

# Corporate Social Responsibility and Competitive Advantage: The Evaluation of the Mediation role of Employee Commitment and Customer Satisfaction, (Study on Manufacturing Companies in Surabaya)

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## Abstract

This research aims to study the influence of Corporate Social Responsibility (CSR) towards Competitive Advantage using the Employee Commitment and Customer Satisfaction variables on the manufacturing companies listed in Surabaya. The sample population is 206 manufacturing companies in Surabaya that have already done CSR from the East Java BPS data. The samples are manufacturing companies selected via non-probability, and the respondents are the owners or staff with the competency to represent the companies who are willing to fill the online or offline questionnaires. The researcher gathers the primary data from the 67 companies that answered the questionnaires then processes it with the SPSS and PLS software. The research result confirms that employee commitment acts as an intervening variable that can strengthen the relationship between CSR and competitive advantage.

**Keywords:** corporate social responsibility; competitive advantage; employee commitment; customer satisfaction; stakeholder; employee engagement.

## 1. Introduction

At the end of 2019, a pandemic known as COVID-19 attacks and shakes the world's economics. That shake-up also affects the manufacturing industry, one of the biggest contributors to Indonesian gross domestic product (GDP). The manufacturing industry sector contributes 19.62% of Indonesian GDP in 2019 (Pingit, 2020). The decline of the manufacturing industry's performance is confirmed to influence Indonesian economic performance as a whole significantly.

The performance of the manufacturing industry declining sharply in March 2019 because of the decrease of raw materials supply from February 2019. Manufacturing companies with CSR programs face the challenge of keeping expressing their concern in this pandemic (Kompas, 2020). In addition, the companies are challenged to keep doing their CSR as a form of social responsibility in executing their strategy to obtain competitive advantages.

The environments' developments and changes are taking place quickly, some of which change customers' taste, technological advancement, and socio-economic change that cause intense business competitions in several industries to emerge. As many companies are becoming more developed, social gap and environmental destruction can happen. This condition sparks awareness to reduce the negative impacts, giving birth to the Corporate Social Responsibility

(CSR) program, especially in the manufacturing industry. The application of CSR in Indonesia is developing well in quantity and quality (PIRAC, 2011). CSR has become an interesting topic, with more than half of the articles talking about CSR are published in the last decade (Jones et al., 2017). Employee commitment, customer satisfaction, and competitive advantage are the three CSR products (Jaramillo et al., 2011).

Companies think that there is an external stakeholders' role that supports the companies' existence and survival. However, the companies' seriousness does not cover them as a whole. Only 30% are serious about switching the stakeholder orientation pattern into a part of the companies' strategy (Amerta et al., 2018). Nowadays, organizations face the threat of globalization, deregulation, environmental changes, technological shift, and changes in corporate governance (Saeidi et al., 2019). In this situation, organizations need skilled employees to obtain a competitive advantage; thus, companies should strive to make their employees more competitive (Scuotto & Shukla, 2018). Many companies make it a differentiator that differentiates them from their competitors or makes this CSR a strategy to obtain a competitive advantage through employees' commitment.

Corporate Social Responsibility (CSR) is a huge investment from a company that directly impacts the company's performance through the relationship with customers (Kuokkanen & Sun, 2019). The increasingly

rapid development of the business world and the increase in the competition are causing several kinds of consumer goods can be easily obtained, which compels the companies to boost their performance. Companies are searching for buyers and trying to make buyers into customers, and customer satisfaction is one of the deciding factors. One thing that can increase satisfaction and creating loyalty is through companies' introduction and approach towards consumers. Companies have tried many things to get closer to consumers by doing corporate social responsibility activities (CSR). Research done by Kangarlouei et al. (2012) that uses Iranian companies as its samples finds a direct positive relationship between CSR and customer satisfaction.

A company's CSR is also a form of the company's internal responsibilities towards employee commitment. Mintonga-Monga & Hoole (2018) identify that internal CSR steps on employee commitment are critical. A company can be said to have a competitive advantage when it applies a strategy of creating values that other competitors or potential competitors do not apply (Saeidi et al., 2019). Based on the above background and phenomenon, this research aims to learn the role of CSR towards manufacturing companies' competitive advantage through employee commitment and customer satisfaction.

