

EXPLORING THE MULTI-DIMENSIONAL IMPACTS OF CORPORATE SOCIAL RESPONSIBILITY: THE ROLE OF MARKET COMPETITION AS A MODERATOR

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Abstract

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The current study investigates the broader impacts of corporate social responsibility (CSR) adoption, moving beyond its economic and financial outcomes to explore its influence on brand image, customers, employees, and how this implementation is affected by market competition. The study deploys a pioneer, holistic approach to examine CSR engagement across various dimensions, including workforce, environment, suppliers, community, market, stakeholders, charities, business values, and leadership (Ashridge, 2005; Zlatanovic, 2015). For the application of this model, we chose Greece in order to address a relevant gap in the research within the country and because of the recent recession period and its impact on social initiatives. A quantitative methodology was utilized, using a convenient sample of 568 business small and medium-sized enterprises (SMEs) executives operating in Greece, gathered through LinkedIn. The study's significance relies on the use of a holistic model to evaluate CSR adoption, its application in the Greek market, and its simultaneous benefits. This research emphasizes the multifaceted advantages of CSR and the critical role of market dynamics, providing actionable insights for marketers to strategically incorporate CSR. CSR adoption positively affects brand image, customer relations, and employee performance. However, market competition was found to moderate these relationships negatively, diminishing the positive impacts of CSR.

Keywords: Corporate Social Responsibility Adoption, Market Competition, Brand Image, Employee Performance, Customer Relations

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1. INTRODUCTION

Corporate social responsibility (CSR) has come to the center of the business spotlight over the last decades. In 2015, evidence showed that the Global F-500 companies spent each year above USD 20 billion on CSR initiatives (Business Backs Education, 2015). In less than a decade, the amount spent on CSR has sharply increased: An Organisation for Economic Co-operation and Development (OECD) report has shown that the corporate sector issued sustainable bonds totaling approximately USD 2.3 trillion globally, and Europe led this initiative, highlighting the region's commitment to sustainable financing (OECD, 2024). Moreover, the disclosure of CSR has increased over the last years, since companies strive to increase the communication of such initiatives with consumers. As Stobierski (2021) reveals, the prevalence of CSR reporting among Standard & Poor's 500 Index companies has seen a remarkable increase, rising from 20% in 2011 to 90% in 2019. At the same time, consumer demands for CSR are also rising, especially in the era of climate change. A global survey run by Statista (2022) reveals that consumers criticize companies for "not doing enough" for the social issues that may be linked to their CSR activities, such as climate change, economic inequity, energy shortages, healthcare access, trustworthy information, and workforce reskilling. In the last decades, CSR investments have increased in Europe. The value of sustainability-themed investments in Europe grew from EUR 6.9 billion in 2005 to EUR 145.3 billion in 2015 (Statista, 2024). Recent evidence shows that Europe maintains a leading position in sustainable investment, holding approximately 83% of the global market share. As of 2022, European sustainable investment funds managed net assets totaling around EUR 2 trillion (Association of the Luxembourg Fund Industry, 2022). Every year, awards are given to companies and organizations for their excellent CSR performance globally, regionally, and in Europe¹².

The adoption of CSR is a challenge because of its complex concept and the fact that businesses may apply CSR in various areas of their operation, depending on the sector, their priorities, the consumer, and societal demands, etc. Existing literature has shown that businesses that adopt broader CSR activity tend to receive greater benefits (Martos-Pedrero et al., 2023; Coelho et al., 2023; Benlemlih & Bitar, 2018; Blasi et al., 2018). In this context, the holistic approach of CSR adoption is a relatively new, multi-dimensional concept, an integrated framework of adopting CSR in a wide range of business practices (Fatima & Elbanna, 2023; Dragotis & Karayianni, 2023).

In the present era, CSR has shifted from being a peripheral consideration to a central component of business strategy and marketing. In the contemporary business landscape, where consumers are more informed and conscious of their ethical and social choices, an integrated CSR profile that is aligned with sustainable business operations may offer a strategic advantage. Relevant research has shown that the adoption of CSR is connected to numerous benefits. The most

researched of them is the financial performance of the businesses that adopt CSR, since profit maximization is the ultimate goal of rational businesses (Benlemlih & Bitar, 2018; Okafor et al., 2021; Nguyen et al., 2021). However, relevant literature shows the potential impact on additional benefits, such as benefits that are related to brand, employees, customers, innovation capabilities, etc. This research attempts to go beyond financial performance and study the impact of CSR in areas such as brand image, customer relations, and employee performance, which has not been much researched. Usually, the research attention of CSR has been focused on specific initiatives and much less on a framework that evaluates the integrated CSR adoption. The present research attempts to address a relevant gap within the existing literature concerning the concurrent evaluation of the CSR adoption initiatives. The research uses a pioneer model based on the holistic CSR framework in order to define the areas of CSR implementation and evaluates the impact of CSR initiatives in several fields on brand image, customer relations, and employee performance. Such a framework for the CSR adoption initiatives has not yet been examined within the research of CSR, and especially in the Greek market. In doing so, we aim to shed light on the concurring impact of CSR in business operations in Greece, where CSR adoption is under-researched, although there is evidence that Greek businesses integrate their engagement with CSR. Moreover, Greece has gone through an intense period of recession, and it would be interesting to examine the business emphasis on social responsibility since relevant research shows that even in times of economic crises the businesses do not stop prioritizing the pro-social activities (Bansal et al., 2015; Ducassy, 2013) as it serves their competitive advantage and innovation strategies.

