LEVERAGING CSR, TRANSPARENCY, AND INNOVATION STRATEGIES FOR SUPERIOR FINANCIAL PERFORMANCE IN PALESTINE'S LISTED COMPANIES

Mohammed Ahmad Ali Abusafia *, Avylin Roziana Mohd Ariffin **, Muhammad Iqmal Hisham Kamaruddin **

* *Corresponding author,* Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, Nilai, Malaysia
Contact details: Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan, Malaysia
** Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, Nilai, Malaysia

How to cite this paper:
Abusafia, M. A. A., Ariffin, A. R. M., & Kamaruddin, M. I. H. (2025). Leveraging CSR, transparency, and innovation strategies for superior financial performance in Palestine's listed companies. *Corporate Governance and Sustainability Review, 9*(4), 19–32.
https://doi.org/10.22495/cgsrv9i4p2

ISSN Online: 2519-898X
ISSN Print: 2519-8971

Received: 30.01.2025
Revised: 21.05.2025; 24.10.2025
Accepted: 05.11.2025

JEL Classification: M1, M2
DOI: 10.22495/cgsrv9i4p2

Abstract

Ensuring the sustainable financial performance of publicly traded companies in conflict zones, such as Palestine, is crucial, especially in the aftermath of the financial crisis caused by COVID-19 and related sanctions (Antorine et al., 2025). This study examines the impact of corporate social responsibility (CSR) activities on the financial performance of these companies, with a focus on the roles of frugal innovation, innovation ambidexterity, and organizational transparency. This study used a cross-sectional design to collect primary data from 179 participants, including chief executive officers (CEOs), chief financial officers (CFOs), and finance managers of publicly traded companies in Palestine. Data analysis was conducted using partial least squares structural equation modeling (PLS-SEM) and SmartPLS software. The present study revealed that CSR activities and organizational transparency have a positive relationship with sustainable financial performance. Innovation ambidexterity mediates, but frugal innovation does not mediate, between CSR activities and the sustainable financial performance of listed companies in Palestine. Organizational transparency positively moderates between CSR activities and innovation outcomes (innovation ambidexterity and frugal innovation). This study broadens the boundary of knowledge by examining the effect of CSR activities, frugal innovation, innovation ambidexterity, organizational transparency, and their interplay on the sustainable financial performance of listed companies in Palestine through legitimacy theory.

Keywords: CSR Activities, Frugal Innovation, Innovation Ambidexterity, Organizational Transparency, Sustainable Financial Performance, Conflicted Zones

Authors' individual contribution: Conceptualization — M.A.A.A., A.R.M.A., and M.I.H.K.; Methodology — M.A.A.A., A.R.M.A., and M.I.H.K.; Validation — M.A.A.A., A.R.M.A., and M.I.H.K.; Formal Analysis — M.A.A.A.; Investigation — M.A.A.A., A.R.M.A., and M.I.H.K.; Resources — A.R.M.A. and M.I.H.K.; Data Curation — M.A.A.A.; Writing — Original Draft — M.A.A.A.; Writing — Review & Editing — M.A.A.A., A.R.M.A., M.I.H.K.; Visualization — M.A.A.A.; Supervision — A.R.M.A. and M.I.H.K.; Project Administration — A.R.M.A. and M.I.H.K.; Funding Acquisition — M.A.A.A.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

The pandemic has exposed various companies' financial vulnerabilities. Listed companies in developing and conflict regions like Palestine face unprecedented financial challenges compared to those in developed and stable countries (Goyal & Soni, 2024). Listed companies in these regions struggle to stay afloat by reducing their costs by cutting expenses on corporate social responsibility (CSR) initiatives to maintain their profitability (Pelikánová et al., 2021). However, listed companies have to face pressure from their stakeholders to maintain their financial health during these uncertain times, which raises the need to restructure their operations and streamline their business processes (Bridge Zoller, 2023). Lowering spending on CSR activities during financial difficulties negatively impacts investors and stakeholders and endangers the survival of companies. A study on financial markets indicates that companies with strong financial sustainability practices have earned 8.1% higher returns in the past decade compared to 4.7% for those with weak financial sustainability practices (Biggeri et al., 2023). Companies prioritizing financial sustainability face lower capital costs and operational risk, which tend to exhibit stronger long-term financial performance and greater resilience in the face of economic turbulence (Atichasari et al., 2023). A financial consultancy company discovered that companies in the top quartile of sustainability performance have a 21% lower cost of debt and 49% lower volatility in stock returns compared to companies in the bottom quartile (Voinea et al., 2020).

Agbata et al. (2022) revealed that listed companies can maintain their financial stability by navigating economic uncertainties and social and environmental spending. Luger et al. (2022) also supported that 67% of consumers worldwide prioritize purchasing from companies with strong environmental and social commitments. Over 60% of the world's 500 largest companies must disclose their environmental and social well-being spending (Alfalih, 2023). Another study conducted by Huang (2022) revealed that 88% of institutional investors consider environmental and social governance factors when making investment decisions. Kumar et al. (2025) found that the high inflow of investments increases sustainable performance. However, Deek (2025) indicated a need for more research perspectives on developing and volatile economies like Palestine. The literature does not provide a clear answer on how CSR spending can win the trust of investors and stakeholders to invest in listed companies and achieve sustainable financial performance in turbulent regions. This leads to the first research question.

RQ1: Do CSR activities increase the sustainable financial performance of listed companies in Palestine?

Frugal innovation reduces resource usage, waste, and cost while delivering sustainable, affordable products or services (Li et al., 2025). It can potentially lower companies' operational costs and improve their access to capital, which may result in sustainable development. Frugal innovation can lower capital costs and operational risks for companies, ultimately leading to increased profitability and competitiveness in the market. Yáñez-Valdés and Guerrero (2024) revealed that companies involved in cost-effective, innovative activities for their customers' well-being have the potential to drive financial success and create positive social and environmental impact. However, there is a need for further exploration and understanding of how frugal innovation can be effectively implemented and scaled in different industries and contexts. In addition, the concept of frugal innovation is relatively new in the context of listed companies operating in developing and turbulent countries like Palestine (Alrahamneh, 2025). In addition, we need to find out how frugal innovation can help the listed companies win the investors' and stakeholders' trust in performing CSR and attract investment to gain sustainable financial performance. So, this leads to the second research question.

RQ2: Does frugal innovation mediate between CSR activities and sustainable financial performance in listed companies in Palestine?

Innovation ambidexterity refers to a company's ability to balance exploration and exploitation to achieve a sustainable competitive advantage (Clauss et al., 2021). Literature indicates that companies that are able to effectively manage both exploratory and exploitative innovation activities (innovation ambidexterity) can allocate their resources efficiently and adapt to changing market conditions, resulting in improved financial performance. Ceptureanu et al. (2022) revealed that companies with a culture of continuous improvement and effective risk management are more likely to excel in innovation ambidexterity and achieve high financial performance. Companies practicing innovation ambidexterity can facilitate the integration of CSR initiatives with financial strategies (Khan et al., 2021). However, many companies struggle to balance exploration and exploitation due to conflicting priorities, limited resources, and resistance to change due to unstable and unpredictable circumstances (Annamalah et al., 2025). In addition, the literature is also unable to answer how innovation ambidexterity can support the CSR activities of listed companies and achieve sustainable financial performance. So, this leads to the third research question.

RQ3: How does innovation ambidexterity mediate the relationship between CSR activities and sustainable financial performance in listed companies?

Organizational transparency is open and honest information sharing with stakeholders to establish an environment of trust, accountability, and credibility (Schnackenberg et al., 2021). Literature indicates that weak governance mechanisms and fragile regulations in developing countries lead to less organizational transparency in companies. Companies inclined toward low organizational transparency increase scepticism and distrust of stakeholders. Thus, such companies may not be able to attract investment and make proactive decisions in innovative activities to fulfil the future needs of their customers. In addition, organizational transparency contributes to effective communication and engagement with stakeholders and facilitates the integration of CSR initiatives with innovative activities (Aggerholm & Thomsen, 2024). In the context of developing countries such as Palestine, where organizational transparency may be relatively low, understanding and promoting the importance of transparency in facilitating the integration of CSR and innovation outcomes (frugal innovation and innovation ambidexterity) is crucial for the sustainable financial performance of listed companies (Tarda et al., 2023). However, the literature is unable to answer how organizational transparency strengthens or weakens the effect of CSR initiatives of listed companies on their innovative activities (frugal innovation and innovation ambidexterity). So, it leads to the fourth research question.