## 2. Literature Review

### 2.1. Stakeholder Theory

Through several policies and operational activities, a company impacts the stakeholder group, which will help the company find the group's demands to fulfill all responsibilities (Saeidi et al., 2019). The stakeholder group emphasizes the importance of considering various interests, needs, and influences from related parties with policies and all of the company's operational activities, especially in decision-making. Companies are expected to satisfy the stakeholders at certain levels. The core of CSR activities is stakeholder management, which relates to the element of legitimacy. Stakeholder theory can be related to CSR in a broad sense and concerns sustainability within a company because it provides a suitable theoretical framework for analyzing the relationship between business and society and can provide direction to company managers.

### 2.2. Corporate Social Responsibility

CSR is closely related to sustainable development, in which a company is doing its activities not

only think about the economic aspect (big profit) but also have to think about the social and environmental impacts that its decisions caused. CSR has become an interesting topic; more than half of CSR articles are published in the last decade (Beck et al., 2018). Sun (2019) defined CSR as the organization's responsibility concerning the impact of decisions on society and the environment. The responsibility is manifested in transparent and ethical behavior in line with sustainable development and community welfare and integrated with the organization. There are three indicators of CSR, namely Profit, People, and Planet (Triple Bottom Line). According to Barnea & Rubin (2010), CSR is about servicing people, communities, and societies more than what the laws require the company to do. CSR acts as a broad concept that makes organizations more than just profit-seeking entities and needs to be integrated with strategic business practices because it brings long-term benefits to the organizations and society (Bridouz & Stoelhorst, 2013; Zhou et al., 2018). Organizations use CSR to strengthen their relationship with stakeholders, ensure minimum conflicts with the stakeholders, and obtain maximum loyalty (Mahmoud et al., 2017). CSR and company activities to address managerial problems and obligations regarding the welfare of society as a whole are a construct that has received recent attention and is known to impact stakeholders. The company's CSR commitments and activities generally adjust some parts of its behavior, including its policies and actions, with some existing social aspects.

### 2.3. Competitive Advantage

Eidizadeh et al. (2017) say that competitive advantage is the ability obtained through the characteristics and resources of a company to have a higher performance than other companies in the same industry or market. There are five indicators of competitive advantage: quality, price, distribution, product innovation, and time to market. Kloutsiniotis & Mihail (2018) argue that competitive advantage is a skill developed from a company's characteristics and resources to acquire a higher performance than other companies in a similar industry or market. Issues regarding competitive advantage become very popular after Porter develops that concept. Companies with higher knowledge management skills are stated that it is better to respond to competitive challenges more quickly than companies with low knowledge management skills. In essence, companies with more knowledge will be able to see changes in the market more quickly. The greater the company's social capital resources and capabilities, the easier it will be for a company to achieve a competitive advantage.

## 2.4. Customer Satisfaction

According to Malik et al. (2019), customer satisfaction is a tool to measure companies' performance in both internal and compensate human resource, observing performance, and determine the funds for external customer satisfaction and also as a source of information for stakeholders (customers and public policy made by competitors and investors). There are three indicators of customer satisfaction, namely quality, customer service, and customer value. Companies spend a lot of money and resources handling customer satisfaction, and keeping satisfied customers becomes more complex. An increase in the level of satisfaction will lead to an increase in the volume of purchases and recommendations for goods or services to other potential consumers. Companies are trying to find buyers and trying to make buyers become customers (customers), and for companies, customer satisfaction (customer satisfaction) is one important factor.

## 2.5. Employee Commitment

According to Silva & Lokuwaduge (2019), employee commitment is relative to individual identification and involvement in certain organizations. There are two indicators of employee commitment, namely affective employee commitment and normative employee commitment. An employee is an asset as a production factor as a driving force for all of the company's activities, and its existence greatly determines the dynamism and mobilization of a company. According to Shen & Benson (2016), employees are the key player in reaching the goal of CSR for the organization. Employee commitment is often associated with positive behavioral outcomes, such as reduced workforce turnover and employee satisfaction (Malik et al., 2019). Highly committed employees often try their best to improve themselves for organizational development. They also believe that organizations' survival and ongoing development provide important benefits to them as an integral part of the organization. These employees become creatively engaged in the organization's mission and values and constantly think of ways to do their jobs better.

