f^2=0.152$ ) established a medium effect, competitor orientation ( $f^2=0.036$ ) recorded a small effect and there was no effect of employee orientation ( $f^2=0.010$ ). The result further indicated that CSR ( $f^2=0.035$ ) had a small effect size in producing the  $R^2$  for TSME

performance. As Hair et al. (2014) suggested,  $Q^2$  could be used in examining the predictive relevance of inner model. The two  $Q^2$  values for CSR ( $Q^2=0.445$ ) and TSME performance ( $Q^2=0.188$ ) were more than 0, indicating that the model had sufficient predictive relevance.

Table 6. *Mediation Analysis*

Path	$\beta$	SE	t-value	Decision
CO -> CSR -> FP	0.159	0.065	2.444**	Supported
COM -> CSR -> FP	0.052	0.035	1.485	Not Supported
EO -> CSR -> FP	0.027	0.022	1.222	Not supported
SO -> CSR -> FP	0.088	0.037	2.359**	Supported

In terms of mediation analysis, this study ran a bias-corrected and accelerated (BCa) bootstrap test to calculate the t-test statistic using no sign changes, 500 bootstrap samples with two-tailed testing, and significance of 0.05. The results are summarized in Table 6. It indicated that two hypotheses (H10 and H13) were supported. Therefore, CSR was found to significantly mediate the relationship between customer orientation and SME performance ( $\beta=0.159$ ;  $t=2.444$ ) and, between supplier orientation and SME performance ( $\beta=0.088$ ;  $t=2.359$ ).

## Discussions

This study provided empirical support for relationships between stakeholders' orientation, CSR and performance of TSMEs. The results of the analyses of this study showed that seven (H3, H5, H6, H8, H9, H10 and H13) out of thirteen hypotheses were supported.

In terms of hypotheses testing on direct relationships, five hypotheses (H3, H5, H6, H8, H9) were supported. The results supported prior research such as He et al. (2011), Luk et al. (2005), Lombardi et al. (2020), and Lintukangas et al. (2019). The findings highlighted the importance of stakeholders' role, especially employees in determining performance of TSMEs. It further suggested that it is important for TSMEs to build long-term relationships with employees to strengthen and increase their performance. It is also noted that owner-managers of TSMEs need to make known to their customers regarding the concept of CSR, such as service provisions, products, brands, disposables, environmentally friendly products and services etc. The concept of CSR should also enable TSMEs and their competitors to emphasize stimulating innovation, encouraging efficiency and offering low prices which are fair for the benefits of customers. However, business parties and competitors must do so in a mutual and fair manner taking into consideration the welfare of customers.

Besides, this will give consumers greater selection options and better products.

In terms of mediation analysis, CSR significantly mediated the relationship between customer orientation on performance of TSMEs (H10). This result could be possibly caused by CSR which brought about customer satisfaction and further brought improvements in the credibility of the firm (Maignan et al. 2005). Consumer attitudes, behaviors, and purchasing patterns have changed after the COVID19 pandemic. Thus, TSMEs can improve customers' consumption experience by demonstrating CSR practices, ensuring customers are not harmed in any way and legal standards are met. This research also found that the relationship between supplier orientation and performance of TSMEs was significantly mediated by CSR (H13). This result was in line with Madueño, (2016). In order to produce outstanding products in the long run, organizations must implement CSR initiatives that aim to create connections with suppliers. Responsible enterprises that apply the concept of CSR must also achieve a fair agreement and a suitable price structure with their suppliers in order to fulfil consumer needs and actively contribute to performance of firms.

The non-significant results obtained may be attributed to the unique challenges and characteristics of TSMEs, such as limited resources, a short-term focus, and minimal market influence. Therefore, TSMEs might need to effectively integrate CSR into their core strategies and adopt a balanced approach to daily operations.

## CONCLUSION

This study aimed at identifying the relationships between stakeholders' orientation, CSR and performance of TSMEs in Malaysia's tourism sector. In particular, four components in the stakeholder orientation were used to examine the relationship, namely customer orientation, competitor orientation, employee orientation, and supplier orientation. It concluded that employee orientation and supplier orientation significantly influenced performance of TSMEs. Furthermore, customer orientation, competitor orientation and supplier orientation demonstrated a significant relationship with CSR. Meanwhile, CSR was found to significantly influence performance of TSMEs. This study further concluded that CSR significantly mediated the relationships between customer orientation, supplier orientation and performance of TSMEs. In a nutshell, elements in stakeholder orientation and CSR should not be neglected in determining performance of TSMEs.