RQ4: Does organizational transparency moderate the relationship between CSR activities and innovation outcomes (frugal innovation and innovation ambidexterity) in listed companies in Palestine?

In this study, data were collected from 179 participants by using a purposive sampling technique in listed companies in Palestine through a survey questionnaire (Ahsyam et al., 2024). This study contributes to the existing literature based on the specified research questions. This study has theoretical and practical contributions for the listed companies situated in underdeveloped and unstable regions like Palestine. This study distinguishes itself by examining the underlying mechanism of frugal innovation and innovation ambidexterity between CSR activities and the sustainable financial performance of listed companies in Palestine. In addition, it highlights the boundary condition of organizational transparency between CSR activities and innovation outcomes in listed companies by using the legitimacy theory.

This research article consisted of six sections. Section 1 is the introduction, which discusses the background of the study and the problem linked to the research question. Section 2 presents the theoretical framework and hypothesis development. Section 3 provides the methodology. Section 4 shows the results. Section 5 discusses the results supporting the theory and previous studies. Section 6 concludes the paper, consisting of theoretical and practical implications and research limitations.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1. Theoretical framework

Legitimacy theory forms the foundation of this study. It suggests that companies survive by building positive relationships with society and stakeholders. Through CSR activities, companies demonstrate their commitment to social and environmental welfare. Their participation in these activities legitimizes their operations and helps achieve sustainable financial performance. Listed companies that bring innovative approaches like frugal innovation and innovation ambidexterity into their CSR strategies can work more efficiently and cut costs. Mahmood et al. (2024) found that companies addressing societal needs in resource-efficient ways create financial value. This enhances their legitimacy and leads to sustainable financial results. Legitimacy theory also shows that organizational transparency increases stakeholder trust and engagement. This transparency improves how effectively innovation efforts are received and implemented. When companies share information about their innovative strategies and social initiatives, they enable better decision-making and collaboration. This openness strengthens the legitimacy of CSR efforts and helps integrate innovation into organizational strategies. Ultimately, this drives long-term value creation and positive societal impact.

2.2. Hypothesis development

2.2.1. Sustainable financial performance

Sustainable financial performance is defined as the ability of a company to generate profits and achieve long-term financial viability. Previous studies have examined various factors that may influence the financial performance of companies. For instance, companies involved in the sustainability of the environment, like waste reduction and the production of green energy, can save their financial resources (Chen & Ma, 2021). Meanwhile, Bahta et al. (2021) investigated the role of innovation capabilities in the financial performance of companies in developed countries. However, scholars are less inclined to investigate the sustainable financial performance of listed companies in countries like Palestine, where political instability, economic volatility, and limited resource access pose unique challenges.

2.2.2. Corporate social responsibility

CSR represents a company's ethical commitment to social responsibility. It involves considering impacts on both society and the environment (Tamvada, 2020). Ningsih et al. (2022) studied how CSR influences competitiveness and market value. They also examined its impact on financial metrics, including return on assets (ROA), return on equity (ROE), and stock prices. The CSR-financial performance relationship varies across different industries. Geographic location also plays a role in how these factors interact.

The literature lacks consensus on how CSR practices affect sustainable financial performance in developing countries like Palestine. These regions face resource limitations and unique challenges. Ali et al. (2019) discovered that environmentally sustainable practices can reduce costs. Examples include cutting waste and using energy efficiently. Companies with independent directors and higher shareholder ownership tend to show better financial outcomes. Legitimacy theory provides support for this relationship. Companies listed on stock exchanges that engage in CSR activities often gain stronger legitimacy among stakeholders. Their enhanced reputation attracts investment capital. It also builds customer loyalty and generates financial benefits. We need to examine how listed Palestinian companies can achieve sustainable financial performance through CSR despite regional turbulence. This brings us to the first hypothesis:

H1: CSR practices have a positive relationship with the sustainable financial performance of listed firms in Palestine.

2.2.3. Frugal innovation

The development of affordable and accessible products, services, or processes that meet the needs of customers who are facing a scarcity of resources (Mogaji et al., 2021). Developing countries with a shortage of resources need to be involved in frugal innovation activities. Scholarships have investigated the impact of frugal innovation on outcomes such as product quality, customer satisfaction, market share, and financial performance (Cuevas-Vargas, Parga-Montoya, & Fernández-Escobedo, 2022). Other researchers, López-Sánchez and Santos-Vijande

(2022), found that resource scarcity, technological capabilities, and market conditions drive frugal innovation. However, the literature still indicates a need to understand the potential underlying mechanism of frugal innovation between CSR practices and the sustainable financial performance of listed companies.

Knizkov and Arlinghaus (2021) found that frugal innovation reduces the company's operational cost and increases efficiency, resulting in a high return on investment. Companies that engage in frugal innovation activities can maintain their performance (Cho et al., 2019). A positive relationship between CSR practices and financial performance has been found, but the mediating role of frugal innovation in this relationship has not been thoroughly examined. The legitimacy theory explains that listed companies, by adopting frugal innovation practices, demonstrate their commitment and attention to addressing social and environmental challenges in a resource-efficient manner. Thus, through such activities, they gain the stakeholders' trust and attain a competitive advantage by producing cost-effective products and services, which may increase revenue and sustainable financial performance. Therefore, based on previous studies and theory, we lead towards the second hypothesis:

H2: Frugal innovation mediates the relationship between CSR activities and the sustainable financial performance of listed companies.

2.2.4. Innovation ambidexterity

Innovation ambidexterity refers to the ability of companies to explore new opportunities and exploit existing capabilities simultaneously (Hwang et al., 2023). Prior research has shown that companies that can effectively balance exploration and exploitation are more likely to achieve sustainable competitive advantage and superior financial performance (Ahmad, 2025). Research shows that innovation ambidexterity matters most in fast-changing industries with fierce competition. Various studies have examined factors influencing innovation ambidexterity, including organizational culture and leadership styles (Ahmad & Oon, 2025). However, there is a research gap regarding the role of innovation ambidexterity in enhancing sustainable financial performance and its relationship with CSR practices in listed companies in Palestine.

Innovation ambidexterity boosts company performance. It helps firms adapt to market changes, outpace competitors, and build a culture of ongoing innovation. Research by Iram et al. (2025) revealed that socially responsible companies tend to be more innovative and agile. This aligns perfectly with innovation ambidexterity principles. Based on these studies, we hypothesized that firms with stronger innovation ambidexterity would show a more positive relationship between their CSR efforts and financial results:

H3: Innovation ambidexterity mediates the relationship between CSR activities and the sustainable financial performance of listed companies.

2.2.5. Organizational transparency

Organizational transparency refers to the extent to which an organization openly shares information about its operations, decision-making processes, and performance with stakeholders (Emueje & Tochi, 2020). Few studies have investigated the effect of organizational transparency on leadership behavior, corporate governance mechanisms, and stakeholder pressures (Lasdi & Oematan, 2021). Literature indicates that the effect of organizational transparency is inconsistent with outcome variables across different industries and cultural contexts (Schnackenberg et al., 2021). Furthermore, the literature suggests thoroughly exploring how organizational transparency influences a company's innovative capabilities, such as frugal innovation and innovation ambidexterity, and its effect on a company's performance. So, to fill this gap in the literature, this study used organizational transparency as a moderator.

Organizational transparency enhances the innovative capabilities of companies by promoting knowledge sharing, collaboration, and learning among employees. Moreover, organizational transparency facilitates stakeholder trust and engagement, which are key innovation drivers. Velasco Vizcaíno et al. (2021) also showed that organizational transparency positively impacts the perception of frugality, leading to higher levels of frugal innovation in companies. In addition, companies that are transparent in their cost-effective innovation to serve the need for societal and environmental sustainability are more likely to attract socially responsible investors and achieve sustainable financial performance (Rauf et al., 2024).

The legitimacy theory reveals that organizational transparency boosts the legitimacy of a company's CSR efforts. This increase in legitimacy subsequently motivates companies to adopt innovative practices, such as frugal innovation and innovation ambidexterity, which correspond with societal expectations and stakeholder requirements. The literature is silent about how organizational transparency influences the relationship between CSR activities, a firm's sustainable financial performance, and innovative outcomes (frugal innovation and innovation ambidexterity). So, the deduced hypotheses are:

H4: Organizational transparency has a significant relationship with sustainable financial performance.