## 2.6. Proposed Model and Hypotheses

Mahmoud et al. (2017) supports the conclusion and reveals a significant influence between CSR and a company's competitive skills. The majority of this research supports the idea that there is a positive relationship between CSR and competitive advantage (Becchetti et al., 2018). Eidizadeh et al. (2017) say that competitive advantage is a condition that enables an organization to operate in a higher condition or a more

efficient way than its competitors. Although the company's performance, in general, is profitability, it does not mean that profitability is everything. Mahmoud et al. (2017) supports the conclusion and reveals a significant influence between CSR and a company's competitive skills. The majority of this research supports the idea that there is a positive relationship between CSR and competitive advantage (Becchetti et al., 2018). Eidizadeh et al. (2017) say that competitive advantage is a condition that enables an organization to operate in a higher condition or a more efficient way than its competitors. Although the goals of company's performance in general is profitability, it does not mean that profitability is everything.

The research done by Malik et al. (2019) shows that CSR and customer satisfaction are strategic driving forces related to company performance. Rogers (2013) says that CSR is a big investment from the company that directly impacts company performance through customer satisfaction. As a result, companies spend a lot of money and resources handling customer satisfaction and keeping satisfied customers becomes more complex (Ken, 2018).

Vlachos et al. (2014) say that CSR activities can develop an employee's attitude and behavior, such as work satisfaction, organizational citizenship behavior, commitment, job involvement, and the employee's performance. In addition, research shows the direct and positive influence between CSR and employee commitment (Ditlev-Simonsen, 2015; Harvey et al., 2017; Malik et al., 2019; Mueller et al., 2012).

Based on the relationship between concepts and the result of previous studies described, the H1 to H3 hypotheses of this research are as follows:

- H1: There is a positive influence between Corporate Social Responsibility (CSR) and competitive advantage on manufacturing companies listed in Surabaya.
- H2: There is a positive influence between Corporate Social Responsibility (CSR) and customer satisfaction on manufacturing companies listed in Surabaya.
- H3: There is a positive influence between Corporate Social Responsibility (CSR) and employee commitment to manufacturing companies listed in Surabaya.

An employee that is being better empowered may report higher job satisfaction and organizational commitment (Kim et al., 2012). Commitment to an organization can benefit customer satisfaction in two ways. On the one hand, employees generally commit themselves to the organization to give high-quality service to the customers (Kloutsiniotis & Mihail, 2018). Aside from that, Shipton et al. (2016) say that a

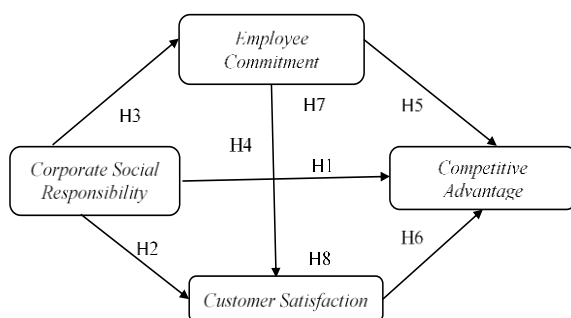
committed employee feels satisfied with his/her job, and this satisfied feeling is received and transmitted to the customers. On the other hand, a committed employee makes big contributions to the organization because they perform and behave to achieve the organization's goals. Next, an employee dedicated to the organization tends to be happy to be a part of that organization and strives to do good things for the organization (Sathyanarayan & Lavanya, 2018). Watoni (2019) states that stronger commitment may cause less turnover and attendance, thus will increase the organization's productivity in competing with its competitors.

Based on the described studies of the relationship between concepts, the researcher proposes the H4 to H6 research hypotheses as follows:

- H4: There is a positive relationship between employee commitment and customer satisfaction in manufacturing companies listed in Surabaya.
- H5: There is a positive relationship between employee commitment and competitive advantage in manufacturing companies listed in Surabaya.
- H6: There is a positive relationship between customer satisfaction and competitive advantage in manufacturing companies listed in Surabaya.