The significance of this study lies in its holistic examination of CSR and its multidimensional impacts on key organizational outcomes, the brand image, the relations with customers, and the performance of employees, while introducing market competition as a critical moderating factor. By focusing on the Greek business environment, the research contributes to a relevant gap in CSR literature within a context that has been underexplored, particularly in the post-recession era. The study also advances theoretical understanding of CSR by applying an integrative framework that moves beyond financial outcomes to capture the broader social and organizational benefits of responsible business practices. Practically, it provides valuable insights for managers and policymakers, demonstrating how strategic CSR adoption can strengthen stakeholder relationships and organizational resilience, while emphasizing the need to consider market dynamics when designing and implementing CSR strategies.

The study employs a primary quantitative methodology, using survey methods. We used the LinkedIn business platform in order to promote the research instrument, aiming for a large sample of respondents, executives who work in businesses that operate in Greece. The main findings suggest that CSR adoption has a strong positive impact on corporate image, customer relations, and employee performance among Greek small and medium-sized

¹ <https://csrawards.co.uk/the-2024-international-csr-awards-winners/>

² <https://www.eurocertglobal.eu/Pages/view.aspx?PostID=971>

enterprises (SMEs). However, market competition significantly moderates these relationships, weakening the positive effects of CSR under high-competition conditions. These results contribute to CSR literature by introducing a holistic, multidimensional framework that assesses CSR's impact beyond financial performance, incorporating social and organizational dimensions. It further advances understanding by empirically validating the moderating role of market competition, a relatively underexplored factor that critically regulates the effectiveness of CSR initiatives.

The structure of this paper is as follows. Section 2 reviews the relevant literature. Section 3 analyses the methodology that has been used to conduct empirical research on the CSR adoption and its expected results. Section 4 presents the results of empirical research. Section 5 discusses the results of the research with the relevant literature. Finally, Section 6 proposes the conclusions, the main findings of the research, the implications, and the study limitations.

2. LITERATURE REVIEW

2.1. The impact on firm performance

Fundamental benefits of integrating CSR into marketing strategies are the enhancement of brand reputation and brand image. Those who actively engage in socially responsible activities often enjoy a more positive public image due to consumer appreciation. This positive perception may result in increased customer trust and loyalty. Companies that align their business strategies with social values may create shared value, benefiting both society and their bottom line (Porter & Kramer, 2006; Santos, 2011; Tsourvakas & Yfantidou, 2018; Vuong & Bui, 2023). CSR adoption can result in a favorable brand image, signaling the business's commitment to ethical actions, sustainability, and social well-being. Similar findings have been presented by Nguyen et al. (2021) showing that CSR adoption improves brand image and reputation, consumer satisfaction, imitability, and ability to attract human, material, and investment resources. The research of Zhao et al. (2021) showed that CSR adoption has a positive effect on brand reputation, which may also significantly increase consumer trust. The enhancement of brand image comes through consumer trust, according to Luo and Bhattacharya (2006), which is linked to consumer behavior, customer relations, and loyalty, describing another large area of expected benefits.

H1: CSR will have a positive impact on corporate image enhancement.

The effective CSR initiatives may significantly influence consumer behavior, particularly in fostering loyalty, due to the fact that the modern consumer is not only interested in the products, he/she buys but is also concerned about the values and ethics of the companies that produce them. Modern consumers are more likely to develop a stronger emotional attachment to brands that demonstrate a genuine commitment to social responsibility (Bhattacharya & Sen, 2004). Moreover, the implementation of CSR activities has been reported as helping them maintain better

relationships with their customers, meeting their expectations (Gardiner et al., 2003). Furthermore, adopting CSR significantly increases — indirectly and directly — consumer satisfaction (Araújo et al., 2023). The socially responsible profile of the business has a positive impact on various aspects of consumer behavior, such as loyalty, satisfaction, engagement, etc. (Salam et al., 2022).

H2: CSR adoption will have a positive impact on customer relationships improvement.

Apart from consumers, CSR adoption may also have a positive impact on company employees and specifically on their performance, which is reported to be increased in such cases, through morale boost, trust, retention (i.e., the fact that they hardly ever change jobs) and their overall bond to the company (Loosemore & Lim, 2017). In the same vein, a related study in Greece showed that adopting CSR may yield an increase in job performance through organizational commitment and organizational behavior (Trivellas et al., 2019). Several studies suggest a strong link between CSR adoption and increased employee performance. According to social identity theory (Tajfel & Turner, 2019) employees tend to develop a stronger relationship with organizations that are perceived to be socially responsible, resulting in a stronger organizational identity. This sense of job pride can boost motivation in the workplace and consequently, performance. Brammer et al. (2007) also showed that companies adopting CSR usually experience a rise in their employee engagement levels. Employees feel proud of being associated with organizations that demonstrate social responsibility, which fuels their motivation to be a part of them and perform better. In the same context, improved performance could stem from organizational dedication (Peterson, 2004), staying in a consistent job, increased opportunities, and training (Sen et al., 2006). The adoption of CSR has also been found to boost the employees' creativity and increase their innovation at work (Paruzel et al., 2023).

