

The impact of leadership style and corporate social responsibility practices on financial performance: Evidence from Textile industry

Thi Diep Uyen Doan^a, Van Hung Bui^b, Thi Thu Hien Phan^{a*}, Xuan Hung Nguyen^b and Thi Kim Lien Tran^a

^aUniversity of Economic and Technical Industries, Vietnam

^bNational Economics University, Vietnam

CHRONICLE

Article history:

Received: May 17, 2019

Received in revised format: June 22 2019

Accepted: June 23, 2019

Available online:
June 23, 2019

Keywords:

Leadership style

Corporate social responsibility

Financial performance

ABSTRACT

The objective of this article is to assess the impact of leadership style on deciding to implement corporate social responsibility (CSR) for Nam Dinh textile garment enterprises. At the same time, the article examines the mediate role of CSR on the relationship between transformational leadership and financial performance. Moreover, the article verifies the moderate role of firm size in the relationship between transformational leadership and financial performance, Stakeholder - oriented marketing plays a moderate role in the relationship between transformational leadership and CSR practice and moderate role of transactional leadership style in the relationship between CSR practice and financial performance. Analysis was conducted on 168 textile garment enterprises in Nam Dinh. The results show that CSR played a mediate role in the relationship between transformational leadership and financial performance. At the same time, all moderator variables were statistically significant. The result encourages Nam Dinh textile and garment enterprises to conduct business ethically towards sustainable development by implementing CSR.

© 2019 by the authors; licensee Growing Science, Canada

1. Introduction

A lot of arguments have been happened on many studies for the relationship between leadership and Corporate Social Responsibility (CSR) (Du et al., 2013). Many theories have been used to explain their relationships between leadership and CSR, including: agency theory (Dunlop & Lee, 2004), institutional theory (Resick et al., 2013), managerial values theory (Schaubroeck et al., 2000), stakeholder theory (Coombs & Gilley, 2005) and upper echelon theory (Manner, 2010). Although many theories have been used, researchers still argue whether leadership plays an important role in CSR decisions or not, the relationship between leadership and SCR has not gained consensus (Lewis, 2014).

* Corresponding author. Tel.: +84 0914 915 926

E-mail address: pthien.kt@uneti.edu.vn (T.T.H. Phan)

Textile garment industry is considered as a key priority for development in Nam Dinh province. The provincial labor force can find the job in the textile garment industry. Known as “The cradle of textiles”, Nam Dinh textile garment industry is more and more develop, integrate and improve life quality for employees. Annually, Nam Dinh textile garment industry contributes approximately 20% growth domestic product (GDP) of the province and is ranked in the list of top ten nationwide FDI recipients, mainly in textile garment industry. For Vietnam textile garment in general and Nam Dinh’s in particular, CSR activities play an important role and it is a “green passport” for Nam Dinh textile garment enterprises that can enter the world market and attend global textile garment supply chain. However, SCR activities of Nam Dinh textile garment enterprises are insensible, particularly those specializing in textile dyeing. Such enterprises have made a great impact on the environment due to waste, wastewater and exhaust gas.

CSR implementation is not entirely based on managers’ decisions. If an enterprise leader appreciates sustainable development and ensures benefits for stakeholders, community and society, the SCR activities will be implemented in better way and vice versa. Many previous studies have affirmed that SCR activities positively influence on financial performance (Hasan et al., 2018). With the purpose of analyzing the impact of leadership style on SCR implementation and financial performance of an enterprise, we hope that, our study result will provide an overall landscape in order to help Vietnam textile garment enterprises in general and Nam Dinh textile garment enterprises in particular positively implement CSR for sustainable development and green ecosystem for the whole society.

The article structure, apart from Introduction, References, includes: Study overview; Study methodology; Study result and Conclusion.

2. Literature review and developing research hypotheses

2.1. Leadership style and CSR practices

Research on the effect of leadership style on CSR in an organization is often theorized and tested by using strategic leadership or senior leadership theories. Many studies have examined demographic variables of leadership and leadership values (Huang, 2011) to assess the impact of leadership on CSR decisions in an enterprise. Some studies on sustainability have shown an important role of leadership style in the field. Transformational leadership remarkably effects an enterprise sustainability (Du et al., 2013; Resick et al. 2011). According to Groves and Larocca (2011), Transformational leadership positively affects the employee satisfaction and engagement for environmental activities and the communities. Transformational leadership has the positive relationship with CSR activities of an enterprise (Du et al., 2013). Waldman et al. (2006) reported that transformational leadership was positively related to the trend of companies participating in CSR implementation. In addition to, Eikenberry (2009) found out the positive support of transformational leadership to promote CSR activities in an enterprise. On the contrary, transactional leadership negatively effects decision making for CSR implementation by managers. (Du et al., 2013).

Therefore, we assume that:

H₁: Transformational leadership positively affects decisions of CSR practices.

H₂: Transformational leadership negatively affects decisions of CSR practices.

2.2. Moderate role of Stakeholder - oriented marketing

To research the moderate role of Stakeholder - oriented marketing, we rely on indirect impact of many studies reviewing relationship between components of decision-making process or leadership awareness towards CSR activities. For example, leadership awareness towards CSR activities will affect on decisions of CSR practices in an enterprise (Anderson & Bateman, 2000). External factors are tested and considered as a moderate role in the relationship between leadership style and CSR practices, such as

legal framework, stakeholders (Roxas & Coetzer, 2012). Leaders following transformational leadership style are likely to recognize complex connection between different stakeholders and the relationship between enterprise and these stakeholders is interdependent, supporting each other for development instead of separation from the community and the environment (Vera & Crossan 2004). The more marketing activities towards stakeholders, the more CSR implementation by the transformational leaders. On the contrary, the less marketing activities towards stakeholders, the less CSR implementation by the transformational leaders. Therefore, we assume that:

H₃: Stakeholder – oriented marketing plays a moderate role in the relationship between transformational leadership and CSR practice.

2.3. CSR, financial performance and transformational leadership

Previous studies have shown that institutional CSR can create many different business interests, such as relationship between stakeholders, and more positive enterprise image (Saeidi et al. 2015). CSR activities increase employee satisfaction with their work and more contribution, leading to productivity increase (Hasan et al., 2018). Also CSR activities build up customer loyalty to enterprise, thereby reducing costs for customer search and advertising, then improving operational efficiency for enterprises (Aras et al., 2010). Besides, CSR activities positively affect on capital accessibility and thereby help enterprise to gain better investment capital to improve business and production efficiency (Tran et al., 2019; Le et al., 2019). Such benefits improved corporate financial performance. Therefore, we assume that:

H_{4a}: CSR practices influences on financial performance, positively.