This research advances understanding by highlighting how TSMEs engage with their ecosystem through interdependence of stakeholder orientation, CSR and performance. It further reinforced the mediating role of CSR as a performance driver of TSMEs, which served as a valuable strategic asset that transform stakeholder-focus strategies into performance benefits. As such, these new insights have undoubtedly built a strong foundation for TSMEs and policymakers in designing competitive strategies that integrate CSR initiatives into TSMEs operations. This study had both theoretical and practical implications. Theoretically, it offered new insights into stakeholder theory by specifically focusing on stakeholders' orientation, CSR and performance of TSMEs in the context of Malaysia. It provided theoretical support to the dual opinions held about stakeholder theory and CSR theory. Practically, it highlighted the importance of expanding the views to owner-managers of TSMEs in incorporating more activities of CSR towards stakeholders in order to sustain their business. Incorporating CSR into SMEs is crucial in enhancing sustainability and long-term success. CSR can contribute to community well-being, address pressing local issues, engage employees and community, support ethical practices and many more. The results also indicated that stakeholder orientation and CSR can be used by TSMEs managers as a strategic tool for enhancing the performance of TSMEs

Although this study has produced valuable insights about stakeholder orientation, there were limitations that must be recognized. For example, the sample size was rather limited, consisting solely of owner-managers of TSMEs in the tourist industry. Hence, data collection was limited to specific groups and not amongst a larger sample size which may result in more variability in the findings. As such, future researchers are recommended to undertake comparable studies on businesses from multiple angles and wider regions for additional investigation because different samples and a larger sample size will provide more variety in the results. Future research are also urged to put in greater effort to explore the relationship between stakeholder orientation and performance.

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## APPENDIX

### Items Used in The Research Instrument

*Customer Orientation (Adapted from Luk et al., 2005)*

1. My business objectives and strategies are driven by the creation of customer satisfaction.
2. My business competitive strategies are based on understanding customer needs.
3. My business strategies are driven by increasing value for customers.
4. My business assesses customer satisfaction systematically and frequently.
5. My business gives close attention to after-sales service.
6. Customers are targeted when my business has an opportunity for competitive advantage.

*Competitor orientation (Adapted from Maignan et al., 1999)*

1. My business rapidly responds to competitive actions that threaten us.
2. My business salespeople regularly share information within ourselves regarding our competitors' actions.
3. My business top management regularly discusses competitors' strengths and strategies.
4. My business targets customers where we have an opportunity for competitive advantage.
5. My business can usually anticipate how our competitors will respond to our competitive moves
6. My business systematically analyzes the products offered by our competitors

*Employee Orientation (Adapted from Luk et al., 2005)*

1. My business has regular staff appraisals in which we discuss employee needs.
2. My business has regular staff meetings with employees.
3. My business tries to find out the true feelings of my staff about their jobs.
4. My business survey staff at least once each year to assess their attitudes to their work.

*Supplier orientation (Adapted from Lintukangas et al., 2019).*

1. My business measures supplier collaboration regularly.
2. My business has clear and concrete objectives for supplier relationships.
3. My business identifies and categorizes supplier relationships.
4. My business includes joint strategic planning in supplier relationships.
5. My business actively sought new areas of collaboration with suppliers.

*Corporate Social Responsibility (Adapted from Alvarado-Herrera et al., 2017)*

1. My business sponsors educational program.
2. My business sponsors public health program.
3. My business is highly committed to well-defined ethical principles.
4. My business sponsors cultural program.
5. My business makes financial donations to social causes.
6. My business helps to improve quality of life in the local community.
7. My business sponsors pro-environmental program.
8. My business carries out program to reduce pollution.
9. My business protects the environment.
10. My business recycles its waste materials properly.
11. My business uses only the necessary natural resources.
12. My business builds solid relations with its customers to assure its long-term economic success.
13. My business continuously improves the quality of the services that they offer.
14. My business has a competitive pricing policy.
15. My business does its best to be more productive.

*Firm Performance (Adapted from Charles et al., 2012)*

1. Percentage of sales generated by new products last year relative to major competitors was higher.
2. My business sales growth relative to major competitors last year was higher.
3. My business overall performance relative to major competitors last year was higher.
4. My business return on sales (ROS) relative to major competitors last year was higher.
5. My business return on assets (ROA) relative to major competitors last year was higher.
6. My business return on investment (ROI) relative to major competitors last year was higher.