H3: CSR adoption will have a positive impact on employees' performance.

2.2. The moderation of market competition

Market competition is a factor that has a significant role in considering CSR adoption, as shown in the literature, having a moderating effect on the impact of CSR adoption on different aspects of benefits. Intense market competition may be a barrier to adopting CSR. The relationship between CSR adoption and expected results is highly dependent on the sector characteristics (Blasi et al., 2018). One prevalent characteristic of a sector is its competition that formulates business and marketing strategies within the sector. Numerous studies have underlined the moderating role of competition between CSR adoption and expected benefits (Cantele & Cassia, 2020; Gras & Krause, 2020; Ye et al., 2021). Although market competition has been reported as a moderating variable, the main focus of the literature is the measurement of the moderation between CSR adoption and firm financial performance (Brueninghaus et al., 2025; Cantele & Cassia, 2020; Gras & Krause, 2020; Ryu et al., 2016; Jia, 2020). Consequently, the evaluation of

the market competition as moderating variable is under-researched. In terms of financial performance, competition has been found to impede the relationship between CSR adoption and financial performance (Ryu et al., 2016; Jia, 2020). Bai and Chang (2015) found that market environment moderates CSR's financial impact; in turbulent or crowded industries, CSR had limited direct financial benefits. Additionally, the upfront costs that are associated with CSR initiatives may become more burdensome in a highly competitive environment where price competition is fierce, consumer bargaining power is higher, and firms may be less able to pass these costs onto customers (Wu et al., 2020). On the contrary, in cases of low competition within the industry, an effective CSR profile may demand less resource investment, and this may result in increases in stock returns. The above findings suggest that while CSR is significantly valuable for businesses, its financial returns are highly contingent on the market context. In intensely competitive environments, the positive link between CSR and profitability can break down due to shrinking margins, signal dilution, and short-term performance pressures.

Despite the extended research on market competition as a moderating variable on firm performance, little attention has been paid to the moderation of the CSR adoption impact on other benefits. We hereby present the findings of relevant research, and we infer that, as competition impedes the positive impact of CSR adoption on firm performance, it may also impede the positive impact on other benefits too.

Concerning the moderation of market competition on the effect of CSR on corporate image, the effect is higher in cases where competition lacks intensity. The adoption of CSR improves brand image more significantly in low-competition markets than in high-competition markets, and CSR must be backed by strong communication to be effective (Lu et al., 2020). On the contrary, other researches show that the effect of CSR on brand perception and corporate image is amplified in highly competitive markets (Du et al., 2010). Competitive pressure forces the firms to be more transparent and strategic in CSR communication, which may enhance corporate image. In the current research, it is hypothesized that market competition is a variable that limits the positive impact of CSR adoption on corporate image.

H4: Market competition is moderating the relationship between CSR adoption and corporate image enhancement.

Another issue that is also under-researched in literature is the impact on customer relations. In crowded markets where many firms adopt CSR, this strategy loses its distinctiveness, not counting as a differentiation strategy. Consumers may no longer reward CSR efforts unless they are exceptionally visible or extremely innovative. According to Laufer (2003), competition may damage customer relationships in cases where businesses exaggerate or falsely claim sustainable activities. More importantly, the business motives are evaluated by consumers when CSR is applied. The appreciation of business motives can build

consumer trust, and according to Hasudungan and Saragih (2023), competition erodes customer trust if CSR is perceived as inauthentic or exclusively marketing-driven. Furthermore, a basic characteristic of highly competitive markets is price sensitivity and elasticity of demand. Firms are often led in price wars because of their little pricing power. Therefore, price levels become a key decision factor for consumers in such markets. As the importance of price increases, the perceived value of CSR adoption tends to diminish. Consequently, consumers can easily switch to market competitors due to low switching costs and substitutable offerings. We perceive market competition as a variable that moderates negatively the positive impact of CSR adoption on customer relations.

H5: Market competition moderates the relationship between CSR adoption and customer relationships.

Another issue that also lacks research is the impact on employee performance. The competitive environment is significant when companies adopt a reactive or superficial CSR activity if employees perceive these activities as inauthentic, this may lead to cynicism rather than commitment and could negatively affect their performance (Aguinis & Glavas, 2012). While CSR boosts employee commitment through perceived organizational support, in highly competitive industries, employees are more skeptical about CSR motives, viewing them as superficial or instrumental for competitive advantage. This reduces trust, thereby weakening the link between CSR and organizational commitment (Farooq et al., 2014). Similarly, Jones et al. (2014) suggest that under high competition cases, employees question the authenticity of CSR programs and worry about resource trade-offs (e.g., layoffs vs. community investment) and the cognitive dissonance between external CSR and internal cost-cutting harms morale. Brieger et al. (2020) found perceived external prestige as key to CSR's effect on employees. In competitive markets, this prestige is harder to build, reducing motivational benefits. Moreover, the high-competition markets usually demand increased performance and work intensification, which nullifies the psychological benefits of CSR. Story and Castanheira (2019) report that employees experience burnout or conflict between CSR ideals and everyday job realities. We assume market competition as a variable that weakens the positive impact of CSR adoption on employee performance.