H_{4b}: CSR practice plays a mediate role in the relationship between transformational leadership and financial performance.

2.4. Transactional leadership style, Transformational leadership and financial performance

A leader is known as a trade leader if he/she is always willing to give something in return (Uchenwamgbe, 2013). They are always ready to refuse some certain things such as promotion, salary increase, and willing to evaluate performance, take on new responsibilities, etc. The main issue with the leadership type is expectation. Therefore, transactional leadership can be defined as the exchange of goals and ensure proper benefits between management board and employee (Ojokuku, et al., 2012).

According to Longe (2014), transactional leadership positively influence on financial performance. Transactional leadership style helps to create and maintain a context in which the capabilities of organization and people are maximized because employees can always achieve tangible and intangible rewards. The leadership style particularly helps create an optimal environment for performance and also presents a compelling vision that improves the performance of the entire organization (Longe, 2014). According to the leadership style, managers will always pay attention to the goal of profit maximization and ensure shareholders' benefits. Therefore, we assume that:

H₅: Transactional leadership style influences on financial performance, positively.

Transformational leadership focuses on sustainable development, always monitor and review the stakeholders' needs. Managers following transformational leadership style pay special attention to development of overall value system, morality, skills and motivation for employee. Transformational leaders act as a strong connection between stakeholders and leaders, to develop a clear understanding enclosing their motivation, values and interests. Bass and Avolio (1993) stated that transformational leadership presents outstanding leadership performance. Transformational leadership style is the style that leaders expand or enhance their interests to employees (Bass & Avolio, 1993). Transformational leaders are those who encourage employees to look beyond their personal interests. Transformational leadership have a long-term effect because they can inspire employees, transformational leaders can meet employees' emotional

needs or they can make employees to think in a smart way (Bass & Avolio, 2000). Wang et al. (2011) found that leadership under transformational leadership style at the individual level had a positive connection with financial performance. Moreover, research also shows that transformational leadership style at the performance level of groups and at the organization level was positively connected with each other. According to Xu and Wang (2008), transformational leadership enhances the overall development of stakeholders. Personal relationship is developed by a transformational leader making employees feel happy and therefore, their overall performance is improved. Therefore, it can be said that transformational leadership and specific organizational performance are positively related to financial performance (Jyoti & Bhau, 2015). Sofi and Devanadhen (2015) stated that transformational leadership style has a significant impact on financial performance of an organization. Therefore, we assume that:

H₆: Transformational leadership influences financial performance, positively.

2.5. Moderate the role of transactional leadership style in the relationship between CSR practice and financial performance

Effective CSR implementation requires a company to take advantage of its core business capabilities for making a positive change (Kotler & Lee 2005; Porter & Kramer 2011). Researchers of leadership style have shown that although transformational leadership is better when exploring abilities such as: having completely new knowledge and skills, transactional leadership will be better when exploiting ability such as: refining and expanding existing knowledge and skills (Vera & Crossan, 2004). Transactional leadership also emphasizes on convergent thinking, efficiency and continuity (Vera & Crossan, 2004). Accordingly, when implementing CSR activities of an organization, leaders following transactional leadership will pay more attention on opportunities to take advantage of their business capacities for maximizing business and social profits of CSR activities closely monitoring task performance and continuous improvement in an organization's CSR implementation (Friedman, 1970). Therefore, transactional leadership at high level will help CSR implementation have greater impact on financial performance. In contrast, leaders following transactional leadership at low level will weaken the effect of CSR implementation on financial performance. Therefore, we assume that:

H₇: Transactional leadership plays a moderate role in the relationship between CSR practices and financial performance.

2.6. A moderate role of Size in the relationship between transformational leadership and financial performance

Leaders following the transformational leadership often focus on encouraging employees' working spirit, taking into account stakeholders' responses and directing overall enterprise activities towards stakeholders. Then, there will be additional costs other than production and business and it reduces the financial performance in an enterprise (Wagner, 2008). However, according to theory of stakeholders, an enterprise acts responsibly with stakeholders will improve its financial performance in a long term (Mishra & Suar, 2010). Activities for ensuring interests of stakeholders will help an enterprise develop more sustainably in the long run (Hasan et al., 2018). In regard to big companies, activities towards stakeholders, ensuring benefits with stakeholders have been developed in the code of conduct with the stakeholders of such companies, therefore, the more the activities, the better the financial performance. In contrast, in small companies, ensuring benefits of stakeholders is tough, because it directly affects the existence of small and medium sized companies (Phan & Nguyen, 2018). Therefore, we assume that

H₈: Size plays a moderate role in the relationship between transformational leadership and financial performance.

3. Research methodology

3.1. Research sample

From the beginning of the study with the intention of using a structural equation modeling (SEM), we have paid attention to sample size as an important matter as suggested in research of Jackson (2003). There is almost a consensus among researchers that the larger the sample size, the more stable value in estimated results. However, there is no specific number of sample size. Therefore, sufficiently large sample size is a hard question to answer (Jackson, 2003). Darlington (1990) argued that it is very difficult to technically conduct with fewer than 50 observations. On contrary, Kline (2005) suggested that sample sizes below 100 can still make sense in SEM. The total number of textile garment enterprises in Nam Dinh is approximately 200 companies as announced by Nam Dinh Department of Planning and Investment. Therefore, we sent a questionnaire to 189 enterprises and collected 168 questionnaires with a response rate of 80%. Research hypotheses are analyzed and tested based on the 168 valid questionnaires.