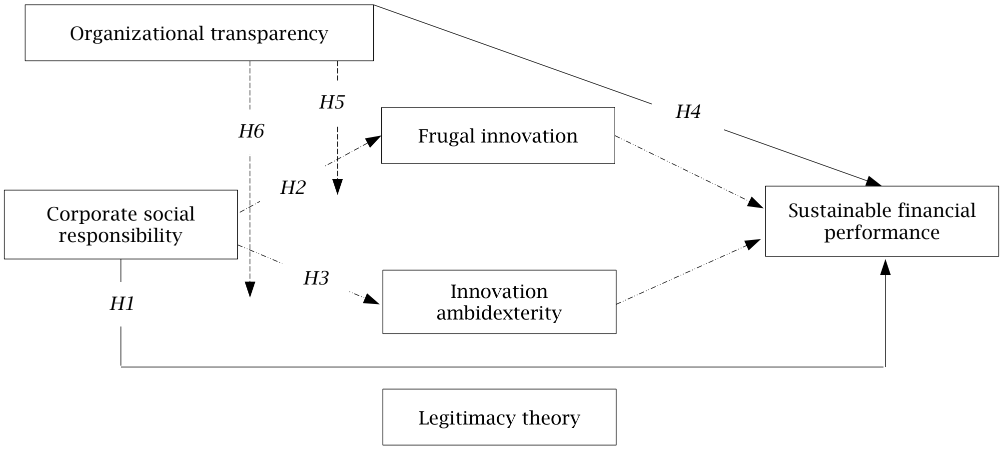
H5: Organizational transparency moderates the relationship between CSR activities and frugal innovation.

H6: Organizational transparency moderates the relationship between CSR activities and innovation ambidexterity.

2.3. Conceptual framework

The conceptual framework of this study comprises an independent variable, namely *corporate social responsibility*, and a dependent variable, specifically *sustainable financial performance*. Additionally, *frugal innovation* and *innovation ambidexterity* serve as mediating variables, while *organizational transparency* functions as a moderating variable.

Figure 1. Conceptual framework



3. RESEARCH METHODOLOGY

This study employed a cross-sectional research design and a purposive sampling technique to collect primary data from the chief executive officers (CEOs), chief financial officers (CFOs), and finance departments of listed companies in Palestine. While longitudinal design or random sampling could have provided temporal insights or improved generalizability, respectively, the cross-sectional approach was selected for its efficiency in capturing the current state of financial practices, and purposive sampling ensured data collection from individuals with specialized knowledge critical to the research objectives. The data was collected face-to-face to maximize response quality and allow clarification of complex questions, though online surveys could have expanded geographical reach at the cost of depth. 236 questionnaires were distributed, and 198 were received. After going through the scrutiny phase, 19 questionnaires were discarded, and 179 were finalized for data analysis.

The cross-sectional design is justified because it allows examination of financial practices at a specific point in time, which aligns with the study's goal of understanding current practices rather than changes over time. Purposive sampling is appropriate because it targets individuals with specialized financial knowledge essential for providing meaningful insights on the research questions. Face-to-face data collection, while resource-intensive compared to alternatives like online surveys, significantly enhances data quality through higher engagement and the ability to clarify questions immediately. The details of data collection are provided in Table 1.

Table 1. Distribution of questionnaire details

Respondent category	*Number of respondents*	*Questionnaires distributed*	*Questionnaires received*	*Valid questionnaires*
CEOs	48	48	39	36
CFOs	62	62	54	51
Finance department staff	142	126	105	92
Total	**252**	**236**	**198**	**179**

Source: Authors' calculation.

3.1. Measures

This study adopted validated scales published in well-reputed journals. It used a five-point Likert scale to measure the responses of CEOs, CFOs, and finance managers of listed companies in Palestine. A Likert scale contributes to evaluating the perceptions and attitudes of the respondents. The Likert scale ranged from 1 to 5, with 1 indicating "strongly disagree" and 5 indicating "strongly agree". The *corporate social responsibility* scale (Harrison et al., 2020), which consisted of nine items, was adopted. The *frugal innovation* scale was a 7-item unidimensional scale and was adopted from Rossetto et al. (2023). The *sustainable financial performance* scale consisted of four items and was adopted from Carson and Westerman (2023). The *organizational transparency* scale consisted of 10 items and was adopted from Hossiep et al. (2024). Moreover, the *innovation ambidexterity* scale consisted of eight items and was adopted from Le et al. (2023). The details of items of each scale and assigned code are attached in Table A.1, Appendix.

3.2. Common method bias

CSR activities, frugal innovation, and innovation ambidexterity are exogenous constructs, while sustainable financial performance is endogenous. In addition, organizational transparency is used as a moderator. The responses were collected at one point in time, and respondents were used as a single source, so there was a chance of common method biases. Two statistical tests were applied to overcome the common method biases (Nguyen et al., 2025). First, Harman's single-factor test was conducted to check if a single common factor explains the majority of the variance in the responses. The test revealed 36.5% of the total variance, which is less than the 50% limit, indicating the absence of significant common method biases. Second, the multicollinearity (variance inflation factor, VIF) values are lower than 3.357. These tests justify that there are no common method bias issues in this study.

3.3. Model estimation

Structural equation modeling (SEM) was used to analyze the collected data and test the proposed theoretical model. Two statistical methods were proposed for estimating the SEM: partial least squares (PLS) and covariance-based (CB) SEM. This study employed PLS-SEM (SmartPLS version 4.11) because, first, it is suitable for exploratory research and small sample sizes; second, it is suitable to deal with non-normal data; third, it allows for the estimation of complex models with constructs measured using reflective and formative indicators; fourth, unlike CB-SEM, PLS-SEM is unrestricted by the condition of "factor indeterminacy".

4. RESULTS

4.1. Measurement model

The measurement (outer) and structural (inner) models were assessed using SmartPLS. The relationship between the observed indicators and latent variables was evaluated through the measurement model, while the relationships between latent variables were examined in the structural model. The PLS algorithm was used to calculate the composite reliability (CR) and average variance extracted (AVE) for each construct to evaluate the outer model's reliability, while Heterotrait-monotrait (HTMT) criteria assessed discriminant validity. The validity and reliability of the constructs were assessed using the outer model.

The inter-item reliability for each construct was calculated using factor loading values with a threshold above 0.4 (Ahmad et al., 2024). The factor loading values above the 0.4 threshold varied from 0.439 to 0.854, indicating that the items were strongly associated with their respective constructs (Table 2). The convergent validity was assessed using the average variance extracted values, with a threshold value above 0.50 indicating satisfactory convergent validity. Furthermore, the CR tests the internal consistency of the scale. The CR values of all constructs are above 0.7, which indicates strong internal consistency (Hair et al., 2021).

Table 2. Reliability and validity

Constructs	*Items*	*Factor loading*	*AVE*	*CR*	*α*	*Collinearity*
Corporate social responsibility	CSR1	0.799	0.583	0.894	0.865	2.906
	CSR2	0.825				2.800
	CSR3	0.439				1.596
	CSR4	0.709				1.936
	CSR5	0.561				1.908
	CSR6	0.808				3.357
	CSR7	0.781				2.203
	CSR8	0.586				1.446
	CSR9	0.641				1.886
Frugal innovation	FI1	0.628	0.572	0.836	0.810	1.501
	FI2	0.770				2.857
	FI3	0.854				2.620
	FI4	0.654				1.561
	FI5	0.731				1.814
	FI6	0.560				1.344
	FI7	0.557				1.503
Innovation ambidexterity	IA1	0.761	0.532	0.782	0.776	1.756
	IA2	0.619				1.536
	IA3	0.478				1.296
	IA4	0.661				1.452
	IA5	0.710				1.799
	IA6	0.626				1.528
	IA7	0.709				1.636
Organizational transparency	OT1	0.741	0.562	0.872	0.856	2.715
	OT2	0.599				1.819
	OT3	0.618				1.773
	OT4	0.625				1.930
	OT5	0.544				1.424
	OT6	0.774				1.845
	OT7	0.796				2.151
	OT8	0.562				2.529
	OT9	0.795				2.428
Sustainable financial performance	SFP1	0.786	0.597	0.800	0.779	2.428
	SFP2	0.661				1.815
	SFP3	0.824				2.200
	SFP4	0.809				1.716

4.2. Structural model

A bootstrapping procedure with 5,000 subsamples was implemented using SmartPLS software. Once the inner model assessment and outer model requirements were completed, the hypotheses were tested, and the structural model was evaluated. A two-tailed test at the 0.05 significance level was implemented to determine the significance of path coefficients (beta values), t-values, and the coefficient of determination (R^2). Figure 2 presents the path diagram of the structural model. It illustrates the strength of relationships and the significance level between the latent variables.

