Innovations

Social Activities Payoffs: Determining Community Development and Business Sustainability via PLS-SEM

[1] **Getinet Fentahun Salilew** & [2] **Dr. N. Kishore Babu**
[1] Research Scholar; [2] Professor
[1,2] Commerce and Management Studies Department, Andhra University, Visakhapatnam, India

Corresponding Author: **Getinet Fentahun Salilew**

Abstract: *Guided by stakeholder and sustainability theories, the study aimed to explore how socially oriented CSR practices influence community welfare and sustainable business performance. An explanatory research design with a quantitative approach was employed. Data were collected through structured questionnaires administered to employees and local community residents, selected via stratified random and purposive sampling, respectively. A total of 351 valid responses were analysed using Smart PLS 4.1.1.5, applying the Partial Least Squares Structural Equation Modelling technique. The measurement model showed high reliability and validity, with Cronbach's alpha values ranging from 0.70 to 0.97. Structural model analysis indicated that CSRSO positively influences community development (β = 0.601, p < 0.001) and business sustainability (β = 0.158, p = 0.001). Community development also had a strong positive effect on business sustainability (β = 0.636, p < 0.001), while the indirect impact of CSRSO on BS through CD (β = 0.383, p < 0.001) confirmed a partial mediation effect. The R^2 values of 0.362 for CD and 0.550 for BS indicated moderate explanatory power of the model. The findings demonstrate that socially responsible firms enhance community well-being, which in turn fosters organizational sustainability through improved trust, legitimacy, and stakeholder engagement. The study concludes that community development acts as a strategic pathway linking CSR orientation to sustainable business outcomes. Theoretically, the results contribute to stakeholder and shared value theories by validating the mediating role of community development in the CSR-sustainability nexus. Practically, the study underscores the need for Ethiopian industrial firms to integrate CSR-driven community initiatives into their sustainability strategies.*

Keywords: *Corporate Social Responsibility, Community Development, Business Sustainability, PLS-SEM, Ethiopia, Industrial Parks*

1. Introduction

Corporate Social Responsibility (CSR) has evolved from a philanthropic notion into a strategic framework that integrates ethical, social, and environmental considerations within business operations (Carroll, 2021). Rooted in stakeholder and legitimacy theories, CSR posits that organizations enhance long-term performance by aligning their objectives with societal expectations and sustainable development priorities (Freeman et al., 2020). Within this framework, the social dimension of CSR, covering community engagement, employee welfare, and social inclusion, has gained particular attention as a key determinant of corporate legitimacy and resilience. Theoretically, social CSR contributes **to** Business Sustainability (BS) through the creation of social capital and trust, reinforcing firm–community relationships essential for stability and competitiveness (Aguinis & Glavas, 2019).

Empirical studies across various regions have demonstrated that socially responsible practices can improve organizational reputation, innovation, and stakeholder loyalty, ultimately leading to enhanced sustainability outcomes (Gimeno-Arias et al., 2021; Khan et al., 2023). However, the mediating role of Community Development (CD), a process through which firms contribute to local welfare and socio-economic capacity building, remains underexplored, particularly in emerging and underdeveloped economies. In such contexts, CD often serves as the practical channel through which CSR initiatives translate into measurable sustainability outcomes (Qing & Jin, 2022).

In Ethiopia, industrial parks have become central to the government's industrialization and job-creation agenda, yet their CSR engagement remains fragmented, and community linkages are weak (Wondimu & Tefera, 2024). This study empirically examines how social CSR influences business sustainability through community development, using thePLS-SEM approach to test direct and mediated effects. By situating evidence from Ethiopia within the broader global CSR-sustainability discourse, this study provides theoretical and practical insights into how socially responsible strategies can promote inclusive and sustainable industrial growth worldwide.

In Ethiopia, industrial parksestablished as drivers of industrialization and employment face persistent challenges related to community engagement, labor welfare, and environmental compliance (Wondimu & Tefera, 2024; Gebremariam & Abate, 2023). Weak governance structures and fragmented CSR strategies hinder firms from effectively linking corporate objectives to local community welfare. Consequently, the relationship between social CSR practices, community development, and business sustainability in such contexts remains underexplored. This study addresses these theoretical and empirical gaps by testing the mediating role of community development in the Social CSR–Business Sustainability relationship within Ethiopian industrial parks using PLS-SEM.