Environmental management practices can introduce an organization's innovation, such as green products or processes that lead to competitive advantages or positively influence employee commitment through the mediation effect from CSR and competitive advantage (Molina-Azorín et al., 2015). Saeidi et al. (2015) show that customer satisfaction mediates the relationship between CSR and employee's competitive advantage. The relationship between concepts that is explained above results in the research hypotheses H7 and H7 as follows:

- H7: Employee Commitment is a mediation of CSR and Competitive Advantage in manufacturing companies in Surabaya
- H8: Customer Satisfaction is a mediation of CSR and Competitive Advantage in manufacturing companies in Surabaya.



**Image: Research Hypothesis Model**

### 3. Methods

The population in this research is 206 manufacturing companies in Surabaya that are the Central Bureau of Statistics (BPS) of East Java in 2019. This research uses non-probability sampling in Convenience Sampling as its sampling method because of the COVID-19 pandemic, as it is hard to do probability sampling. Companies that can be confirmed and are willing to fill the questionnaire are chosen as the sample and received the online questionnaire in google form to be filled by the companies' representative. The statements in the questionnaire will be answered using the five Likert Scale (1= strongly disagree, 5= strongly agree). The data gathering result amounts to 67 companies with 89 respondents filling the questionnaire, with more than one respondent filling the filled for some sample companies. For more than one respondent, this research takes the average value to represent the sample company. The data analysis uses the SPSS software to do the variable measurement instrument's validity and reliability analysis and the description analysis. It uses the SmartPLS software to make the hypothesis and FIT model tests by following the Cut Off rules of the software.

### 4. Results

#### 4.1 Descriptive Analysis

**Table 2.** Respondents Profile Table

Position	Term of Office		Total
	> 5 years	3-5 years	
Employee	3 21.4%	11 78.6%	14 100.0%
Manager	31 50.0%	31 50.0%	62 100.0%
Owner	13 100.0%	0 0%	13 100.0%
Total	37 41.6%	52 58.4%	89 100.0%

The descriptive analysis is done based on the profiles of the sample companies' respondents and the description related to the research variable. Table 2 indicated that 62 of 89 respondents (69.67%) are managers, and 13 out of 89 (14.61%) are owners (Table-1). Furthermore, 52 out of 89 respondents (58.41%) worked for 3 to 5 years, while 41.6% have been working for more than five years. This information shows that the respondents can give companies information about corporate social responsibility, employee commitment, customer satisfaction, and competitive advantage.

Forty-one or 46.1% of the respondents are male and 48 respondents, or 53.9%, are female. This data is received from the respondents that have filled the questionnaires through Google Form. From this data,

most high positions in the companies, managers, owners, and companies' employees are women.

From the 89 respondents who fill the questionnaires, the terms the respondents' office of the seen. Fifty-two respondents have 3 to 5 years terms of office and 37 respondents that have above five years terms of office. The age of 28 respondents is 26-30 years old, 43 respondents are 31-35 years old, one respondent is 36-40 years old, three respondents are 41-45 years old, 11 respondents are 46-50 years old, and three respondents are above 50 years old. From the data gathered, it can be seen that the majority of the respondents are 31-35 years old. From this result, it can be seen that the important duty holder as the operational manager, employee, or business owner are those who are 31 to 35 years old.

The description here is related to the research's instrument variables, including validity and instrument reliability.

**Table 3.** Validity and Reliability Instrument Table

Variable	Indicator	Mean	total corrected item correlation	Chronbach Alpha	Notes
CSR	CSR 1 M1	4.21	0.714	0.941	Agree
	CSR 1 M2	3.47	0.727		
	CSR 1 M3	4.13	0.828		
	CSR 1 M4	3.82	0.776		
	CSR 1 M5	3.83	0.814		
	CSR 1 M6	3.39	0.800		
	CSR 1 M7	3.87	0.905		
	CSR 1 M8	4.10	0.852		
	CSR 2 E1	4.06	0.734		
	CSR 2 E2	4.27	0.604		
	CSR 3 L1	3.79	0.672		
	CSR 3 L2	4.47	0.825		
	CSR 3 L3	4.06	0.655		
	CSR 3 L4	3.72	0.598		
	CSR 3 L5	3.96	0.714		
Customer Satisfaction	CS 1 KP1	4.56	0.677	0.795	Strongly Agree
	CS 1 KP2	4.25	0.659		
	CS 2 PK1	4.43	0.657		
	CS 2 PK2	4.38	0.818		
	CS 2 NPI	4.51	0.875		
Employee Commitment	EC 1 KKA1	4.26	0.704	0.858	Strongly Agree
	EC 1 KKA2	4.15	0.775		
	EC 1 KKA3	4.45	0.815		
	EC 2 KKN1	4.38	0.870		
	EC 2 KKN2	4.25	0.826		
Competitive Advantage	CA 1 H1	4.48	0.657	0.942	Strongly Agree
	CA 1 H2	3.94	0.698		
	CA 2 K1	4.4	0.853		
	CA 2 K2	4.15	0.653		
	CA 2 K3	4.25	0.841		
	CA 3 D1	4.34	0.818		
	CA 3 D2	4.36	0.675		
	CA 3 D3	4.19	0.726		
	CA 4 I1	4.34	0.839		
	CA A I2	4.36	0.678		
	CA 4 I3	4.26	0.738		
	CA 5 TTM1	4.35	0.808		
	CA 5 TTM2	4.11	0.858		
	CA 5 TTM3	4.06	0.729		