Figure 2. Structural model

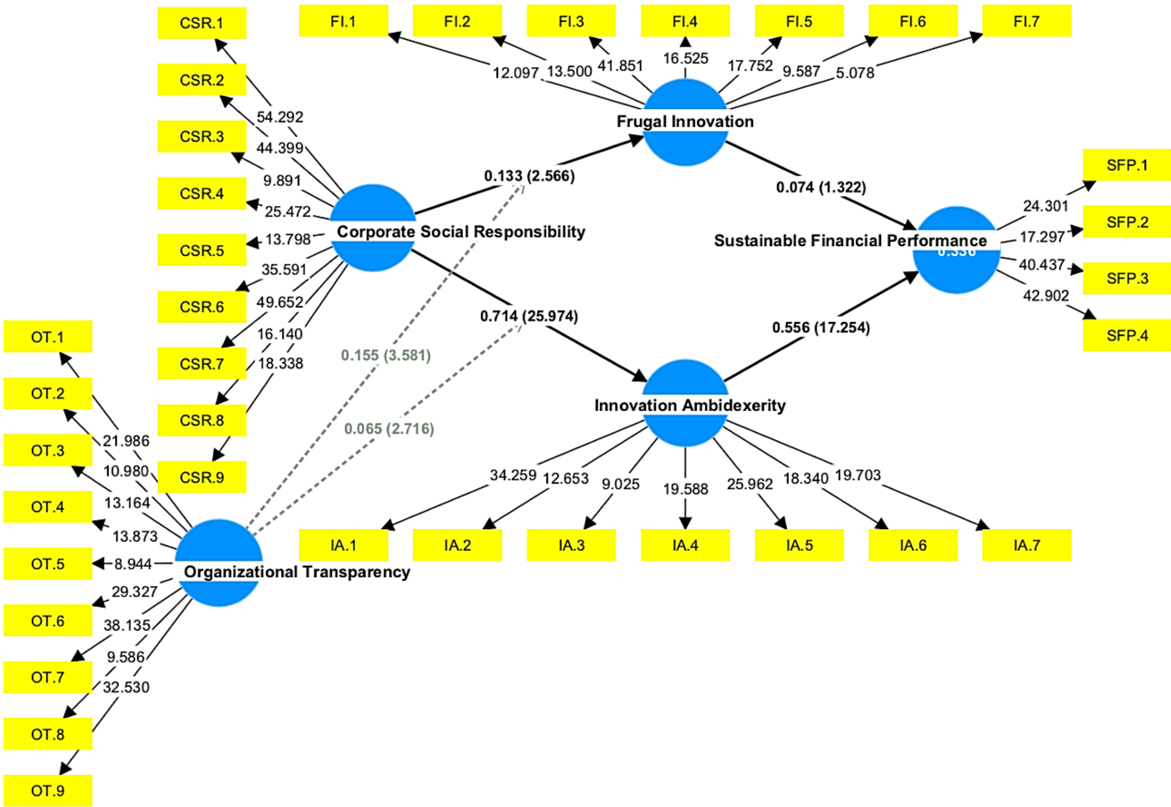


Table 3 shows the results of direct paths. The results of the direct path, CSR activities (*H1*: $\beta = 0.407$, p = 0.000, t = 14.69), and organizational transparency (*H4*: $\beta = 0.065$, p = 0.019, t = 2.363) both have significant positive effects on the sustainable financial performance of listed companies.

Table 3. Direct path analysis

Hypothesis	*Direct path*	*Co-efficient*	*T-value*	*P-value*	*Decision*
H1	*CSR → SFP*	0.407	14.699	0.000	Accepted
H4	*OT → SFP*	0.065	2.363	0.019	Accepted

Note: CSR = Corporate social responsibility; OT = Organizational transparency; SFP = Sustainable financial performance.
Source: Authors' calculation.

Table 4 presents the results of the mediating effect of frugal innovation and innovation ambidexterity on the relationship between CSR activities and sustainable financial performance. Frugal innovation (*H2*: $\beta = 0.010$, p = 0.284, t = 1.072) does not, but innovation ambidexterity (*H3*: $\beta = 0.397$, p = 0.000, t = 13.274) mediates the relationship.

Table 4. Mediating path analysis

Hypothesis	*Mediating path*	*Co-efficient*	*T-value*	*P-value*	*Decision*	*BCI-LL*	*BCI-UL*
H2	*CSR → FI → SFP*	0.010	1.072	0.284	Rejected	0.341	0.459
H3	*CSR → IA → SFP*	0.397	13.274	0.000	Accepted	-0.022	0.050

Note: CSR = Corporate social responsibility; SFP = Sustainable financial performance; FI = Frugal innovation; IA = Innovation ambidexterity.
Source: Authors' calculation.

In addition, Table 5 also displays the moderating effect of organizational transparency on the relationship between CSR activities and outcome variables (*frugal innovation* and *innovation ambidexterity*). Results indicate that the interaction term of CSR activities * organizational transparency is significant for (*H5*: $\beta = 0.155$, p = 0.000, t = 3.581) frugal innovation and (*H6*: $\beta = 0.065$, p = 0.007, t = 2.716) innovation ambidexterity. Thus, organizational transparency moderates the relationship between CSR activities and both frugal innovation and innovation ambidexterity.

Table 5. Moderating path analysis

Hypothesis	*Moderating path*	*Co-efficient*	*T-value*	*P-value*	*Decision*	*BCI-LL*	*BCI-UL*
H5	*CSR * OT → FI*	0.155	3.581	0.000	Accepted	0.071	0.240
H6	*CSR * OT → IA*	0.065	2.716	0.007	Accepted	0.023	0.117

Note: CSR = Corporate social responsibility; SFP = Sustainable financial performance; FI = Frugal innovation; IA = Innovation ambidexterity.
Source: Authors' calculation.

A simple slope analysis (Figure 3) was conducted to analyze the moderating effect. It revealed that the relationship between CSR and frugal innovation is stronger when organizational transparency is high than when it is low.

Figure 4 reveals that increased organizational transparency can stimulate CSR and improve the innovation ambidexterity of listed companies.