H6: Market competition moderates the relationship between CSR adoption and employee performance.

3. STUDY METHODOLOGY

3.1. Aim and objectives

This study aims to assess the impact of CSR adoption across a range of dimensions using a comprehensive approach. The analysis encompasses various domains of CSR adoption, including workforce, environmental sustainability, suppliers, community involvement, market dynamics, stakeholder relationships, charitable initiatives, core business values, and leadership practices. Furthermore, the research seeks to examine the role of market competition as

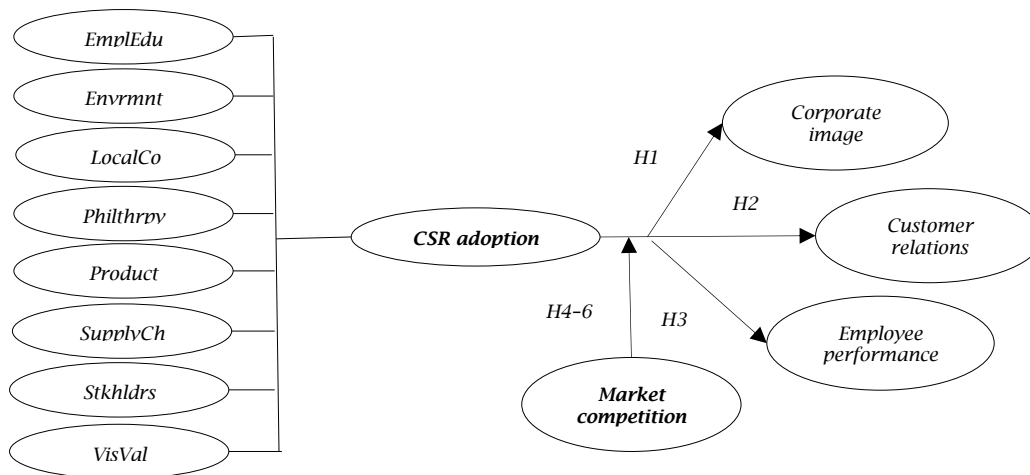
a moderating factor in the relationship between CSR adoption and its expected outcomes.

3.2. Measures optimization and research model

We built a research model based on five main constructs: CSR adoption, consumer relations, brand image, employee performance, and market competition. The CSR adoption — the independent variable — has been measured in eight different fields, based on relevant classifications (Ashridge, 2005; International Organization for Standardization [ISO], 2010; Dragotis & Karayanni, 2023). Following the above approach, we propose a comprehensive and pioneering model to measure whether or not the businesses that operate in Greece adopt CSR in employee education and training (*EmplEdu*), environmental responsibility (*Envrmnt*), local community responsibility (*LocalCo*), corporate philanthropy (*Philthrvy*), product responsibility

(*Product*), supplier CSR commitment (*SupplyCh*), stakeholder engagement (*Stkhldrs*), ethical vision and values (*VisVal*). For the questionnaire construction, other studies in the relevant literature have also been used (Abaeian et al., 2019; Zlatanovic, 2015; Arevalo & Aravind, 2011). The dependent variables: *customer relations*, *corporate image*, and *employee performance* are measured by eight, three, and two statements, respectively (Santos, 2011; Loosemore & Lim, 2018; Zlatanovic, 2015). The *market competition* — the moderating variable — is measured by three statements, based on research that evaluates competition intensity and market orientation (Jaworski & Kohli, 1993; Kemper et al., 2013). All items were measured on five-point Likert scales, ranging from “1” = “completely disagree” to “5” = “completely agree”. The questionnaire is presented in the Appendix. The conceptual research model is hereby presented in Figure 1.

Figure 1. Conceptual model



Although the study has used a specific research model, alternative research methods could also be applied. One such method is incorporating more objective data, such as environmental, social, and governance (ESG) scores, productivity indexes, financial performance ratios, and other quantifiable organizational metrics that could have strengthened study rigor by reducing subjectivity and providing standardized measures of CSR implementation and outcomes. However, this approach also has notable drawbacks. First, objective indicators like ESG ratings are often derived from secondary databases that may lack transparency in their construction and may not accurately reflect firm-level realities, particularly for SMEs that are underrepresented in such databases. Second, these metrics tend to capture CSR outcomes from a compliance or disclosure standpoint, potentially overlooking the internal cultural, ethical, and relational dimensions that subjective data can reveal. Third, standardized indicators may obscure contextual nuances (e.g., sectoral differences, national regulations, or cultural influences) that are particularly relevant in markets like Greece. Finally, the ESG metrics do not capture the holistic approach of CSR application. Thus, while objective data could enhance comparability and reliability, they may sacrifice

contextual richness and depth of understanding that primary, perception-based data can provide.

3.3. Sampling

The research focuses on Greek or foreign SMEs operating in Greece that declared having adopted CSR practices. The LinkedIn business platform was used as the research frame, and we selected a convenient sample of 1500 companies that were listed on this platform that satisfied the companies' size criterion of having more than 5 employees. First, we sent emails to business accounts and to the personal accounts of the companies' executives, urging them to volunteer to fill in our electronic research instrument. The final responded sample, which consisted of business executives from various positions in the organizational hierarchy ranking, comprising 568 valid responses from various regions of Greece, yielded a 38% response rate. Data were collected between February 2023 and May 2023, with the approval of the University Ethics Committee. The researchers informed the sample and obtained consent from the participants, considering the aims of the research and their voluntary and anonymous participation in it.