The researcher spread the questionnaire to 89 employees from 67 manufacturing companies in Surabaya. Based on the validity test of each indicator with the PLS program on convergent validity, CSR is measured with fourteen indicators, including the first indicator: our company gives health insurance to our employees' family (CSR1 M1) with the loading factor of 0.714. The second indicator is that our company gives stock ownership opportunities to the employee (CSR2 M2) with a loading factor of 0.727. The third indicator is that our company gives a reward system (non-finance) such as an appreciation for long service (CSR1 M3) with a loading factor of 0.828. The fourth indicator is that our company gives scholarships to employees' children (CSR1 M4) with a loading factor of 0.776. The fifth indicator is that our company creates a cooperative forum for employees (CSR1 M5) with a loading factor of 0.814. The sixth indicator is that our company has a particular institution responsible for activities (CSR1 M7 with a loading factor of 0.800. Then the seventh factor, our company always set aside a certain profit for the social responsibility funds (CSR1 M8) with a loading factor of 0.905.

The eighth indicator is that our company prioritizes social and environmental responsibilities budget (CSR 2 E1) with a loading factor of 0.852. The ninth indicator is that our company has a stronger competitive position than our competitors (CSR 2 E2) with a loading factor of 0.734. The tenth indicator is that our company applies the public information disclosure policy (CSR 3 L1) with a loading factor of 0.604. The eleventh indicator is that our company has a good reputation in the eyes of consumers (CSR 3 L2) with a loading factor of 0.672. The twelfth indicator is that our company does programs that positively impact environmental conservation (CSR 3 L3) with a loading factor of 0.825. The thirteenth indicator is that our company recycles pollutants and production wastes (CSR 3 L4) with a loading factor of 0.655. Our company's fourteenth indicator produces eco-friendly products (CSR 3 L5) with a loading factor of 0.598. The loading factor result of the fourteen indicators shows that the correlation between the indicators and variables has fulfilled the convergent validity because every loading factor exceed the value of 0.5 with a mean variable of 3.96.

The second variable, customer satisfaction, is measured with five indicators, including the first indicator, our customers are satisfied from getting the company's quality products or services (CS1 KP1) with a loading factor of 0.677. The second indicator is that our customers are satisfied with the company's fast and responsive services responding to the needs (CS2

KP2) with a loading factor of 0.659. The third indicator is that our customers are satisfied with our products or services' price cheaper than our competitors (CS2 PK1) with a loading factor of 0.657. The fourth indicator is that our customers are satisfied with the company's fast and responsive services responding to the needs (CS2 PK2) with a loading factor of 0.818. Finally, the fifth indicator is that our customers are satisfied with getting products and services corresponding to the price they pay for (CS2 NP1) with a loading factor of 0.875.

The third variable is employee commitment, measured with five indicators, including the first indicator; our employees agreed with the company's policy and practiced it in the organizational process (EC1 KKA) with a loading factor of 0.704. The second indicator is the similarity of our employee's value and the company's value (EC1 KKA2) with a loading factor of 0.775. The third indicator is that our employees feel content being a part of the company (EC1 KKA3) with a loading factor of 0.815. The fourth indicator shows that our employees feel grateful to the company because of the good experiences during their time working (EC2 KKN1) with a loading factor of 0.870. Finally, the fifth indicator is that our employees are loyal to the company (EC2 KKN2) with a loading factor of 0.826.