3.2. Research model

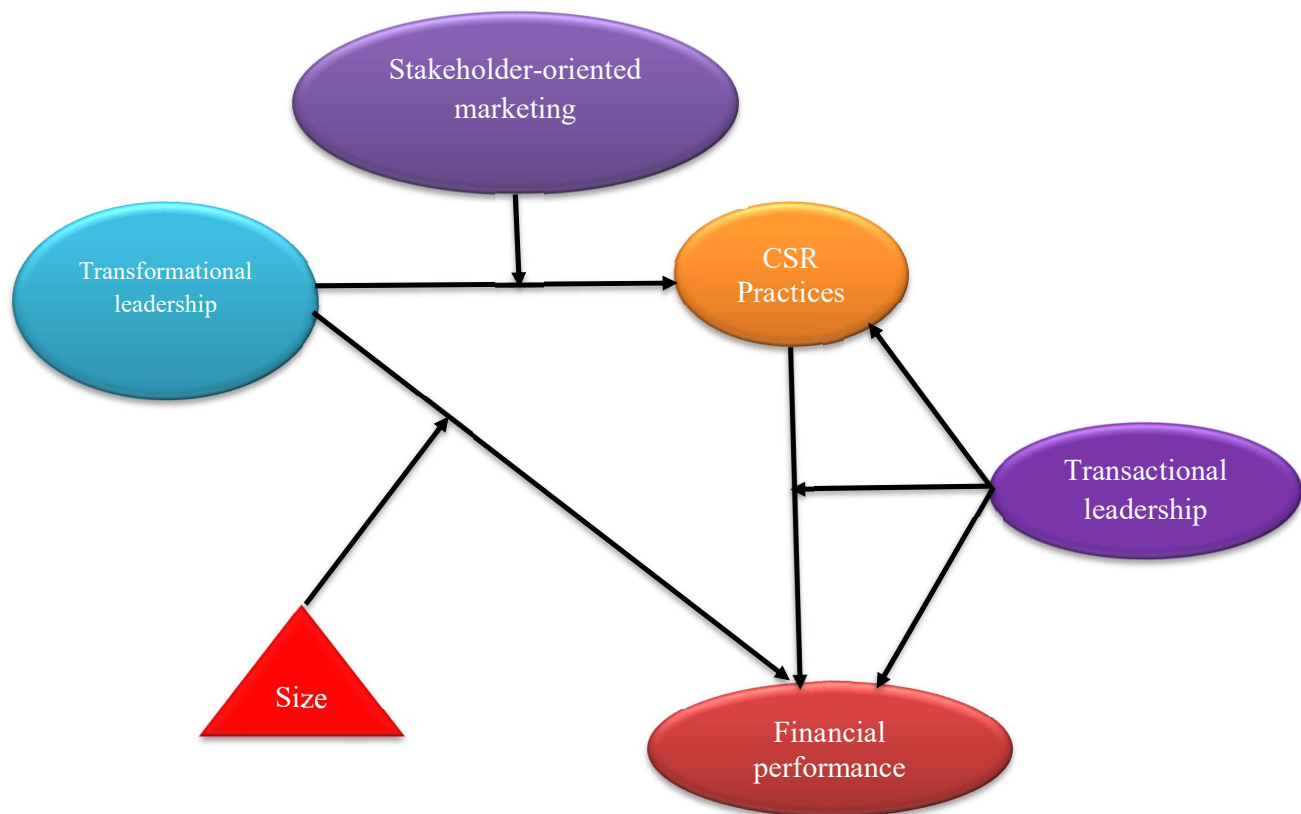


Fig. 1. Research model

Stakeholder-oriented marketing:

We introduced stakeholder-oriented marketing from relevant documents on contemporary marketing practices and orientation of stakeholders (Ferrell et al., 2011). Stakeholder-oriented marketing requires marketing activities beyond customer narrow scope to include all stakeholders, such as suppliers, service providers and local community. Companies operating stakeholder-oriented marketing also commit significant resources to maintain a network of relationships in a broader marketing system and often involve in senior management and cross-functional teams to carry out their marketing activities. *Stakeholder-oriented marketing* is measured by 9 items to measure the extent to which a company operates stakeholder-oriented marketing developed from study of Du et al. (2013).

CSR practices: These are voluntary actions of an enterprise to guarantee the stakeholders' interests such as communities, employees, the environment, suppliers, investors and customers. CSR practices are measured by 28 items developed originally by Le et al. (2019) and Tran et al (2019). These scales are measured by the 5-point Likert scale in relationship with policies, the CSR activities within the last 5 years with 1 – “completely unavailable”; 2 – “yes but not done”; 3 – “yes and partially done”; 4 – “good and well done” 5 “yes and very well done”.

Financial performance. We measured financial performance of an organization as a financial performance compared with the industry average rate over the last 3 years, instead of an absolute performance, because the previous studies have shown that respondents not only felt comfortable but also they were willing to answer the questions on financial performance more easily compared with other factors (Coviello et al., 2002). Financial performance indicators were developed from the study of Santos and Bristo (2012). Financial performance was measured by 10 items evaluated according to 5 point Likert scale with 1 – “much lower” to 5 – “much higher” compared to the industry average rate.

Transactional leadership. Transactional leaders are measured by using 8 items developed from the study of Bass and Avolio (2000), Derue et al. (2011) and Du et al (2013). The measuring scale bases on 5 point likert scale with 1 - "Never" and 5 - "frequently, if not always".

Transformational leadership: Transactional leadership is measured by using 16 items that developed from the study of Bass and Avolio (2000) and Du et al. (2013). The measuring scale bases on 5 point likert scale with 1 – “Never” and 5 – “frequently, if not always”.

3.3. Analysis method

The “first generation” techniques have been broadly applied by social-scientific researchers. However, in the last 20 years, many researchers have increasingly switched to the “second generation” technique to overcome the weaknesses of first-generation methods. Such methods, called as structural equation modeling (SEM), combines non-latent variables indirectly measured by observed variables. They also facilitate measurement errors in observed variables (Chin, 1998). There are two types of SEM: SEM is based on covariance (CB-SEM) and SEM partial least squares (PLS-SEM, also known as PLS path modeling). CB-SEM is mainly used to confirm (or refuse) the theories (a set of systematic relationships between multiple variables can be tested empirically). CB - SEM does this by defining how the proposed theoretical model can estimate covariance matrix for a sample data set. In contrast, PLS-SEM is mainly used to develop theories in exploratory research. PLS - SEM does this by focusing on explaining variance in dependent variables when examining model (Hair et al., 2017).

PLS - SEM 3.2.6 is used in the article for some reasons (Hair et al, 2017):

1. Normal diagnosis shows that data is not distributed normally (Hair et al., 2017).
2. Use of both formative construct and reflective variables (Kalafatis & Ledden, 2013). CSR practices are modeled as a formative variable, 2nd order-factor including 6 aspects forming at lower level form and financial performance is also a formative variable, 2nd order-factor consists of 2 aspects forming at lower level.
3. Theory of influence of leadership style on decision-making of CSR practices and financial performance in emerging markets is limited and PLS method is applied when existing theory is limited (Acedo & Jones, 2007). Therefore, in order to test research hypotheses, we have used SPSS software and Smart PLS 3.0 software for analysis. Firstly, we assessed the scale reliability with SPSS to eliminate unqualified scales and analyze EFA for latent variables. Then we put the cleaned data into Smart PLS 3.0 software to test the research hypotheses.