4. RESULTS

The final sample consists of 568 respondents from different companies, who are working in executive positions of small and medium businesses that operate in Greece and adopt CSR activity.

Table 1. Descriptive statistics of research variables

Variables	Mean	Std. dev.
CSR adoption in employee education	3.52	1.09
CSR adoption in natural environment	3.17	1.17
CSR adoption for local community	3.25	1.12
CSR adoption for philanthropy	3.41	1.25
CSR adoption in product quality	3.77	0.97
CSR adoption for stakeholders	3.58	1.01
CSR adoption in supply chain	3.80	0.89
CSR adoption in vision and values	3.70	1.03
Customer relations enhancement	4.16	0.69
Corporate image empowerment	4.30	0.63
Employee performance enhancement	4.09	0.64
Market competition	3.86	0.74

As for the sample demographics, 58% of the sample were male, and 42% were female. 11% of the sample have completed secondary education, 10% college education, 47% have a Bachelor of Science degree, and 32% has a Master of Science or Doctor of Philosophy degree. The mean scores of the main study variables are hereby presented.

Confirmatory factor analysis (CFA), using the IBM SPSS and AMOS statistical packages, was conducted simultaneously for all the variables of the study. The results of CFA were deemed satisfactory and acceptable (Chi-square minimum/degrees of freedom (CMIN/DF) = 2.251; comparative fit index (CFI) = 0.914; normed-fit index (NFI) = 0.9; Tucker and Lewis index (TLI) = 0.909; root mean squared error of approximation (RMSEA) = 0.047; p-value for test of close fit (PCLOSE) = 0.994) (Hair et al., 2014; Babin & Sarstedt, 2019). The internal consistency (alpha and construct reliability > 0.6) and convergent validity (average variance extracted (AVE) > 0.5) levels are presented in Table 2, showing satisfactory levels.

Table 2. Reliability and convergent validity of latent variables

Variables	Alpha	Composite reliability (CR)	AVE
CSR adoption in employee education	0.85	0.60	0.65
CSR adoption in natural environment	0.91	0.91	0.63
CSR adoption for local community	0.83	0.82	0.54
CSR adoption for philanthropy	0.82	0.77	0.54
CSR adoption in product quality	0.79	0.84	0.51
CSR adoption for stakeholders	0.88	0.87	0.58
CSR adoption in supply chain	0.84	0.84	0.64
CSR adoption in vision and values	0.94	0.93	0.70
Customer relations enhancement	0.92	0.85	0.50
Corporate image empowerment	0.83	0.83	0.50
Employee performance enhancement	0.82	0.79	0.50
Market competition	0.60	0.62	0.51

Structural equations modeling (SEM) and the AMOS statistical package have been used to estimate the interactions between latent variables of the research. Results indicate that "CSR adoption" is significantly related to all the reflecting first order latent variables as follow: "Employee education" ($\beta = 0.73$, $p \leq 0.01$), "Natural environment" ($\beta = 0.76$, $p \leq 0.01$), "Local community" ($\beta = 0.72$, $p \leq 0.01$), "Philanthropy" ($\beta = 0.71$, $p \leq 0.01$), "Product quality" ($\beta = 0.78$, $p \leq 0.01$), "Stakeholders" ($\beta = 0.70$, $p \leq 0.01$), "Supply chain" ($\beta = 0.56$, $p \leq 0.01$), "Vision and values" ($\beta = 0.71$, $p \leq 0.01$). At the same time, the latent variable "CSR adoption" has a positive