Then the fourth variable is a competitive advantage, measured by fourteen indicators, including the first indicator: our company has a product price that is more competitive than other companies (CA1 H1) with a loading factor of 0.657. The second indicator is that our company has a cheaper product price than other companies products (CA1 H2) with a loading factor of 0.698. The third indicator is that our company produces higher quality products than products produced by other companies (CA2 K1) with a loading factor of 0.853. The fourth indicator, our company has a quality product and has a lower price than other companies products (CA2 K2) with a loading factor of 0.653. The fifth indicator is that our company has a superior overall product quality than other companies (CA2 K3), with a loading factor of 0.841. The sixth indicator is that our company delivers products to consumers on time (CA3 D1) with a loading factor of 0.818. Then the seventh indicator is that our company sends products according to consumer desires (CA3 D2) with a loading factor of 0.675.

The eighth indicator is that our company has a reliable delivery service compared to other companies (CA3 D3) with a loading factor of 0.726. The ninth indicator is that our company innovates products in new features (CA4 I1) with a loading factor of 0.839.

The tenth indicator is that our company produces new products according to the desires of our consumers (CA4 I2) with a loading factor of 0.678. The eleventh indicator is that our company frequently innovates products (CA4 I3) with a loading factor of 0.738. The twelfth indicator is that our company continuously develops its products (CA5 TtM1) with a loading factor of 0.808. The thirteenth indicator is that our company introduces new products to the public (CA5 TTM2) with a loading factor of 0.858. Then the fourteenth indicator is that our company is faster in releasing new products than other companies (CA5 TTM3) with a loading factor of 0.729.

The loading factor results of the 14 competitive advantage indicators show that the correlation between the indicators and the variables meets the convergent validity because all loading factors exceed 0.5. Another way to measure convergent validity is to look at the Average Variance Extracted (AVE) Value, where the AVE Value is more than 0.5. The AVE value is used to measure the number of variants captured by the construction compared to variations caused by measurement errors. If the value generated by the AVE is more significant than 0.5, then the convergent validity has been fulfilled.

**Table 4.** AVE Test Result

Variable	Average Variance Extracted (AVE)
CSR	0.571
<i>Customer Satisfaction</i>	0.552
<i>Employee Commitment</i>	0.640
<i>Competitive Advantage</i>	0.575

Next, by using the composite reliability, is to test the reliability of an indicator. Indicators are reliable when the composite reliability value is more than 0.6. A higher composite reliability value shows better accuracy, consistency, and reliability. The result can be seen in Table 5.

**Table 5.** Composite Reliability

	Cronbach's Alpha	Composite Reliability
CSR	0.941	0.948
<i>Customer Satisfaction</i>	0.795	0.858
<i>Employee Commitment</i>	0.858	0.898
<i>Competitive Advantage</i>	0.942	0.949

Table 5 shows the Cronbach's alpha and composite reliability value for each variable used in this study. The CSR variable has a composite reliability value of 0.948; the combined reliability in CSR can be said to be reliable because the composite reliability

value exceeds 0.6. The CSR variable has a Cronbach alpha value of 0.941, so it is reliable because it has a Cronbach alpha value that exceeds 0.6. The customer satisfaction variable has a composite reliability value of 0.858; the composite reliability in customer satisfaction is reliable because the composite reliability value exceeds 0.6. Customer satisfaction has a Cronbach alpha value of 0.795, so it is reliable because it has a Cronbach alpha value that exceeds 0.6. Employee commitment has composite reliability of 0.898; it shows that it is reliable because the composite reliability value exceeds 0.6. The employee commitment variable has a Cronbach alpha value of 0.858, so it can be said to be reliable because it has a Cronbach alpha value that exceeds 0.6. Competitive advantage has a composite reliability value of 0.949; the composite reliability of competitive advantage is reliable because the composite reliability value exceeds 0.6. Competitive advantage has a Cronbach alpha value of 0.942, so it is reliable because it has a Cronbach's alpha value that exceeds 0.6.

The hypothesis tests' results are shown in Table 6. The path coefficient and T-statistic value determine the significance of the hypothesis, as seen from the p-value <0.05 for the 5% significance level.