4. Results

Results of scale reliability test have been performed with Cronbach Alpha coefficient and corrected item-total correlation. The results have shown that all scales had Cronbach Alpha coefficient > 0.7 and corrected item-total correlation > 0.3 except for variables: CSR_Employee 6; CSR_Employee 3; CSR_Com3; CSR_Invest5; CSR_Envir2; CSR_Envir4; CSR_Envir7; CSR_Custo2; CSR_Custo3; CSR_Suppl 4; CSR_Suppl 5. Cronbach Alpha coefficient < 0.7 and corrected item-total correlation < 0.3 should be excluded from the research model (Nunnally & Berndstein, 1994). Similarly, we have used average variance extracted to assess the scale: The scale is accepted when average variance extracted > 50% and Eigenvalue > 1 (Hair et al., 2014). Factor loading ≥ 0,5 (Hair et al., 2014). With the scales satisfy reliability, we conduct EFA analysis for 3 latent variables; namely *Transactional leadership*; *Transformational leadership* and *Stakeholder-oriented marketing*. EFA analysis was not applied to two variables: CSR practices and Financial performance because these were formative construct variable, 2nd – order factor. According Hair et al. (2017) EFA analysis does not accord with formative construct. The EFA results show three independent variables suitable for the next analysis.

The results of overall reliability assessment are as follows:

Table 1
Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
CSR Practices	0.982	0.983	0.982	0.666
CSR_Com	0.911	0.911	0.911	0.672
CSR_Custo	0.872	0.872	0.872	0.694
CSR_Empl	0.910	0.911	0.910	0.629
CSR_Envir	0.928	0.928	0.928	0.682
CSR_Invest	0.898	0.898	0.898	0.638
CSR_Supply	0.872	0.872	0.872	0.695
Financial performance	0.949	0.951	0.949	0.653
Growth	0.917	0.917	0.917	0.689
Profit	0.871	0.877	0.872	0.579
Transactional leadership	0.932	0.933	0.932	0.775
Transformational leadership	0.920	0.920	0.920	0.697

Overall reliability assessment means reliability measurement of a set of observed variables that measure a concept (factor) and CA reliability coefficient that measures internal consistency across a set of observed variables of answers. The overall reliability is meaningful when value is higher than 0.7 and the CA reliability is 0.6 or higher, according to Henseler et al. (2009).

Table 2
Fornell-Larcker Criterion

	CSR Practices	CSR_Com	CSR_Custo	CSR_Empl	CSR_Envir	CSR_Invest	CSR_Supply	Financial performance	Growth	Profit	Transactional leadership	Transformational leadership
CSR Practices	0.816											
CSR_Com	0.014	0.820										
CSR_Custo	0.011	0.367	0.833									
CSR_Empl	0.040	0.020	0.037	0.793								
CSR_Envir	0.015	0.088	0.094	0.030	0.826							
CSR_Invest	0.036	0.010	0.022	0.049	0.026	0.799						
CSR_Supply	0.385	0.089	0.238	0.293	0.032	0.282	0.833					
Financial performance	0.395	0.392	0.388	0.392	0.396	0.429	0.360	0.808				
Growth	0.383	0.377	0.379	0.379	0.385	0.415	0.348	0.058	0.830			
Profit	0.423	0.422	0.412	0.420	0.421	0.460	0.386	0.078	0.054	0.761		
Transactional leadership	0.594	0.573	0.596	0.600	0.601	0.656	0.508	0.322	0.307	0.349	0.880	
Transformational leadership	0.463	0.450	0.431	0.474	0.461	0.470	0.496	0.511	0.520	0.518	0.379	0.835

To evaluate differentiation value, according to Henseler et al. (2009), differentiation value is a degree of distinguishing concept of a specific latent variable from concepts of other latent variables. Therefore, variables in the modeling are satisfied. To evaluate convergent value of the scale: The scale reached convergent value when outer loading of the scale is high (> 0.5) and has statistical significance ($p < 0.05$) (Henseler et al., 2009) and total variance extracted reflects the general variability of observed variables explained by the valid latent variable that has a value above 0.5 (Henseler et al., 2009). Therefore, the parameters in Table 1 and Table 2 are satisfied to conduct analysis and test of research hypotheses.

Table 3
Model fit

	Saturated Model	Estimated Model
SRMR	0.054	0.066
d_ ULS	3.932	6.201
d_ G1	3.001	3.108
d_ G2	2.456	2.602
Chi-Square	4,322.33	4,568.22
NFI	0.895	0.899

Measurement of overall defined coefficient (R-square value), is an indicator to measure the fit with data model (explanation of model). Henseler et al. (2009) describe R-Squared values of 0.67, 0.33 and 0.19 in PLS path models as strong, medium and weak respectively. In our model, value of R^2 is 0.356 which means that 35.6% of fluctuation of financial performance is explained by the variables in the model and it means that value of PLS – SEM model is relatively strong.

Table 4
Result of hypotheses test, P – value

	Original Sample (O)	Sample Mean (M)	Standard (STDEV)	Deviation	T ((O/STDEV))	Statistics	P Values
CSR Practices → Financial performance	-0.008	-0.007	0.007		12.736		0.000
Transactional leadership → CSR Practices	-0.011	-0.019	0.093		10.734		0.000
Transactional leadership → Financial performance	0.000	-0.001	0.008		33.012		0.000
Transformational leadership → CSR Practices	-0.007	-0.006	0.041		20.056		0.000
Transformational leadership → Financial performance	-0.036	-0.037	0.008		4.562		0.000

Impact coefficient of variables in the model is shown in Fig. 2. From the results in Fig. 2 and Table 4, transformational leadership has positive impact coefficient on CSR practices with an average impact coefficient of 0.273 at 1% significance level (P-value = 0.000). It means that the hypothesis H_1 is supported. The research result supports the study of Du et al. (2013). Transactional leadership has a negative impact on CSR practices at a very low level of 0.011 at 1% significant level, which means that hypothesis H_2 is supported. However, transactional leadership has a relatively strong positive impact on financial performance with an impact level of 0.289 contrary to transformational leadership that negatively impacts on financial performance at an impact level of 0.036 and both are at 1% significant level. In addition, CSR activities have positive impacts on financial performance at a relative strong level of 0.225 at 1% significant level. The above result shown that the hypotheses H_{4a} and H_5 are supported but the hypothesis H_6 is rejected.

Next we test the mediate role of CSR practices in the relationship between transformational leadership style and financial performance. To test mediate role, we conduct test of mediate role with 4 steps according Hair et al. (2014) as follows:

Step 1: Has statistical significance between independent variable and dependent variable,

Step 2: Has statistically significant relationship between independent variable and mediate variable,

Step 3: Has statistically significant relationship between mediate variable and dependent variable,

Step 4: In full model, there has no statistically significant relationship between independent variable and dependent variable.