Figure 3. CSR*organizational transparency and frugal innovation

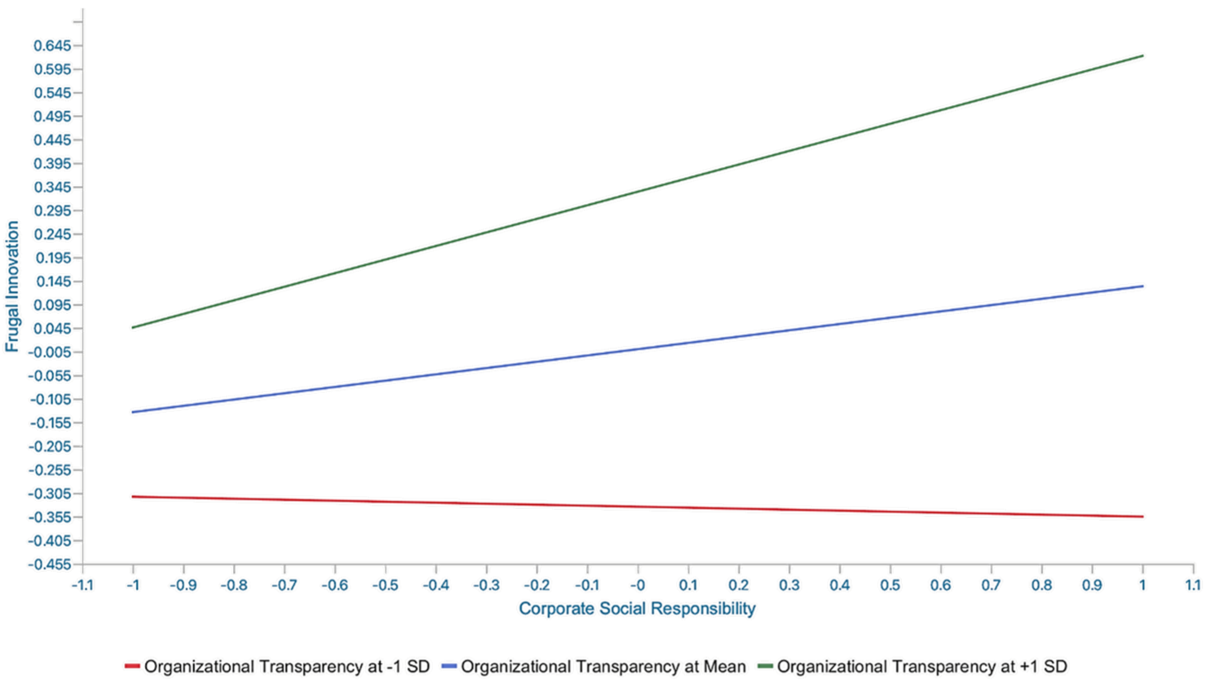
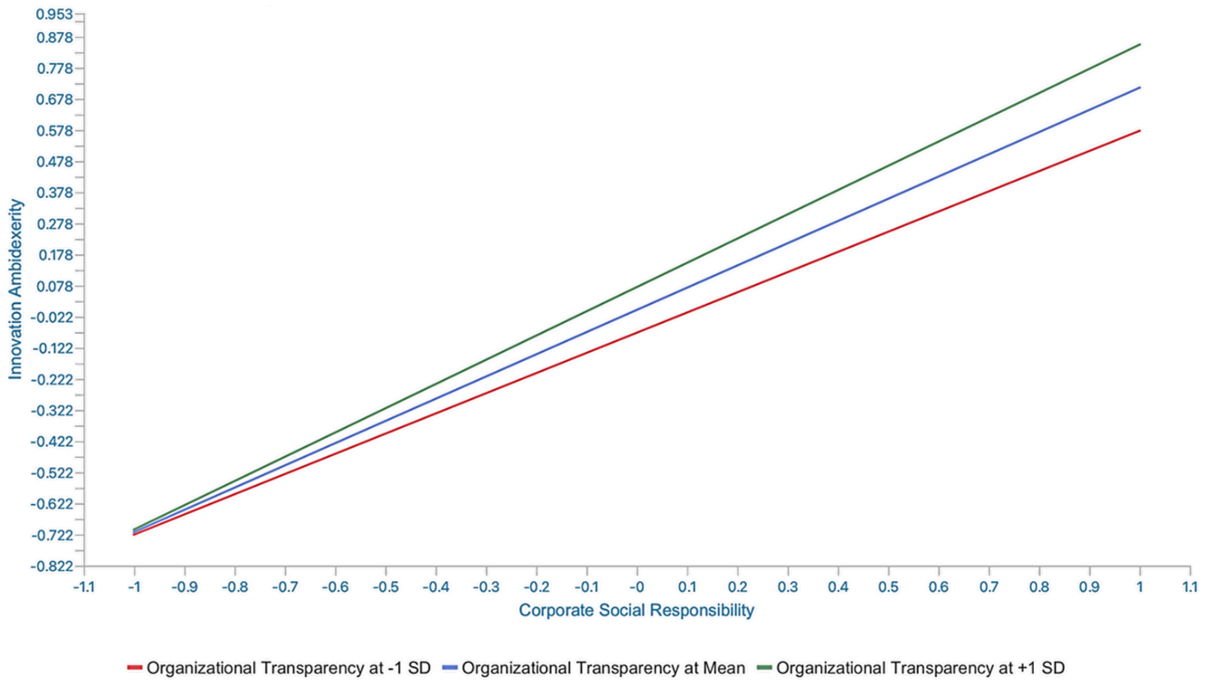


Figure 4. CSR*organizational transparency and innovation ambidexterity



5. DISCUSSION

This section presents the results of six hypotheses supported by legitimacy theory. The study's results indicate a positive and significant relationship between CSR initiatives and the sustainable financial performance of listed companies. Hence, *H1* is accepted. This result also aligns with (Song & Rimmel, 2021), who found that companies that engage in CSR activities are more likely to earn high profits. The concept of legitimacy theory provides an explanation that companies engage in CSR initiatives not only to meet the expectations of society and stakeholders but also to maintain their legitimacy, and thus, they attract more investors to increase their financial performance. In the context of Palestine, where economic, social, and political challenges abound, companies that demonstrate a commitment to CSR initiatives are likely to resonate more positively with stakeholders, including investors, customers, and regulators. By investing in activities that contribute to the well-being of local communities, environmental sustainability, and ethical business practices, Palestinian-listed companies not only fulfil their societal responsibilities but also bolster their reputation and credibility in a region where corporate legitimacy is paramount. This alignment with societal expectations and values, grounded in legitimacy theory, fosters trust and goodwill among stakeholders, thereby enhancing financial performance through increased investor confidence, customer loyalty, and operational efficiency.

The results of *H4* revealed that organizational transparency has a positive relationship with sustainable financial performance, which results in the acceptance of *H4*. The results of Alcaide González et al. (2020) found that transparency matters deeply. They revealed how the commitment of management to openness directly impacts financial results. With the support lens of legitimacy theory, we can observe that companies in conflict zones are working hard to build positive reputations. They need stakeholder support to thrive. Palestinian-listed companies face unique challenges in this regard. They navigate complex socio-political environments and economic difficulties daily. Being transparent about their activities shows integrity and ethical standards. When these companies share clear and timely information, they build trust. This includes honest reporting about finances, governance practices, and sustainability efforts. Such openness helps Palestinian companies strengthen their legitimacy. It reduces reputation risks and supports lasting financial success in challenging circumstances (Venuti, 2018).

The result of *H2* reveals that frugal innovation does not mediate between CSR initiatives and sustainable financial performance. *H2* is rejected. Cuevas-Vargas, Camarena, and Velázquez-Espinoza (2022) revealed that the effect of frugal innovation on the company's performance is affected by the nature of the industry, market conditions, and the company's innovative capabilities. In addition, Onileowo et al. (2021) also found that companies that tend to save costs in innovative activities are less likely to gain a competitive advantage and positive revenue inflows. The lens of legitimacy theory reveals that the CSR activities of listed companies do not guarantee the legitimacy and attainment of financial benefits by adopting frugal innovation. This discrepancy may reflect Palestinian-listed companies' unique challenges and constraints, including limited access to resources, geopolitical uncertainties, and institutional barriers, which may hinder the adoption and implementation of frugal innovation strategies. Consequently, while CSR initiatives may contribute to organizational legitimacy and stakeholder trust, the ability of frugal innovation to mediate this relationship and drive sustainable financial performance appears to be limited within the Palestinian business landscape.

The results of *H3* show that innovation ambidexterity mediates the relationship between CSR activities and sustainable financial performance. Thus, *H3* is accepted. Previous studies, Ciasullo et al. (2022), showed that companies involved in social responsibility tend to be more innovative and agile, which aligns with innovation ambidexterity. Legitimacy theory shows us how companies benefit when they embrace innovation. By encouraging their people to explore fresh ideas, firms can maximize their CSR efforts. Employees feel empowered to improve existing processes while discovering new approaches. This creative environment leads to products that resonate with socially aware customers. Companies also discover cost-effective operational improvements. Their resources get used more efficiently as a result. These combined benefits ultimately strengthen financial performance in sustainable ways.

The *H5* shows that organizational transparency moderates the relationship between CSR activities and frugal innovation. So, *H5* is accepted. Zhai et al. (2022) found that companies transparent in their cost-effective innovation to serve the need for societal and environmental sustainability are more likely to attract socially responsible investors and achieve sustainable financial performance. Organizational transparency serves as a powerful catalyst. It helps companies integrate CSR principles into their innovation strategies. This integration encourages the development of frugal innovation solutions. These solutions effectively address real societal needs. At the same time, they make the most efficient use of available resources. Transparent disclosure of CSR initiatives and their impact enables companies to engage stakeholders in innovation, garner support for frugal innovation initiatives, and build partnerships that drive innovation-driven value creation. Moreover, transparency enhances the credibility and legitimacy of frugal innovation efforts, reinforcing stakeholder perceptions of the company's commitment to responsible and sustainable innovation. Transparency and CSR work together in powerful ways. This partnership creates a positive cycle for companies. When social initiatives become more visible, innovation naturally grows stronger. This is especially true in markets with limited resources, like Palestine. Here, simple but clever solutions often make the biggest difference. Companies find that modest innovations can create remarkable impacts when aligned with community needs.