**Table 6.** Hypothesis Test

Hypothesis	Original Sample	T	P	Notes
<b>H1</b> Corporate Social Responsibility → Competitive Advantage	-0.041	0.336	0.737	Rejected
<b>H2</b> Corporate Social Responsibility → Customer Satisfaction	0.362	1.796	0.073	Supported
<b>H3</b> Corporate Social Responsibility → Employee Commitment	0.774	14.868	0.000	Supported
<b>H4</b> Employee Commitment → Customer Satisfaction	0.371	1.903	0.058	Supported
<b>H5</b> Employee Commitment → Competitive Advantage	0.771	6.362	0.000	Supported
<b>H6</b> Customer Satisfaction → Competitive Advantage	0.077	0.556	0.579	Rejected
<b>H7</b> Corporate Social Responsibility → Employee Commitment → Competitive Advantage	0.596	5.106	0.000	Supported
<b>H8</b> Corporate Social Responsibility → Customer Satisfaction → Competitive Advantage	0.028	0.476	0.634	Rejected

CSR activities in an economic dimension, such as always selling quality products that are safe for consumption and consistently providing good service to customers, do not affect customer satisfaction. And it cannot be immediately said like a competitive advantage that makes a company different from its competitors. CSR activities as a company's business strategy cannot achieve a competitive advantage and build long-term relationships with customers. Good CSR activities can also increase customer satisfaction because companies with a big responsibility in their

business processes can produce quality products and do not disappoint customers.

Researchers define CSR as an activity carried out by manufacturing companies to provide more value in satisfying their customers, hoping that a long-term relationship will be established between consumers and manufacturing companies. The activities carried out by this company will create a competitive advantage due to the extra effort made to create more value, which is a competitive advantage for consumers. Examples include corporate CSR activities such as producing eco-friendly products for the environment and consumers. This will affect the price perceived by consumers. Consumers can feel added value by establishing relationships with companies, especially on the company's competitive advantage in the price dimension.

In building a company's competitive advantage, CSR has a weak role. CSR is a company activity to show responsibility to stakeholders, employees, the environment, society, investors. Where the activities carried out by the company do not have a strong influence on its customers. This can also be because customers only see the price (price) of a product being purchased. Customers lack knowledge about CSR activities that are beneficial for the company and its environment.

Competitive advantage is a value that a company builds to differentiate itself from its competitors, and consumers can easily feel that value. However, this study states that the respondents do not agree that the company has a competitive advantage and where this competitive advantage makes them the company's customers. There are five dimensions of the price variable: price, quality, delivery, time to market, and product innovation, which shows good value. This happens because the indicators of customer satisfaction are different and uncertain. The satisfaction standard for each customer is different. The previous point also stated that customer satisfaction has no effect on competitive advantage in manufacturing companies, so even though customer satisfaction is used as a mediating variable, it still does not affect CSR on competitive advantage.

## 5. Discussion

CSR activities do not influence the manufacturing company's competitive advantage. Therefore, the higher CSR usage will not have any influence on competitive advantage. This finding means that using a CSR program in a manufacturing company will not influence that company's competitive advantage. This result shows that the CSR activities done by manufacturing companies in Surabaya are not a shape of

competitive advantage, and the responsibilities done by the companies will not create competitive advantage, especially company responsibilities to provide a safe quality product, of which the consumers will feel the responsibility of the company as the company's competitive advantage in quality dimensions.

Meanwhile, CSR activities influence customer satisfaction. CSR activities should be considered by the manufacturing companies that want to survive in the long term. This can be explained that a manufacturing company's CSR that is measured with consumer indicator that feels satisfied from getting quality products or services, product, and services with lower prices than other companies has been established well and enormously from the customer's feedback, which will influence customer satisfaction. A good CSR activity can also increase customer satisfaction because companies with huge responsibilities in their business process can produce quality products and not disappoint their customers. An example of that is companies' CSR activities, such as producing eco-friendly products for the environment and consumers. This finding will influence the price that the consumers felt. Consumers can feel extra value by establishing a relationship with the companies, especially for companies' competitive advantage on the price dimension.