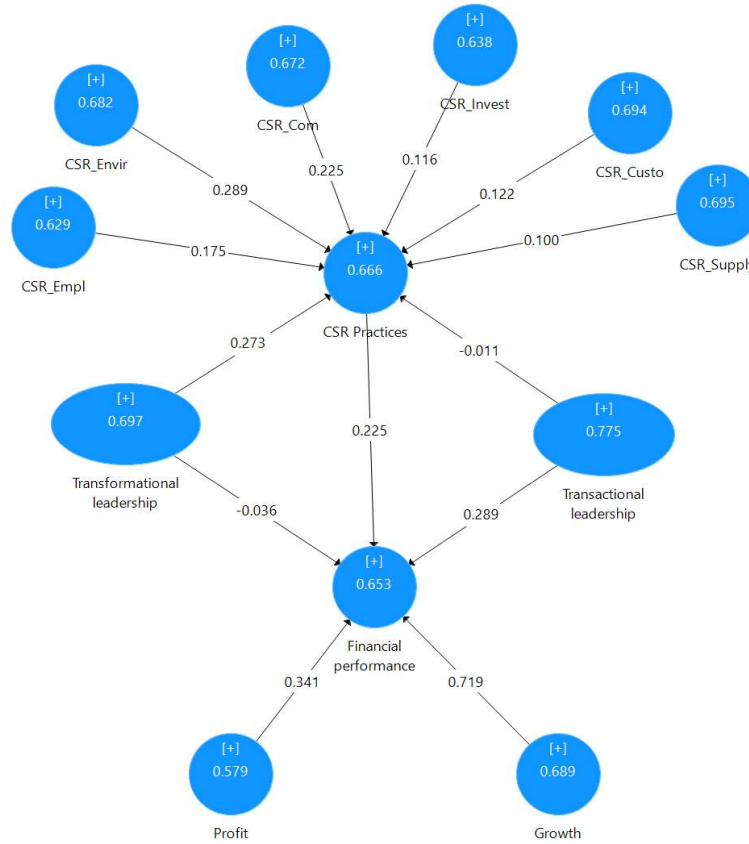


Fig. 2. PLS - SEM result

Firstly, we test direct relationship between transformational leadership style and financial performance as follows: Step 1: Has direct statistically significant relationship between independent variable and dependent variable.

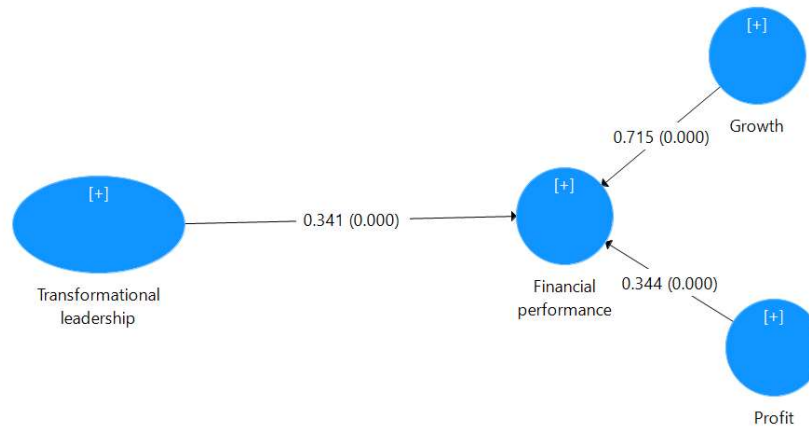


Fig. 3. Direct relationship between transformational leadership style and financial performance

Therefore, Transformational leadership style has strong direct effect on financial performance, which qualifies to conduct mediate role test of CSR practices.

Step 2: Has statistically significant relationship between independent variable and mediate variable:

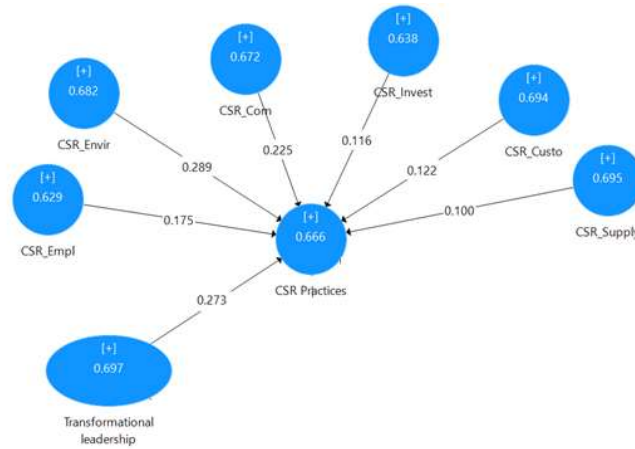


Fig. 4. Direct relationship between Transformational leadership style and CSR practices

Therefore, step 2 is confirmed and we now test step 3:

To test the impact of CSR practices on financial performance we have the following,

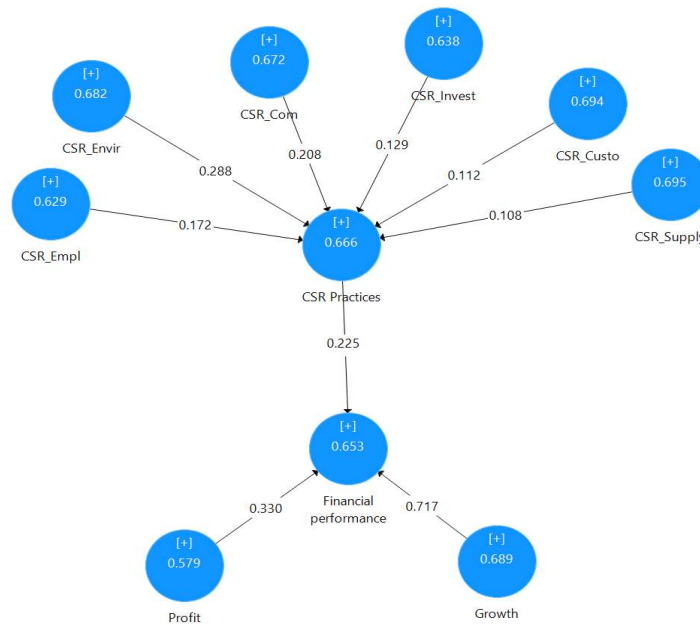


Fig. 5. Direct relationship between CSR practices and financial performance

Therefore, CSR practices influence on financial performance at average level of 0.225 when the level of significance level is one percent (P - value < 0.001). Therefore, this qualifies to conduct the mediate role test of CSR practices.