The results of *H6* show that organizational transparency moderates the relationship between CSR activities and innovation ambidexterity. So, *H6* is accepted. Previous studies, Gierlich-Joas et al. (2020), confirmed that transparent practices boost innovation and company performance. Looking through the lens of legitimacy theory, we see that listed companies benefit from transparent CSR communication. This transparency signals to employees, stakeholders, and communities that the company values ethical behavior. It shows a genuine commitment to social responsibility and environmental care. These actions boost the company's legitimacy in the eyes of stakeholders. When employees see authentic dedication to CSR and transparency, they respond with enthusiasm. Their motivation increases. They feel more empowered in their daily work. This positive environment encourages them to explore fresh ideas. They become willing to try different approaches. They take thoughtful risks with more confidence. This process strengthens innovation from all angles. It builds a culture where innovation thrives naturally. Such a culture satisfies both society's expectations and the organization's need for legitimacy. Furthermore, in Palestine, this relationship between transparency and CSR-driven innovation offers a powerful solution. It helps companies overcome the institutional gaps and limited resources that often hinder sustainability efforts. Palestinian listed companies face unique challenges in their operating environment. These findings reveal an important strategic lesson for them. Transparent CSR practices are not just about compliance. They serve as a springboard for innovation capabilities. This innovation, in turn, drives sustainable financial results. Companies that recognize this connection gain a competitive edge in challenging markets.

6. CONCLUSION

Our study offers several valuable theoretical insights. We explored how companies in conflict zones like Palestine can boost financial performance through thoughtful CSR, transparency, and innovation. Companies actively engaging in CSR build stronger community connections and enhance their legitimacy. This increased trust encourages stakeholders to invest with confidence, ultimately supporting sustainable financial results. We also found that transparent operations and open communication create accountability. This culture of openness helps Palestinian companies maintain financial stability despite challenging circumstances. Thirdly, companies embracing CSR activities naturally expand their horizons and develop cost-effective innovations. These forward-thinking practices boost sustainable financial performance, even in conflict zones like Palestine. When firms approach CSR creatively, they cultivate a culture that welcomes innovation. This approach sparks creativity and strengthens competitive advantage in challenging markets.

Fourthly, our findings reveal how transparency and innovation serve as buffers against political volatility and economic instability. Companies that communicate openly and adapt quickly show remarkable resilience. These qualities help Palestinian-listed firms maintain financial sustainability despite regional challenges. Their success demonstrates how ethical business practices create pathways to prosperity in even the most difficult circumstances.

Finally, this research contributes to the evolving discourse on corporate sustainability by establishing an integrative framework where CSR, transparency, and innovation function as symbiotic pillars rather than isolated initiatives. By illuminating these interconnections within conflict-affected economies, this study provides a transformative blueprint for companies navigating similar challenging environments worldwide.

This study offers valuable insights for both professionals and policymakers working in conflict zones like Palestine. Our findings can help them make smarter decisions about resource allocation while pursuing sustainable financial results. We recommend that industry experts guide companies to reassess their CSR approaches with community needs in mind. Companies should embrace transparency in all communications, both internal and external. Sharing CSR initiatives with stakeholders creates meaningful connections and builds trust. When organizations enhance their transparency practices, they gain legitimacy in the marketplace. This improved standing leads to greater stakeholder trust and ultimately strengthens financial performance in ways that align with community expectations.

In addition, policymakers should develop policies that force the listed companies to adopt CSR activities and be transparent regarding sustainable development and social welfare in conflict zones. This study did not indicate any role of frugal innovation in the activities of listed companies. It might be due to limitations in resource availability. Tröster and Küblböck (2020) endorsed that developing countries face shortages of resources. The policymakers should provide opportunities for frugal innovation, leveraging CSR initiatives and organizational transparency to drive cost-effective and sustainable innovation practices. Moreover, companies that embrace frugal innovation in their CSR activities and are transparent can establish a culture of innovation that promotes the efficient use of resources, resilience, and competitive advantage. Lastly, companies should trust their people to bring fresh ideas forward. Employees need support to improve existing processes and systems. When paired with meaningful CSR work and open communication, this creates a powerful culture of innovation. Smart integration of these elements into everyday decisions gives companies a real edge in the market. Relationships with stakeholders naturally strengthen as a result. Even in challenging environments like Palestine, this approach helps businesses achieve lasting financial success. Their resilience grows, allowing them to thrive where others might struggle.

This empirical study has a few limitations that may impact the generalizability and applicability of the results. The researchers collected the data from a single source at one point in time, which may cause common method biases. However, no common method bias was found in the analysis. Future researchers should consider longitudinal or experimental research designs to mitigate common method biases and establish causality. This study focused on Palestinian-listed companies in conflict regions with limited resources, which may limit the generalizability of the findings to other contexts. Researchers should further aim to compare conflicted and non-conflicted regions to get a more in-depth understanding of this phenomenon. This study used one moderating mechanism of organizational transparency. However, other potential moderating variables like leadership styles, organizational culture, stakeholder engagement, or employee empowerment should be explored in future studies to better understand the interplay between CSR activities, innovation, and the listed company's sustainable financial performance.

REFERENCES

Agbata, A. E., Egolum, P. U., Offia, A. C., & Okoye, N. J. (2022). Corporate governance and firm sustainability in the emerging economy: A literature review. *Corporate Governance and Sustainability Review, 6*(4), 33–43. https://doi.org/10.22495/cgsrv6i4p3

Aggerholm, H. K., & Thomsen, C. (2024). Strategic communication in contexts of high sustainability pressure: Balancing purposefulness, transparency and participation in pursuit of organizational legitimacy. *Journal of Communication Management, 28*(1), 58–73. https://doi.org/10.1108/JCOM-12-2022-0131

Ahmad, Z. (2025). Unlocking AI capabilities: Exploring strategic fit, innovation ambidexterity and digital entrepreneurial intent in driving digital transformation. *Journal of Management Development, 44*(2), 194–218. https://doi.org/10.1108/JMD-05-2024-0171

Ahmad, Z., & Oon, E. Y. N. (2025). Agile mindset and digital innovation: Creative centrality, fintech usage, financial literacy, and the “not-invented-here” syndrome. *Management Decision*. Advance online publication. https://doi.org/10.1108/MD-01-2024-0135

Ahmad, Z., AlWadi, B. M., Kumar, H., Ng, B.-K., & Nguyen, D. N. (2024). Digital transformation of family-owned small businesses: A nexus of internet entrepreneurial self-efficacy, artificial intelligence usage and strategic agility. *Kybernetes*. Advance online publication. https://doi.org/10.1108/K-10-2023-2205

Ahsyam, F., Syaharana, S., Alfira, M., Sudarmi, S., & Muchran, M. (2024). The impact of the pro-Israel product boycott on stock prices companies registered on BEI. *International Social Sciences and Humanities, 3*(1), 75–80. https://proceeding.unmuhjember.ac.id/index.php/issh/article/view/453

Alcaide González, M. Á., De La Poza Plaza, E., & Guadalajara Olmeda, N. (2020). The impact of corporate social responsibility transparency on the financial performance, brand value, and sustainability level of IT companies. *Corporate Social Responsibility and Environmental Management, 27*(2), 642–654. https://doi.org/10.1002/csr.1829

Alfalih, A. A. (2023). ESG disclosure practices and financial performance: A general and sector analysis of SP-500 non-financial companies and the moderating effect of economic conditions. *Journal of Sustainable Finance & Investment, 13*(4), 1506–1533. https://doi.org/10.1080/20430795.2022.2150511

Ali, M. H., Zailani, S., Iranmanesh, M., & Foroughi, B. (2019). Impacts of environmental factors on waste, energy, and resource management and sustainable performance. *Sustainability, 11*(8), Article 2443. https://doi.org/10.3390/su11082443