CSR activities also influence a manufacturing company's employee commitment. The higher CSR usage will influence employee commitment. This implies that companies' social responsibilities and employee commitment will bring a good reputation to the company to give the company a competitive advantage and create maximum employee performance. Company Social Responsibilities (CSR) and employee commitment can influence employee performance that causes social responsibility to increase the employee's welfare. That also increases the employee's commitment towards the company and brings a good reputation to the company. Employees are the key players in reaching the CSR goals for the organization. Employees become more creatively involved in the missions and values of the company and keep on thinking about ways to do their job better.

The use of employee commitment in manufacturing companies may influence customer satisfaction from the companies. The employees that are being empowered well will report higher job satisfaction and organizational commitment. Employees with high integrity and commitment to their company will have good performance and satisfy the company's customers. Employees are happy to be a part of the company. A high employee commitment has a positive influence on sales performance that will result in customer satisfaction. Employees that are happy with

their job will transmit that satisfying feeling to the company's customers. Employees with high commitment can be seen from their behavior that obeys all company's policies, and the employees will apply them in every process in the company. Employees with high obedience will cause consumers to be satisfied by producing products and giving the best services in line with the company's policies.

Companies with high commitment levels employees can enjoy a higher competitive advantage than their competitors. Employees that feel engaged will work with passion and feel a deep relationship with their company. Employees that are engaged and committed to their organization can give the companies an important competitive advantage. Employees with high commitment to a company become more productive and fulfill the company's needs so that a high competitive advantage emerges from the company compared to its competitors.

Manufacturing companies strive to achieve company competitiveness by satisfying customers, responding to customer's complaints, and so on. However, this does not influence the company's competitive advantage. This result happens because customers' satisfaction cannot precisely be measured, and each customers' satisfaction is different; thus, it does not directly or indirectly impact a company's competitive advantage.

The social responsibility of manufacturing companies can influence competitive advantage through the mediation of the employees' commitment. Employees with high commitment always try to improve themselves for the company's sustainable development, and a growing company will certainly have a better competitive advantage than its competitors.

In building a company's competitive advantage, CSR has a weak role. CSR is a company activity that aims to show its responsibility to the stakeholders such as consumers, employees, the environment, society, and investors, of which the activities carried out by the company do not have a strong influence on its customers. This can also be because customers see a product they purchased only in terms of its price. Customers lack knowledge about CSR activities that are beneficial for the company and its environment.

## 6. Conclusions

Corporate Social Responsibility (CSR) does not influence Competitive Advantage on manufacturing companies listed in Surabaya because CSR activities only influence competitive advantage through the commitment of the company's employees. This finding shows that CSR activities carried out by



manufacturing companies in Surabaya are not a form of competitive advantage. And the responsibility carried out by the company cannot build a competitive advantage, especially the responsibility of the company to provide a safe and quality product, where consumers will perceive this responsibility as the company's competitive advantage in the quality dimension.

CSR activities in the economic dimension, such as always selling quality products that are safe for consumption and consistently providing good service to customers, do not affect customers. And cannot be directly interpreted as a competitive advantage that makes a company different from its competitors. CSR activities as a company's business strategy cannot achieve a competitive advantage and build long-term relationships with customers.

The employee commitment variable has been proven to be an intervening variable where the variable may strengthen the relationship between CSR and competitive advantage. Employees with high commitment always try to develop themselves for the company's sustainable development, and a developing company will surely have a better competitive advantage than its competitors. This can be seen from the companies that provide health insurance for employees' families. Providing health insurance to employees' families is a form of reward from the company to make the employee's commitment high. This can be one of the reasons company employees become loyal to work in the company. Loyal employees will be able to make themselves, and the company grows. This can make a company superior to its competitors.

The customer satisfaction variable does not strengthen the relationship between CSR and competitive advantage.

Employee commitment and customer satisfaction have given a very good influence, but, looking closely, the influence of employee commitment is more dominant, which means that the competitive advantage of a manufacturing company is more influenced by employee's commitment that the manufacturing company creates rather than customer satisfaction. This can also be caused because customers only see the price (price) of a product being purchased. Customers lack knowledge about CSR activities that are beneficial for the company and its environment.

Implementing CSR consistently in the long term will foster a sense of community acceptance of the company's presence, thereby creating sustainable development. Therefore, companies that have implemented CSR are advised to maintain these activities. For companies that have not implemented CSR, it is advisable to consider implementing CSR

because it has been proven that carrying out CSR activities is not a waste as has been assumed by companies but can create a competitive advantage that can be profitable for the company.

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