To test mediate role of CSR practices as follows:

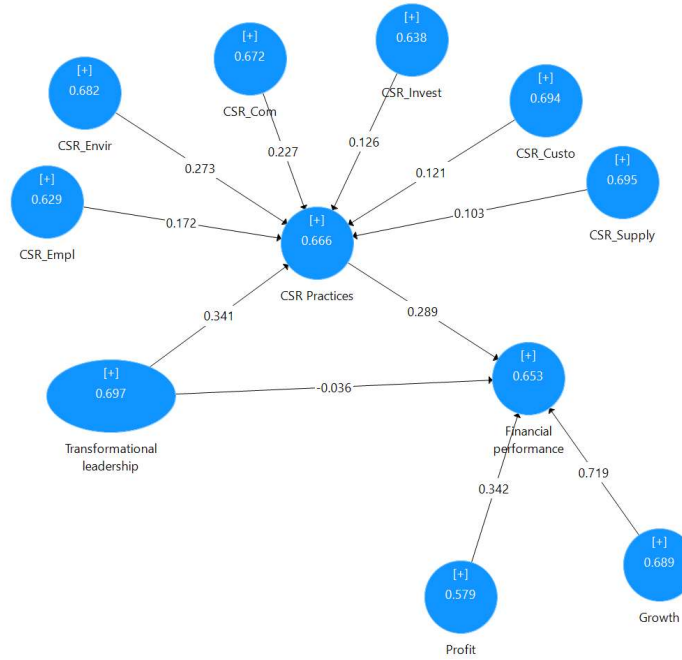


Fig. 6. Mediate relationship between Transformational leadership style and financial performance

As we can observe from Fig. 6, in the model testing mediate role, the impact of CSR practices in the relationship between transformational leadership and financial performance, Transformational leadership no longer has statistically significant effect on financial performance, which means that CSR practices had an overall mediate role in the relationship between transformational leadership and financial performance. It means that the hypothesis H_{4b} is supported. Next we test moderate role of 3 moderate variables in research model as follows:

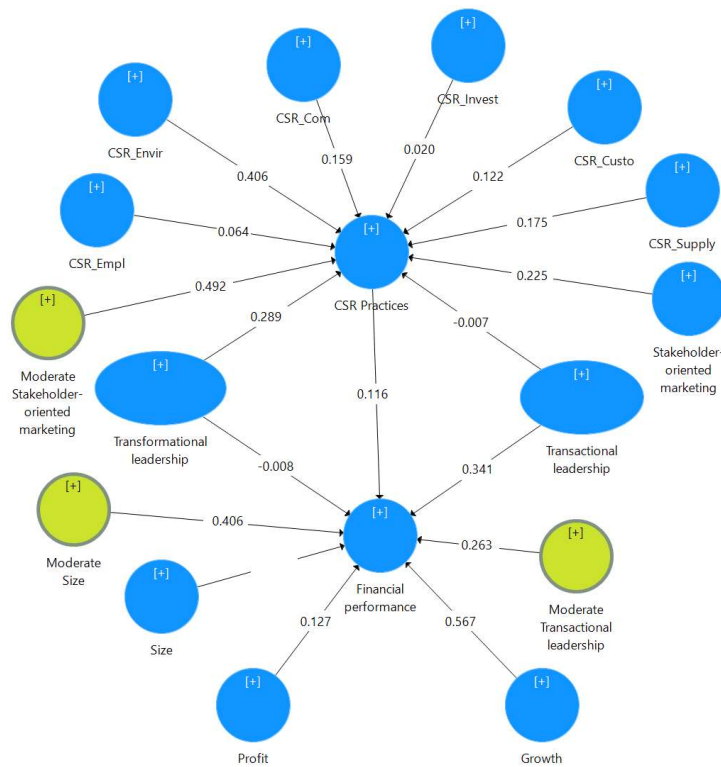


Fig.7. Bootstrap out: Result moderate role test

The results shown in Fig. 7 implies the effect of Stakeholder-oriented marketing moderate variable is 0.492, which is meaningful when the level of significance is one percent (P - value = 0.000). It means the more leaders tend to strongly follow in Stakeholder-oriented marketing, the more they see transformational leadership style on CSR implementation of such enterprises. In contrast, the less enterprises follow Stakeholder-oriented marketing, the less transformational leadership style on CSR implementation decisions. Fig. 8 shows the moderate role of stakeholder-oriented marketing.

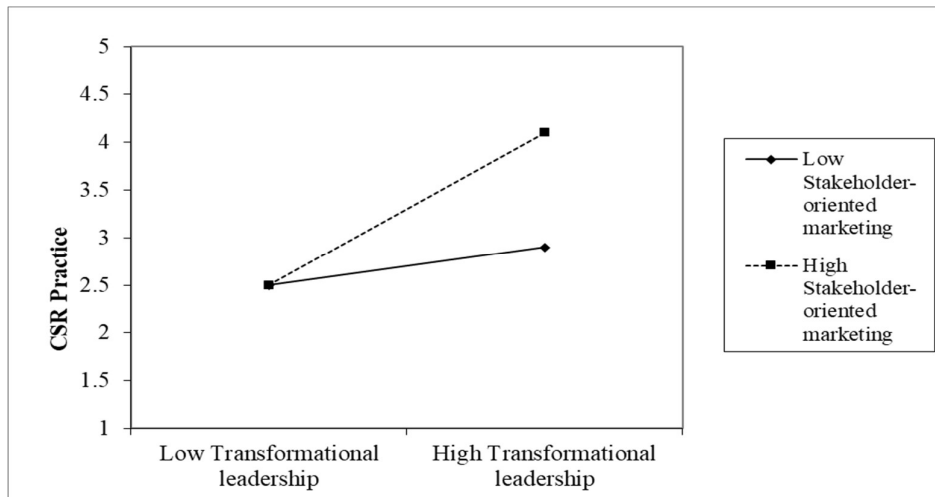


Fig. 8. Moderate role of Stakeholder - oriented marketing

For enterprises, the more Stakeholder-oriented marketing, the more impact of transformational leadership on CSR implementation of such enterprises. Moreover, the less enterprise follows Stakeholder-oriented marketing, the less the effect of transformational leadership on CSR practices. However, in such cases transformational leadership has positive impact on CSR Practices.

Moderate role of an enterprise scope in the relationship between transformational leadership and financial performance is modeled and shown in Fig. 9.