Alrahamneh, A. (2025). Governance innovations for adapting social security to changing demographics and economic realities. In A. M. A. Musleh Al-Sartawi, M. Al-Okaily, A. A. Al-Qudah, & F. Shihadeh (Eds.), *From machine learning to artificial intelligence* (pp. 1291–1302). Springer Cham. https://doi.org/10.1007/978-3-031-76011-2_96

Annamalah, S., Paraman, P., Ahmed, S., Pertheban, T. R., Marimuthu, A., Venkatachalam, K. R., & T., R. (2025). Exploitation, exploration and ambidextrous strategies of SMES in accelerating organisational effectiveness. *Journal of Global Operations and Strategic Sourcing, 18*(2), 182–223. https://doi.org/10.1108/JGOSS-08-2022-0090

Antorine, C., Etengu, R. O., & Opio, B. (2025). The influence of corporate social responsibility on financial performance: Evidence from listed firms. *Business Performance Review, 2*(2), 48–57. https://doi.org/10.22495/bprv2i2p4

Atichasari, A. S., Ratnasari, A., Kulsum, U., Kahpi, H. S., Wulandari, S. S., & Marfu, A. (2023). Examining non-performing loans on corporate financial sustainability: Evidence from Indonesia. *Sustainable Futures, 6*(5), Article 100137. https://doi.org/10.1016/j.sftr.2023.100137

Bahta, D., Yun, J., Islam, M. R., & Ashfaq, M. (2021). Corporate social responsibility, innovation capability and firm performance: Evidence from SME. *Social Responsibility Journal, 17*(6), 840–860. https://doi.org/10.1108/SRJ-12-2019-0401

Biggeri, U., Ferri, G., Ielasi, F., & Sasia, P. M. (2023). *Ethical finance and prosperity: Beyond environmental, social and governance investing*. Routledge. https://doi.org/10.4324/9781003377924

Bridge Zoller, C. (2023). Corporate restructuring laws under stress: Policy-making in uncertain times. *European Business Organization Law Review, 24*(2), 387–407. https://doi.org/10.1007/s40804-023-00274-6

Carson, J. E., & Westerman, J. W. (2023). The effectiveness of organizational sustainability messaging to new hires: An exploratory analysis of signal cost, perceived credibility, and involvement intention. *Sustainability, 15*(2), Article 1167. https://doi.org/10.3390/su15021167

Ceptureanu, S. I., Ceptureanu, E. G., & Cerqueti, R. (2022). Innovation ambidexterity and impact on the performance in IT companies: The moderating role of business experience. *Technology Analysis & Strategic Management, 34*(7), 746–759. https://doi.org/10.1080/09537325.2021.1918337

Chen, Y., & Ma, Y. (2021). Does green investment improve energy firm performance? *Energy Policy, 153*, Article 112152. https://doi.org/10.1016/j.enpol.2021.112252

Cho, S. J., Chung, C. Y., & Young, J. (2019). Study on the relationship between CSR and financial performance. *Sustainability, 11*(2), Article 343. https://doi.org/10.3390/su11020343

Ciasullo, M. V., Montera, R., & Douglas, A. (2022). Environmental sustainability orientation and ambidextrous green innovation: Do the roles of women on corporate boards matter? *Sinergie Italian Journal of Management, 40*(2), 209–231. https://doi.org/10.7433/s118.2022.10

Clauss, T., Kraus, S., Kallinger, F. L., Bican, P. M., Brem, A., & Kailer, N. (2021). Organizational ambidexterity and competitive advantage: The role of strategic agility in the exploration-exploitation paradox. *Journal of Innovation & Knowledge, 6*(4), 203–213. https://doi.org/10.1016/j.jik.2020.07.003

Cuevas-Vargas, H., Camarena, J. L., & Velázquez-Espinoza, N. (2022). Sustainability performance as a result of frugal innovation. The moderating effect of firm size. *Procedia Computer Science, 214*, 141–148. https://doi.org/10.1016/j.procs.2022.11.159

Cuevas-Vargas, H., Parga-Montoya, N., & Fernández-Escobedo, R. (2022). The adoption of ICT as an enabler of frugal innovation to achieve customer satisfaction. The mediating effect of frugal innovation. *Procedia Computer Science, 199*, 198–206. https://doi.org/10.1016/j.procs.2022.01.025

Deek, A. Y. (2025). Empowering the Palestinian economy: The role of Palestinian investors in Israel in promoting socio-economic development. *Journal of System and Management Sciences, 15*(2), 245–256. https://www.aasmr.org/jsms/Vol15/No.2/Vol.15.No.2.15.pdf

Emueje, I., & Tochi, I. (2020). Effect of organizational transparency on organizational performance: A survey of insurance companies in Lagos State Nigeria. *Journal of Economics, Management and Trade, 26*(4), 52–62. https://doi.org/10.9734/jemt/2020/v26i430248

Gierlich-Joas, M., Hess, T., & Neuburger, R. (2020). More self-organization, more control — or even both? Inverse transparency as a digital leadership concept. *Business Research, 13*(3), 921–947. https://doi.org/10.1007/s40685-020-00130-0

Goyal, P., & Soni, P. (2024). Beyond borders: Investigating the impact of the 2023 Israeli–Palestinian conflict on global equity markets. *Journal of Economic Studies, 5*(6), 78–103. https://doi.org/10.1108/JES-12-2023-0729

Hair, J. F., Jr., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., & Ray, S. (Eds.). (2021). Evaluation of reflective measurement models. In *Partial least squares structural equation modeling (PLS-SEM) using R: A workbook* (pp. 75–90). https://doi.org/10.1007/978-3-030-80519-7_4

Harrison, D. E., Ferrell, O. C., Ferrell, L., & Hair, J. F., Jr. (2020). Corporate social responsibility and business ethics: Conceptualization, scale development and validation. *Journal of Product & Brand Management, 29*(4), 431–439. https://doi.org/10.1108/JPBM-11-2018-2113

Hossiep, C. R., Märtins, J., & Schewe, G. (2024). Measuring organizational transparency with 10 items: Validation of a German short scale. *Measurement Instruments for the Social Sciences, 6*(6), Article e11209. https://doi.org/10.5964/miss.11209

Huang, D. Z.-X. (2022). Environmental, social and governance factors and assessing firm value: Valuation, signalling and stakeholder perspectives. *Accounting & Finance, 62*(1), 1983–2010. https://doi.org/10.1111/acfi.12849

Hwang, B.-N., Lai, Y.-P., & Wang, C. (2023). Open innovation and organizational ambidexterity. *European Journal of Innovation Management, 26*(3), 862–884. https://doi.org/10.1108/EJIM-06-2021-0303

Iram, T., Albadry, O., Mehmood, S., & Ahmad, Z. (2025). Driving success for women entrepreneurs in KSA by leveraging AI and agility: Insights from the theory of technology dominance (TTD). *Management & Sustainability: An Arab Review*. Advance online publication. https://doi.org/10.1108/MSAR-08-2024-0092

Khan, A., Chen, L.-R., & Hung, C.-Y. (2021). The role of corporate social responsibility in supporting second-order social capital and sustainable innovation ambidexterity. *Sustainability, 13*(13), Article 6994. https://doi.org/10.3390/su13136994

Knizkov, S., & Arlinghaus, J. (2021). Frugal processes: An empirical investigation into the operations of resource-constrained firms. *IEEE Transactions on Engineering Management, 68*(3), 667–684. https://doi.org/10.1109/TEM.2020.3016776

Kumar, P., Sahoo, T., Kafley, G., Jhawar, N., & Das, A. (2025). Bidirectional association between corporate financial performance and environmental, social, and governance performance. *Business Performance Review, 3*(1), 27–36. https://doi.org/10.22495/bprv3i1p3

Lasdi, L., & Oematan, E. L. (2021). The effect of corporate governance mechanism, stakeholder pressure, and profitability on integrated reporting. *Journal of Applied Finance and Accounting, 8*(2), 67–98. https://doi.org/10.21512/jafa.v8i2.8292

Le, H. M., Nguyen, T. T., & Hoang, T. C. (2023). Performance implications of exploratory and exploitative innovation: The role of management control systems. *Economic Research-Ekonomska Istraživanja, 36*(3), Article 2211152. https://doi.org/10.1080/1331677X.2023.2211152