2. Review of Literature

2.1. Theoretical Framework

Scholars increasingly view the social dimension of Corporate Social Responsibility (social CSR) as a strategic driver of firm outcomes beyond short-term gains. Social CSR activities targeting community welfare, education, health, local employment, and stakeholder engagement create social value that can translate into enhanced legitimacy, trust, and long-term business sustainability (Aguinis & Glavas, 2019; Carroll, 2021). However, theoretical mechanisms and empirical pathways linking social CSR to business sustainability remain insufficiently specified.

Stakeholder theory provides a strong foundation for understanding how organizations operationalize social responsibility and sustainable development to improve community engagement outcomes (Ring, 2022). Firms that integrate community-oriented social activities demonstrate higher legitimacy and trust, leading to reciprocal benefits in local partnerships and business performance.

Aquino, Luck, and Schanzel (2018) introduced a conceptual framework of social entrepreneurship that links social value creation with sustainable community outcomes, highlighting how tourism and other community-centred industries leverage social innovation to drive both business growth and local empowerment (Aquino et al., 2018). Their model underscores that social payoffs such as employment creation, local capacity building, and infrastructure investment contribute directly to sustainable community development.

Emphasize that social sustainability relies on reinforcing institutional and social capital frameworks. These frameworks provide mechanisms for equitable distribution of social benefits and promote long-term environmental–social integration (Lehtonen, 2004; Eizenberg & Jabareen, 2017).

From a corporate perspective, Hediger (2010) developed a welfare-based framework illustrating that corporate social responsibility (CSR) activities yield dual payoffs, enhancing social welfare while safeguarding firm sustainability through reduced operational risks and enhanced reputation (Hediger, 2010). Similarly, Esteves (2008) argued for refocusing community investments using multi-criteria decision analysis, aligning corporate social spending with community priorities to maximize development impacts (Esteves, 2008).

Collectively, these studies support a systemic model in which social activities' payoffs create a reinforcing cycle between community well-being and business sustainability. By adopting integrative approaches that align firm-level CSR strategies with community needs, organizations foster resilient, mutually beneficial relationships that underpin both economic viability and social progress.

2.2. Empirical Review and Hypothesis Development

2.2.1. Community Development on Business Sustainability

Corporate innovation in community development leads to shared value creation, where firms gain legitimacy and community trust that enhances their sustainable performance. Their research in developing countries showed that businesses that actively invest in local socio-economic empowerment enjoy stronger community relations and long-term market stability (Muthuri et al., 2012).

Empirical evidence from Ethiopia suggests that corporate initiatives targeting community well-being enhance both social capital and sustainable business outcomes. Their findings revealed that firms participating in community education, health, and environmental protection projects developed enduring community partnerships that strengthened local support and minimized conflict (Mamo et al., 2023).

Community development acts as both a catalyst and stabilizer for business sustainability. By investing in the social and economic advancement of local communities, businesses not only fulfil ethical responsibilities but also reinforce their long-term viability and resilience.

H1: Community Development has a positive and significant effect on Business Sustainability

2.2.2. Effects of CSRSO on Business Sustainability

Firms with a strong CSR and environmental sustainability orientation perform better in terms of environmental efficiency and long-term profitability (Rehman et al., 2022). Similarly, Wang et al. (2022) found that social sustainability orientation positively affects organizational performance, indicating that companies prioritizing social initiatives are more likely to achieve sustainable growth and resilience.

Croom et al. (2018)demonstrated that firms integrating CSR-driven social sustainability orientation within their supply chain practices improve not only operational outcomes but also corporate reputation and stakeholder satisfaction, both of which contribute to sustainability.

These studies underscore that CSRSO is a critical enabler of business sustainability. By aligning corporate strategies with social responsibility values, firms can enhance stakeholder trust, reduce risk, and sustain profitability through reputation and innovation.

H2: Corporate Social Responsibility Social Orientation (CSRSO) has a positive and significant effect on Business Sustainability.