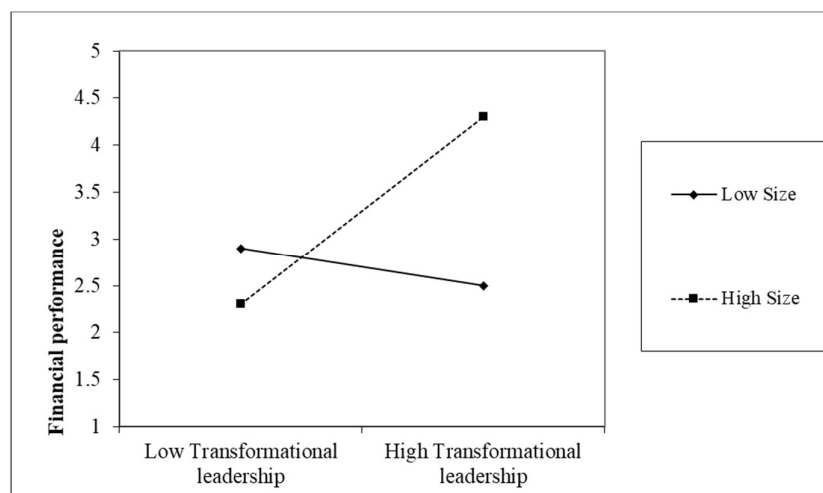


Fig. 9. Moderate role of Size

In big companies, transformational leadership strongly and positively impacts on financial performance. The leadership style helps employees have motivation on work and do their best to contribute to organization. However, in small companies, when the employee's awareness is low, transformational leadership will make financial performance of such companies worse. Therefore, enterprises should depend on

their life cycles to apply appropriate leadership styles to ensure the existence and sustainable development of enterprise.

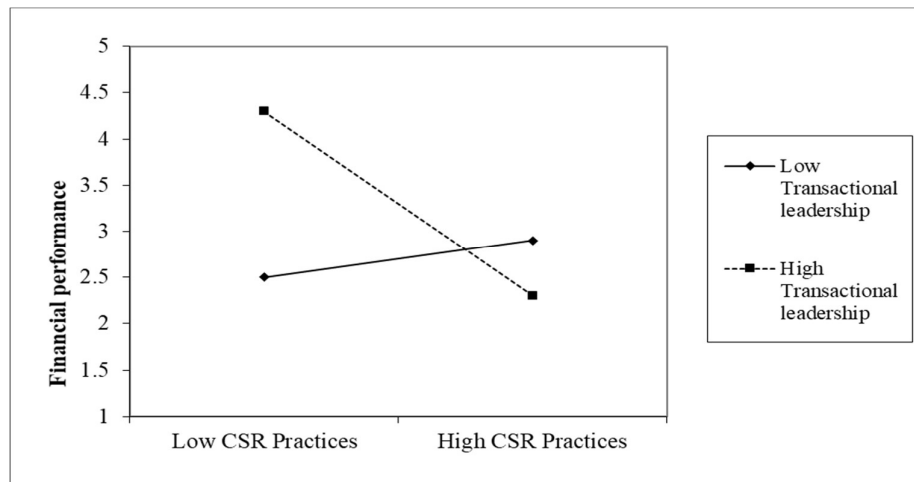


Fig.10. Moderate role of transactional leadership

For company following low transactional leadership, the more CSR practices, the more financial performance increase but increase level is not much and with company following high transactional leadership, the less CSR practices, the more financial performance. Because such enterprises are always looking for shareholders' interests. However, this is only short-term benefit and they do not pay attention to long term one.

5. Conclusion

The United Nations and global companies' agendas are interested in CSR that is considered as culture, strategy of such companies. However, based on our survey results at micro level of some enterprises, CSR activities have many shortcomings. We have tried to clarify and draw the best overall landscape of the role of leadership style to CSR practices in Nam Dinh textile garment enterprises. In which transformational leadership style has a positive impact on CSR practices, in contrast corporate leaders following transactional style have seen an opposite impact on CSR practices although both styles are expected to bring better financial performance in the future. The results have shown that transformational leadership impacts in the opposite direction on financial performance and not the same direction as our initial expectations. The research result supports the study of Du et al. (2013). In addition, enterprise scope plays a moderate role between transformational leadership and financial performance. With big enterprises, the leadership style will make financial performance much more effective and sustainable and in small businesses, the leadership style will make financial performance worse. Also, transactional leadership plays a moderate role in the relationship between CSR practices and financial performance. For enterprises implementing many CSR activities and following transactional leadership style, financial efficiency seems to be better and vice versa. Ultimately, stakeholders-oriented marketing playing as moderate role has statistically significant relationship between transformational leadership and CSR practices, with enterprises following stakeholders-oriented marketing integrated with leaders following transformational leadership style, CSR activities are highly focused in these organizations and vice versa.

References

- Acedo, F. J., & Jones, M. V. (2007). Speed of internationalization and entrepreneurial cognition: Insights and a comparison between international new ventures, exporters and domestic firms. *Journal of world Business*, 42(3), 236-252.

- Anderson, L. M., & Bateman, T. S. (2000). Individual environmental initiative: Championing natural environmental issues in US business organizations. *Academy of Management Journal*, 43(4), 548-570.
- Aras, G., Aybars, A., & Kutlu, O. (2010). Managing corporate performance: Investigating the relationship between corporate social responsibility and financial performance in emerging markets. *International Journal of Productivity and Performance Management*, 59(3), 229-254.
- Bass, B. M., & Avolio, B. J. (1993). Transformational leadership and organizational culture. *Public administration quarterly*, 17, 112-121.
- Bass, B. M. & Avolio, B. J. (2000). *MLQ Multifactor Leadership Questionnaire Redwood City: Mind Garden*.
- Chin, W. W. (1998). The partial least squares approach to structural equation modeling. *Modern methods for business research*, 295(2), 295-336.
- Coviello, N. E., Brodie, R. J., Danaher, P. J., & Johnston, W. J. (2002). How firms relate to their markets: an empirical examination of contemporary marketing practices. *Journal of Marketing*, 66(3), 33-46.
- Coombs, J. E., & Gilley, K. M. (2005). Stakeholder management as a predictor of CEO compensation: Main effects and interactions with financial performance. *Strategic Management Journal*, 26(9), 827-840.
- Darlington. (1990). *Regression and linear models*. New York: McGraw-Hill.
- Derue, D. S., Nahrgang, J. D., Wellman, N., & Humphrey, S. E. (2011). Trait and behavioral theories of leadership: An integration and meta-analytic test of their relative validity. *Personnel Psychology*, 64(1), 7-52.
- Du, S., Swaen, V., Lindgreen, A., & Sen, S. (2013). The roles of leadership styles in corporate social responsibility. *Journal of Business Ethics*, 114(1), 155-169.
- Dunlop, P. D., & Lee, K. (2004). Workplace deviance, organizational citizenship behavior, and business unit performance: The bad apples do spoil the whole barrel. *Journal of Organizational Behavior: The International Journal of Industrial, Occupational and Organizational Psychology and Behavior*, 25(1), 67-80.
- Eikenberry, A. (2009). Refusing the market: A democratic discourse for voluntary and nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, 38(4), 582-596.
- Friedman, M. (1970). A Friedman doctrine: The social responsibility of business is to increase its profits. *The New York Times Magazine*, 13(1970), 32-33.
- Ferrell, O. C., Fraedrich, J., & Ferrell, L. (2011). *Business ethics: Ethical decision making and cases* (8th ed.). Mason: SouthWestern, Cengage Learning.
- Groves, K. S., & LaRocca, M. A. (2011). An empirical study of leader ethical values, transformational and transactional leadership, and follower attitudes toward corporate social responsibility. *Journal of Business Ethics*, 103, 511-528.
- Hair Jr, J. F., Matthews, L. M., Matthews, R. L., & Sarstedt, M. (2017). PLS-SEM or CB-SEM: updated guidelines on which method to use. *International Journal of Multivariate Data Analysis*, 1(2), 107-123.
- Hair, J.F., Hult, G.T.M., Ringle, C.M. & Sarstedt, M. (2014), *A Primer on Partial Least Squares Structural Equation Modeling*, Sage, Thousand Oaks, CA.
- Hasan, I., Kobeissi, N., & Wang, H. (2018). Corporate Social Responsibility and Firm Financial Performance: The Mediating Role of Productivity. *Journal of Business Ethics*, 149, 671 - 688.
- Henseler, J., Ringle, C. M., & Sinkovics, R. R. (2009). The use of partial least squares path modeling in international marketing. In *New challenges to international marketing* (pp. 277-319). Emerald Group Publishing Limited.
- Huang, C. (2011). Achievement goals and achievement emotions: A meta-analysis. *Educational Psychology Review*, 23, 359-388.
- Jackson. (2003). Serving Stakeholders. *CA Magazine, Toronto*, 3, 34-36.
- Jyoti, J., & Bhau, S. (2015). Impact of transformational leadership on job performance: Mediating role of leader-member exchange and relational identification. *SAGE Open*, 5(4), 2158244015612518.