Li, D., Gong, C., Palazzo, M., & Yousaf, Z. (2025). Unleashing enviropreneurship toward innovation: Unraveling frugal innovation and green innovation through zero waste management in circular economy. *Corporate Social Responsibility and Environmental Management, 32*(3), 3313–3323. https://doi.org/10.1002/csr.3127

López-Sánchez, J. Á., & Santos-Vijande, M. L. (2022). Key capabilities for frugal innovation in developed economies: Insights into the current transition towards sustainability. *Sustainability Science, 17*(1), 191–207. https://doi.org/10.1007/s11625-021-01071-1

Luger, M., Hofer, K. M., & Floh, A. (2022). Support for corporate social responsibility among generation Y consumers in advanced versus emerging markets. *International Business Review, 31*(2), Article 101903. https://doi.org/10.1016/j.ibusrev.2021.101903

Mahmood, N. S., Kadhim, S. C., Jabbar, K. A., Hasan, H. F., Sharaf, H. K., & Alwan, A. S. (2024). The influence of financial sustainability of the corporate governance features on the firm's performance. *Corporate Law and Governance Review, 6*, 152–161. https://doi.org/10.22495/clgrv6i4p14

Mogaji, E., Adeola, O., Hinson, R. E., Nguyen, N. P., Nwoba, A. C., & Soetan, T. O. (2021). Marketing bank services to financially vulnerable customers: Evidence from an emerging economy. *International Journal of Bank Marketing, 39*(3), 402–428. https://doi.org/10.1108/IJBM-07-2020-0379

Nguyen, D. N., Ahmad, Z., Muhammad, A., AlWadi, B. M., & Oon, E. Y. N. (2025). Hand that rocks the cradle: Impact of personality on business succession in family-owned small business. *Journal of the International Council for Small Business, 13*(5), 1–24. https://doi.org/10.1080/26437015.2024.2430575

Ningsih, N., Alimuddin, Nagu, N., & Madein, A. (2022). The effect of corporate social responsibility on return on assets, return on equity, and net profit margin: Study of food and beverage sub-sector companies listed in the Indonesia Stock Exchange, 2016–2021. *European Journal of Business and Management Research, 7*(6), 297–303. https://doi.org/10.24018/ejbmr.2022.7.6.1759

Onileowo, T. T., Muharam, F. M., Ramily, M. K., & Khatib, S. F. A. (2021). The nexus between innovation and business competitive advantage: A conceptual study. *Universal Journal of Accounting and Finance, 9*(3), 352–361. https://doi.org/10.13189/ujaf.2021.090309

Pelikánová, R. M., Němečková, T., & MacGregor, R. K. (2021). CSR statements in international and Czech luxury fashion industry at the onset and during the COVID-19 pandemic — Slowing down the fast fashion business? *Sustainability, 13*(7), Article 3715. https://doi.org/10.3390/su13073715

Rauf, F., Wang, W., & Voinea, C. L. (2024). Interaction of corporate social responsibility reporting at the crossroads of green innovation performance and firm performance: The moderating role of the enterprise life stage. *Sustainability, 16*(5), Article 1821. https://doi.org/10.3390/su16051821

Rossetto, D. E., Borini, F. M., Bernardes, R. C., & Frankwick, G. L. (2023). Measuring frugal innovation capabilities: An initial scale proposition. *Technovation, 121*, Article 102674. https://doi.org/10.1016/j.technovation.2022.102674

Schnackenberg, A. K., Tomlinson, E., & Coen, C. (2021). The dimensional structure of transparency: A construct validation of transparency as disclosure, clarity, and accuracy in organizations. *Human Relations, 74*(10), 1628–1660. https://doi.org/10.1177/0018726720933317

Song, H., & Rimmel, G. (2021). Heterogeneity in CSR activities: Is CSR investment monotonically associated with earnings quality? *Accounting Forum, 45*(1), 1–29. https://doi.org/10.1080/01559982.2020.1810428

Tamvada, M. (2020). Corporate social responsibility and accountability: A new theoretical foundation for regulating CSR. *International Journal of Corporate Social Responsibility, 5*, Article 2. https://doi.org/10.1186/s40991-019-0045-8

Tarda, O., Haron, H., Ramli, N. M., & Salleh, S. (2023). The impact of board of directors' independence on corporate social responsibility disclosure in Palestinian companies. *The Journal of Muamalat and Islamic Finance Research, 6*(4), 192–204. https://doi.org/10.33102/jmifr.551

Tröster, B., & Küblböck, K. (2020). Unprecedented but not unpredictable: Effects of the COVID-19 crisis on commodity-dependent countries. *The European Journal of Development Research, 32*(5), 1430–1449. https://doi.org/10.1057/s41287-020-00313-9

Velasco Vizcaíno, F., Martin, S. L., Cardenas, J. J., & Cardenas, M. (2021). Employees' attitudes toward corporate social responsibility programs: The influence of corporate frugality and polychronicity organizational capabilities. *Journal of Business Research, 124*(7), 538–546. https://doi.org/10.1016/j.jbusres.2020.11.016

Venuti, M. (2018). Editorial: Getting into risk management and financial sustainability issues. *Risk Governance and Control: Financial Markets and Institutions, 8*(4), 4–5. https://doi.org/10.22495/rgcv8i4editorial

Voinea, C. L., Hoogenberg, B.-J., Fratostiteanu, C., & Hashmi, H. B. A. (2020). The relation between environmental management systems and environmental and financial performance in emerging economies. *Sustainability, 12*(13), Article 5309. https://doi.org/10.3390/su12135309

Yáñez-Valdés, C., & Guerrero, M. (2024). Equity crowdfunding platforms and sustainable impacts: Encountering investors and technological initiatives for tackling social and environmental challenges. *European Journal of Innovation Management, 27*(7), 2326–2350. https://doi.org/10.1108/EJIM-03-2022-0127

Zhai, Y., Cai, Z., Lin, H., Yuan, M., Mao, Y., & Yu, M. (2022). Does better environmental, social, and governance induce better corporate green innovation: The mediating role of financing constraints. *Corporate Social Responsibility and Environmental Management, 29*(5), 1513–1526. https://doi.org/10.1002/csr.2288

APPENDIX

Table A.1. The detailed information of the items

Corporate social responsibility (Harrison et al., 2020)	
I believe that companies should	
CSR1	Support their communities
CSR2	Support employee diversity
CSR3	Contribute to solving social issues
CSR4	Support employee inclusion
CSR5	Provide adequate benefits to employees
CSR6	Make charitable contributions
CSR7	Provide fair return to investors
CSR8	Address social issues
CSR9	Incorporate sustainability information for all stakeholders
Frugal innovation (Rossetto et al., 2023)	
FI1	I focus on core functionality of the product rather than additional functionality ease of product use
FI2	My company is concerned on the durability of the product
FI3	My company provides solutions that offer “good-value” products*
FI4	My company has attained significant cost reduction in the operational process
FI5	We save organizational resources in the operational process rearrangement of organizational resources in the operational process
FI6	My company provides efficient and effective solutions to customers’ social/environmental needs environmental sustainability in the operational process
FI7	My company has partnerships with local companies in the operational process
Sustainable financial performance (Carson & Westerman, 2023)	
SFP1	My company has optimal plans for constant revenue generation over a foreseeable number of years
SFP2	My company is financially strong to withstand economic uncertainties
SFP3	My company has scope of making profit for the next five years
DFP4	My company has intention to reinvest its profit for its growth
Organizational transparency (Hossiep et al., 2024)	
OT1	I have all the information I need from company
OT2	A sufficient amount of information is presented by my company
OT3	The information presented by the company is understandable
OT4	The information from company is clear
OT5	The information from company appears to be true
OT6	The information from company appears correct
OT7	The information from company is provided ahead of time
OT8	The information from company comes at an appropriate time
OT9	The information my company informs me about is close to my heart
OT10	I care about the topic my company informs me about
Innovation ambidexterity (Le et al., 2023)	
IA1	Introduce new generation of products
IA2	Extend product range
IA3	Open up new markets
IA4	Enter new technology fields
IA5	Improve existing product quality
IA6	Improve production flexibility
IA7	Reduce production cost
IA8	Improve yield or reduce material consumption