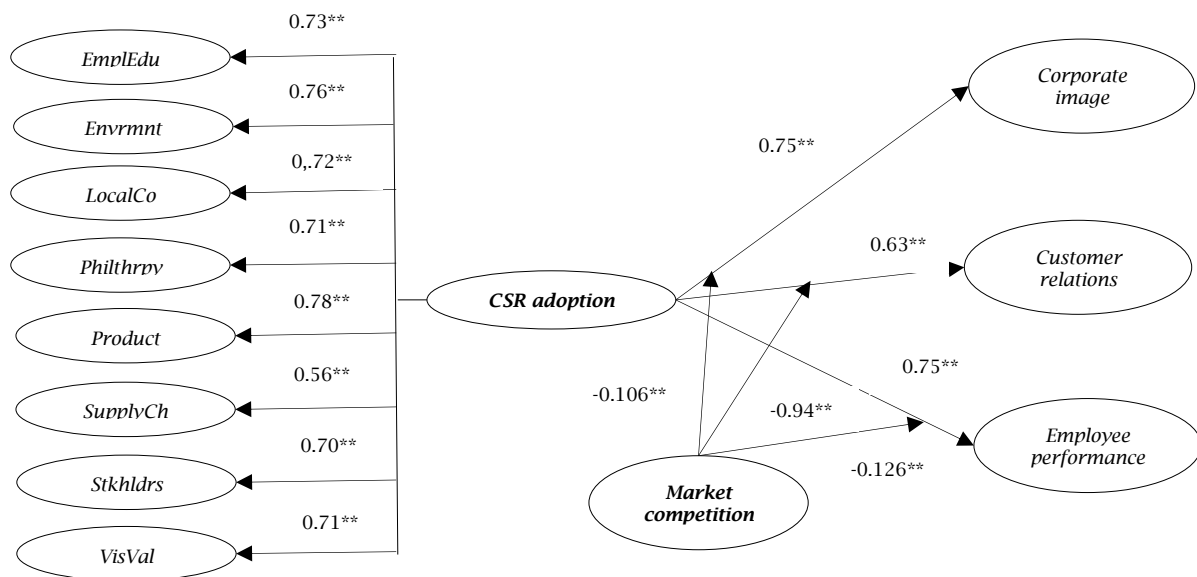
direct impact on the latent variables "Customer relations" ($H1$, $\beta = 0.629$, $p < 0.001$), "Corporate image" ($H2$, $\beta = 0.7250$, $p < 0.001$), and "Employee performance" ($H3$, $\beta = 0.749$, $p < 0.001$). Concerning the moderation effect, "Market competition" latent variable has been found having a significant impact at the relationship between latent variables "CSR adoption" and "Customer relations" ($H4$, $\beta = -0.094$, $p < 0.035$), "CSR adoption" and "Corporate image" ($H5$, $\beta = -0.106$, $p < 0.016$), "CSR adoption" and "Employee performance" ($H6$, $\beta = -0.126$, $p < 0.012$). The hypotheses support and the overall results are presented in Table 3 and Figure 2.

Table 3. Structural equations modeling interactions

Relationship	β	SE	p
CSR adoption → Customer relations	0.629	0.173	***
CSR adoption → Market competition moderation → Customer relations	-0.094	0.045	0.035
CSR adoption → Corporate image	0.750	0.171	***
CSR adoption → Market competition moderation → Corporate image	-0.106	0.044	0.016
CSR adoption → Employee performance	0.749	0.193	***
CSR adoption → Market competition moderation → Employee performance	-0.126	0.050	0.012

Note: *** stands for $p < 0.001$.

Figure 2. Empirical model



Note: ** stands for $p < 0.01$.

5. DISCUSSION

The above research aimed to test the hypothesis of the moderation of market competition in the relationship between CSR adoption and potential benefits. We deployed an empirical model based on the holistic CSR approach that measures CSR adoption in terms of employee education, environmental responsibility, local community support, philanthropy, product quality commitment, supply chain focus, stakeholders' relationships and vision and values' focus, market competition, customer relations enhancement, corporate image empowerment, and employee performance enhancement. The research results showed that CSR adoption may have a positive impact on all three variables, implying that businesses can measure benefits in these fields. However, the research also addresses an underdeveloped section of research, showing that these relationships may be moderated by the market competition, decreasing the benefit of CSR adoption on each of the above-mentioned benefits. The research results are aligned with previous research, which showed the moderating effect of market competition (Ruy et al., 2016; Jia, 2020; Wu et al., 2020; Laufer, 2003; Flammer & Luo, 2017; Peloza & Shang, 2011). The results indicate that in highly competitive markets, CSR adoption may not have an impact on companies' differentiation strategy (Xanthopoulou et al., 2024).

According to the current research, market competition is found to be a significant moderator in determining the impact of CSR on corporate image, customer relations, and employee performance. In markets where competition is higher, and the businesses are seeking competitive advantages, CSR may be vital to leverage the differentiation and drive to competitive advantage. According to Porter and Kramer (2006), the intensity of the competition within a market is increasing the recognition and the perceived value of CSR implementation for the buyers. In markets where competition is lower and the need for

differentiation is not so crucial, CSR implementation may not offer the same competitive edge (McWilliams & Siegel, 2001). However, research suggests that intense market competition can diminish the benefits of CSR adoption in several ways. The paradox effect is that although CSR adoption is vital, the intensity of the competition is lowering its impact on business. Similar findings of Wang et al. (2016) showed that while CSR positively impacts firm performance in moderately competitive markets, its impact weakens in highly competitive environments.

6. CONCLUSION

The findings of the study reveal that the holistic adoption of CSR in Greek SMEs significantly and positively influences three key outcomes: corporate image, customer relations, and employee performance. Using a SEM, the study found strong direct relationships between CSR adoption and these organizational benefits ($\beta = 0.750$ for corporate image; $\beta = 0.629$ for customer relations; $\beta = 0.749$ for employee performance; all $p < 0.001$). This evidence supports the view that CSR integration across diverse business functions — such as employee education, environmental responsibility, philanthropy, stakeholder engagement, and ethical leadership — creates substantial non-financial value, improving stakeholder perceptions, loyalty, and internal motivation.

However, the study also discovered that market competition significantly moderates these positive effects, weakening CSR's influence on all three outcomes. The moderating coefficients were negative and statistically significant ($\beta = -0.106$ for corporate image, $\beta = -0.094$ for customer relations, and $\beta = -0.126$ for employee performance). These results suggest that in highly competitive markets, CSR initiatives lose some of their differentiating power and perceived authenticity, thereby diminishing their strategic impact. Overall, the study highlights that while CSR remains a vital strategic

asset for firms, its effectiveness depends on contextual market dynamics, with greater competitive intensity undermining the magnitude of CSR-driven advantages in image, customer, and employee-related outcomes.