2.2.3. Effects of CSRSO on Community Development

Mamo, Sisay, and Dessalegn (2023) examined the socio-economic effects of CSR on local community development in Southern Ethiopia and found a significant positive relationship between CSR engagement and community well-being. Their findings revealed that firms demonstrating high social orientation contributed to job creation, infrastructure development, and social cohesion.

Masum, Aziz, and Hassan (2020)found that CSR-oriented companies tend to design socially inclusive programs that directly enhance community living standards. Their study concluded that CSR contributes to long-term community empowerment and sustainable development when aligned with local priorities.

Evidences support a positive linkage between CSR social orientation and community development, especially when CSR activities are participatory, inclusive, and aligned with the needs of the community.

H3:CSRSO has a positive and significant effect on Community Development.

2.2.4. Effects of CSRSO on Community Development and Business Sustainability

Mamo, Sisay, and Dessalegn (2023) found that CSR engagement significantly impacts local community development through employment creation, health and education initiatives, and environmental protection efforts. This study confirmed that socially responsible firms experience a feedback effect, community development contributes to enhanced business legitimacy, and long-term sustainability.

Similarly, Masum, Aziz, and Hassan (2020) emphasized that social responsibility activities, when guided by a strong social orientation, yield measurable community benefits and create a favourable operational environment for firms. Their findings demonstrate that CSR-oriented companies enhance both community well-being and business continuity, showing that the social payoffs of CSR are intrinsically linked to sustainable firm performance.

Asumah (2015) showed that consistent CSR investment in community development enhances corporate stability and minimizes social conflict, establishing CSR as a strategic pathway to business sustainability.

While most studies affirm a positive relationship, they caution that superficial CSR activities can lead to minimal community or sustainability outcomes, suggesting that authentic social orientation is critical for realizing tangible and long-term impacts (McLennan & Banks, 2019).

Taken together, these studies suggest that CSRSO contributes not only to community empowerment and social development but also enhances business sustainability by promoting trust, legitimacy, and shared value creation.

H₄: Corporate Social Responsibility Social Orientation (CSRSO) has a positive and significant effect on both Community Development and Business Sustainability.

3. Research Design and Methodology

An explanatory research design with a quantitative approach was employed to identify trends and examine causal relationships among E-CSRSO, Community Development, and Business Sustainability. A survey method was adopted for its efficiency in gathering standardized data and analysing organizational and community dynamics.

Data were analysed using Smart PLS 4.1.1.5, with PLS-SEM selected for its suitability in testing complex latent constructs and its robustness with moderate sample sizes.

4. Hypothesis Testing and Discussion

Prior to hypothesis testing, the measurement model was assessed for reliability and validity. All constructs achieved acceptable thresholds for Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE), confirming internal consistency and convergent validity (Hair et al., 2021).