- Kline, R. B. (2005). *Principles and Practice of Structural Equation Modeling*. 3rd ed., THE GUILFORD PRESS. New York London
- Kotler, P. & Lee, N. (2005). *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*. Hoboken, NJ: John Wiley & Sons.
- Kalafatis, S., & Ledden, L. (2013). Carry-over effects in perceptions of educational value. *Studies in Higher Education*, 38(10), 1540-1561.
- Le, T., Nguyen, T., Phan, T., Tran, M., Phung, X., Tran, T., & Giao, K. (2019). Impact of corporate social responsibility on supply chain management and financial performance in Vietnamese garment and textile firms. *Uncertain Supply Chain Management*, 7(4), 679-690.
- Lewis, L. (2014). Change management. In V. D. Miller & M. E. Gordon (Eds.), *Meeting the challenge of human resource management: A communication perspective*, 134-144.
- Longe, O. J. (2014). Leadership style paradigm shift and organisational performance: A case of the Nigerian Cement Industry. *African Research Review*, 8(4), pp. 68-83.
- Manner, M. H. (2010). The Impact of CEO Characteristics on Corporate Social Performance. *Journal of Business Ethics*, 93, 53-72.
- Mishra, S., & Suar, D. (2010). Does corporate social responsibility influence firm performance of Indian companies?. *Journal of business ethics*, 95(4), 571-601.
- Ojokuku, R. M., Odetayo, T. A., & Sajuyigbe, A. S. (2012). Impact of leadership style on organizational performance: a case study of Nigerian banks. *American Journal of Business and Management*, 1(4), 202-207.
- Phan, T. T. H., & Nguyen, T. T. L. (2018). Research on awareness and status of corporate social responsibility in Vietnamese textile enterprises. *Journal of Economics and Development*, 254(8), 106-112.
- Porter, M.E. & Kramer, M.R. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84(12), 78-92.
- Resick, C. J., Hargis, M. B., Shao, P., & Dust, S. B. (2013). Ethical leadership, moral equity judgments, and discretionary workplace behavior. *Human Relations*, 66(7), 951-972.
- Resick, C. J., Martin, G. S., Keating, M. A., Dickson, M. W., Kwan, H. K., & Peng, C. (2011). What ethical leadership means to me: Asian, American, and European perspectives. *Journal of Business Ethics*, 101, 435-457.
- Roxas, B., & Coetzer, A. (2012). Institutional Environment, Managerial Attitudes and Environmental Sustainability Orientation of Small Firms. *Journal of Business Ethics*, 111(4), 461-476.
- Saeidi, S. P., Sofian, S., Saeidi, P., Saeidi, S. P., & Saeidi, S. A. (2015). How does corporate social responsibility contribute to firm financial performance? The mediating role of competitive advantage, reputation, and customer satisfaction. *Journal of Business Research*, 68(2), 341-350.
- Santos, J. B., & Brito, L. A. L. (2012). Toward a subjective measurement model for firm performance. *BAR-Brazilian Administration Review*, 9(SPE), 95-117.
- Schaubroeck, J. M., Hannah, S. T., Avolio, B. J., Kozlowski, S. W. J., Lord, R. G., et al. (2012). Embedding ethical leadership within and across organization levels. *Academy of Management Journal*, 55(5), 1053-1078.
- Sofi, M. A. & Devanadhen, D. K. (2015). Impact of leadership styles on organizational performance: An empirical assessment of banking sector in Jammu and Kashmir. *IOSR Journal of Business and Management*, 17(8), 31-45.
- Tran, H., Bui, V., Phan, T., Dau, X., Tran, M., & Do, D. (2019). The impact of corporate social responsibility and risk management on financial performance: The case of Vietnamese textile firms. *Management Science Letters*, 9(7), 1029-1036.
- Uchenwamgbe, B. P. (2013). Effects of Leadership Style on Organization Performance in Small and Medium Enterprises (SMEs) in Nigeria, *European Journal of Business Management*, 5(23), 53-73.
- Vera, D., & Crossan, M. (2004). Strategic leadership and organizational learning. *Academy of Management Review*, 29, 222-240.
- Waldman, D. A., Siegel, D. S., & Javidan, M. (2006). Components of CEO transformational leadership and corporate social responsibility. *Journal of Management Studies*, 43, 1703-1725.

- Wang, G., Oh, I.-S. & Courtright, S. H., 2011. Transformational leadership and performance across criteria and levels: A meta-analytic review of 25 years of research. *Group & Organization Management*, 36(2), 223-270.
- Wagner, K. V. (2008). *8 Major Leadership Theories. UNPAN 1*, Retrieved from: <http://www.unpan1.un.org/intradoc>
- Xu, G. Y. & Wang, Z. S. (2008). *The impact of transformational leadership style on organizational performance: The intermediary effects of leader-member exchange*. Long Beach, CA, USA, IEEE Xplore, 1090-1097.



© 2019 by the authors; licensee Growing Science, Canada. This is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC-BY) license (<http://creativecommons.org/licenses/by/4.0/>).