In order to maximize the benefits that arise from CSR adoption, businesses may carefully consider the competitive dynamics of the market in which they operate. Our study reveals that higher levels of market competition tend to diminish the positive effects of CSR adoption on key intangible outcomes such as brand equity, customer loyalty, and employee performance. In highly competitive markets, CSR initiatives may struggle to differentiate a firm's offerings, as competitors may quickly imitate socially responsible practices, thereby eroding their distinctiveness and perceived value among stakeholders.

This finding has several important managerial implications. First, it suggests that in order to sustain competitive advantage through CSR, firms should adopt strategic differentiation and innovative CSR practices that are difficult to replicate. Business leaders should move beyond generic CSR efforts and instead develop initiatives that are deeply aligned with the firm's core values, unique competencies, and stakeholder expectations. Such authenticity and creativity in CSR can foster stronger emotional connections with customers and employees, even in competitive markets.

Second, managers should approach CSR with a holistic mindset that integrates responsible practices across all facets of business operations — marketing, human resources, supply chain, governance, and community engagement. When CSR is embraced sincerely and embedded deeply within corporate strategy, its benefits on customer relations, corporate image, and employee engagement are more likely to endure and resist the continuous pressures of market competition.

Third, managers must remain vigilant in monitoring the changing factors in the market, such as conditions and competitor behavior, in order to adapt their CSR strategies dynamically. In markets characterized by intense rivalry, firms may need to continuously innovate and communicate their CSR efforts more effectively to maintain differentiation and trust from their stakeholder groups.

Ultimately, the managerial implication of our findings is clear: while CSR adoption can generate substantial long-term benefits, realizing its full potential requires strategic foresight, creativity, and an integrated approach — especially in highly competitive environments. Firms that treat CSR not as a compliance or public relations tool but as a strategic force embedded in corporate identity are more likely to achieve sustainable advantages in brand equity, customer loyalty, and employee performance.

The theoretical contributions of the current study rely on three main pillars: the research of CSR, expected benefits, and market competition. The first and most significant contribution is the fact that the current study highlights the important role of market competition in CSR research. There is a general tendency within the relevant research to focus on mediators and neglect the moderators. However, the examination of such factors shows that they are rather valuable and may significantly shape

the results of CSR adoption. While the study reveals a positive direct effect of CSR on different benefits, such as brand image, customer relations, and employee performance, this effect is moderated by competition intensity. The findings suggest that there is a substantial effect on expected benefits due to higher market competition cases.

The second contribution of our study lies in the relatively novel approach used to track CSR adoption. We propose a holistic CSR approach that evaluates CSR activities across multiple facets of business operations. Drawing from established theoretical frameworks, we assess the socially responsible activities of firms across a wide range of their daily processes — extending beyond traditional CSR metrics. In contrast to the majority of prior literature, which predominantly focuses on the relationship between CSR and firm financial performance, our study deliberately shifts the emphasis toward alternative, yet equally significant, dimensions of corporate outcomes. Specifically, we examine the impact of CSR on brand image, customer relations, and employee performance — factors that serve as critical indicators of long-term business sustainability and competitive advantage. The significance of this approach is double. First, by moving away from a narrow focus on short-term financial fluctuations, we capture the broader and more enduring value that CSR initiatives can create for stakeholders. Financial performance is often subject to volatile market dynamics, while variables such as brand equity, customer loyalty, and employee engagement tend to reflect more stable and sustainable aspects of corporate success. Second, this holistic lens allows us to better understand how CSR can contribute to building resilient organizations capable of maintaining stakeholder trust and legitimacy over time. Consequently, CSR is perceived as an aspect of business culture and practice — not as a detached marketing initiative or a set of business activities.

The third contribution of our study pertains to its geographical and contextual focus. We investigate CSR adoption within the specific context of Greece, as a country where CSR research remains relatively underdeveloped. Our focus on Greece is particularly timely and relevant, given the country's recent experience with a prolonged period of economic recession. This challenging economic backdrop provides a unique opportunity to explore whether and how firms sustain CSR commitments in times of financial adversity. Our findings reveal that even in a business environment marked by fiscal constraints and heightened market pressures, many Greek firms demonstrate a commendable level of commitment to CSR practices. This insight challenges the conventional assumption that CSR efforts are deprioritized during economic downturns and suggests that CSR can be perceived as a strategic asset rather than a discretionary expense, even in times of crisis. By shedding light on CSR dynamics in an under-researched and economically volatile context, our study contributes to a more nuanced and globally relevant understanding of CSR adoption.

The current research includes some limitations that may be taken into consideration for future studies. Such limitations include the impact of

the cultural factor on the results, while cross-cultural studies could be deployed in order to measure how larger samples coming from various cultural backgrounds respond to the CSR adoption. Moreover, a larger sample size would help to increase the objectivity and the generalizability of the findings. Lastly, a key limitation lies in its geographical scope, as the research was conducted exclusively in Greece. While Greece provides a relevant and insightful context, the findings may not be fully generalizable to other countries with different institutional, cultural, or market conditions. The CSR perceptions, competitive dynamics, and stakeholder expectations in Greece may differ from those in other regions, particularly in economies with more mature CSR frameworks or differing regulatory environments.

Future research should aim to expand such studies' scope by incorporating cross-national and cross-cultural comparisons to better understand how CSR adoption interacts with varying economic, cultural, and institutional environments. Comparative analyses across countries with different levels of market maturity and CSR

integration could provide valuable insights into how contextual factors, such as regulatory frameworks, cultural values, and consumer expectations that shape the effectiveness of CSR initiatives. Moreover, examining industries separately could reveal sector-specific variations in how CSR contributes to brand image, customer relations, and employee performance, offering more tailored guidance for managers and marketing specialists

Additionally, future studies could explore a longitudinal design to assess how the impact of CSR evolves over time, especially under fluctuating market competition levels. Incorporating qualitative approaches, such as interviews or case studies, could also enrich the understanding of internal managerial perceptions, motivations, and strategic decision-making processes behind CSR engagement. Finally, extending the model to include additional mediating and moderating variables — such as corporate culture, digitalization, or stakeholder trust — would deepen the theoretical understanding of how CSR creates sustainable value within different market environments.

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APPENDIX

Table A.1. Questionnaire scales (Part 1)

The CSR adoption in your company means					
	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Employee training					
Systematic training and skills enhancement programs for our employees.	1	2	3	4	5
Individualized training plans are implemented based on the employee's position.	1	2	3	4	5
Environmental responsibility	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Application of an integrated environmental impact management system, certified by an international organization.	1	2	3	4	5
During the production process, efforts are made to reduce the consumption of natural resources and energy.	1	2	3	4	5
A system is in place to measure the company's energy and environmental footprint in both production and distribution activities.	1	2	3	4	5
Efforts are undertaken to increase the share of renewable energy sources in the production process.	1	2	3	4	5
Best practices are implemented for controlling gaseous emissions from production units.	1	2	3	4	5
A comprehensive waste management system is in place for the production process, including treatment and reuse.	1	2	3	4	5
Local community support	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Promotion of employment in the regions where its facilities are located.	1	2	3	4	5
Implementation of programs that provide incentives, support, and expertise to local producers and businesses.	1	2	3	4	5
Developing programs that support youth entrepreneurship and the growth of small and medium-sized enterprises.	1	2	3	4	5
Philanthropy	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Collaboration with local authorities and/or non-governmental organizations (NGOs) that focus on protecting the social welfare.	1	2	3	4	5
Sponsors initiatives in the fields of culture and sports.	1	2	3	4	5
Develops volunteer programs with employee participation.	1	2	3	4	5
Participates in social or business organizations that make decisions impacting the industry and market as a whole.	1	2	3	4	5
Product quality	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Implementation of a comprehensive quality and safety management system certified by relevant organizations.	1	2	3	4	5
Selects raw materials based on whether they have a quality assurance system.	1	2	3	4	5
Chooses raw materials based on whether the producers prioritize environmental protection.	1	2	3	4	5
Stakeholder responsibility	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Studies and analyzes all parameters concerning stakeholders (both natural and legal persons) that may influence its policies.	1	2	3	4	5
Examines and analyzes all policy parameters that may impact stakeholders.	1	2	3	4	5
Develops communication channels with stakeholder groups, such as regular meetings or thematic discussions.	1	2	3	4	5
Conducts corporate reputation research to provide a platform for stakeholders.	1	2	3	4	5
Directive to CSR leadership	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Integrates CSR into its purpose or mission statement.	1	2	3	4	5
Includes CSR in its core values.	1	2	3	4	5
Incorporates CSR into its vision.	1	2	3	4	5
CSR is an integral part of the company's strategy.	1	2	3	4	5
Embeds CSR in its management systems.	1	2	3	4	5
Supplier CSR engagement	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Audits suppliers to ensure compliance with environmental standards, including monitoring their performance.	1	2	3	4	5
Applies CSR standards throughout its supply chain.	1	2	3	4	5
Sets specific targets for its suppliers regarding social issues.	1	2	3	4	5

Table A.1. Questionnaire scales (Part 2)

The CSR adoption has a specific benefit for your business on the following					
Corporate image empowerment	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Strengthening the company's image as a socially responsible business.	1	2	3	4	5
Strengthening the company's reputation as committed to environmental protection.	1	2	3	4	5
Strengthening the company's reputation as sensitive to vulnerable social groups.	1	2	3	4	5
Customer relations improvement	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Improvement in relationships with our partners	1	2	3	4	5
Customer loyalty	1	2	3	4	5
Increase in customer satisfaction	1	2	3	4	5
Increase in customer trust in our company	1	2	3	4	5
Reduction in customer complaints	1	2	3	4	5
More loyal customers	1	2	3	4	5
Fulfillment of customer expectations	1	2	3	4	5
Customer retention	1	2	3	4	5
Employee performance	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
Improving employee performance	1	2	3	4	5
Improving employee morale	1	2	3	4	5
Considering the basic market characteristics where your business operates					
Market competition intensity	Fully disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
The basic characteristic of market competition is price.	1	2	3	4	5
The market competition is intense.	1	2	3	4	5
Forecasting the next move of our competitors is very difficult.	1	2	3	4	5