The measurement model given in Figure 1 illustrates the relationships among Social-Oriented Corporate Social Responsibility (CSRSO) with six indicators by omitting two indicators (CSRSO4 and CSRSO7) due to a singular matrix problem, Community Development (CD), and Business Sustainability (BS) dimensions—People (BSPE), Planet (BSPL), and Profit (BSPR). The CD constructs (CDH, CDE, CDI, CDC). All indicator loadings are above 0.7, confirming strong outer loadings consistent with the PLS-SEM results.
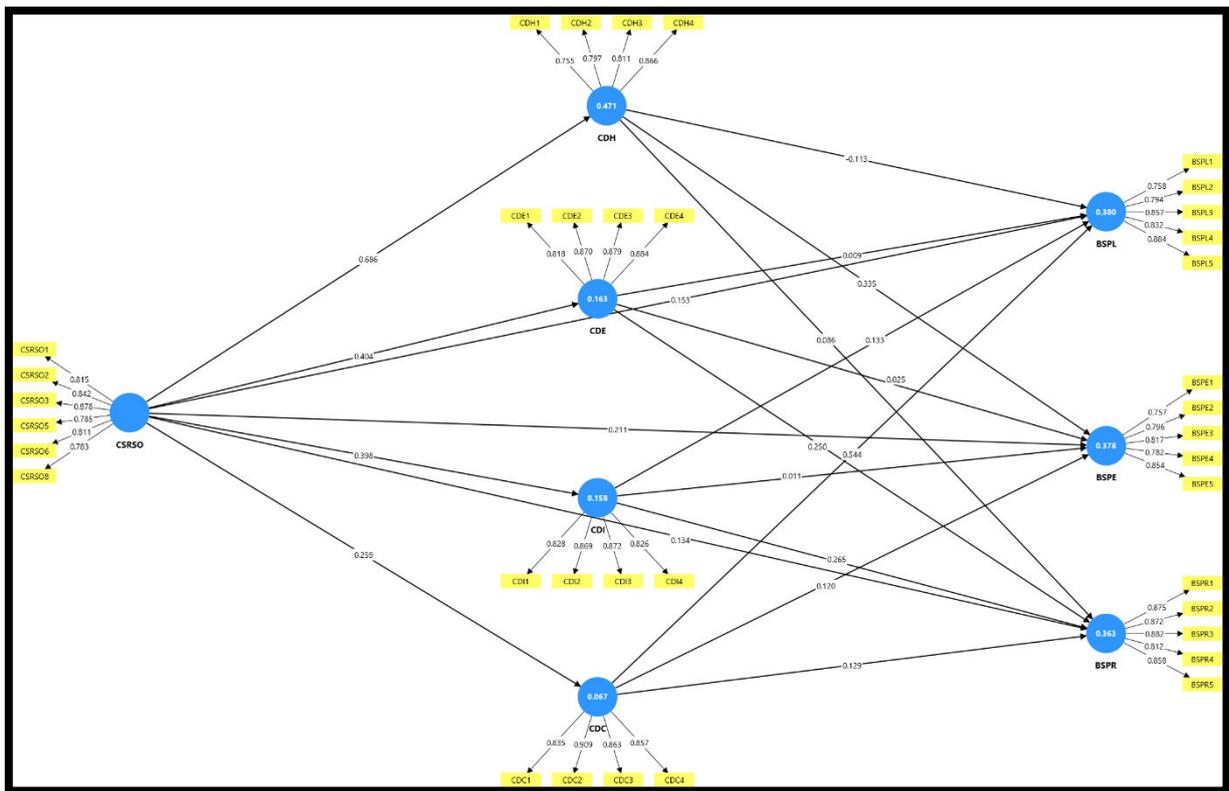
Figure 1: LOC PLS-SEM Graphics

The measurement model given below in Table 1 demonstrated strong reliability and convergent validity across all constructs. Cronbach's alpha values ranged from 0.822 to 0.912, exceeding the 0.70 threshold (Nunnally & Bernstein, 1994), indicating high internal consistency. Similarly, composite reliability (ρ_a and ρ_c) values fell between 0.828 and 0.934, confirming construct reliability beyond acceptable standards (Hair et al., 2022).

The Average Variance Extracted (AVE**)** values, ranging from 0.643 to 0.751, were all above the 0.50 benchmark, demonstrating adequate convergent validity (Fornell & Larcker, 1981). Among the constructs, CDC (0.751) and BSPR (0.740) showed the strongest convergent validity, while CDH (0.653) remained within acceptable limits. These results collectively confirm that the measurement model is statistically robust, internally consistent, and valid for subsequent structural analysis using PLS-SEM.

Table 1: Construct Reliability Analysis for LOCs (Cronbach Alpha and CR) & AVE

	Cronbach's	Composite	Composite	Average variance

	alpha	reliability (rho_a)	reliability (rho_c)	extracted (AVE)
BSPE	0.861	0.862	0.900	0.643
BSPL	0.883	0.883	0.915	0.683
BSPR	0.912	0.914	0.934	0.740
CDC	0.889	0.890	0.923	0.751
CDE	0.886	0.885	0.921	0.745
CDH	0.822	0.828	0.883	0.653
CDI	0.871	0.872	0.912	0.721
CSRSO	0.902	0.907	0.925	0.672

Source: Smart PLS Results; Survey,2025

Table 2: Discriminant Validity for LOCs- Fornell & Larcker Criterion

	BSPE	BSPL	BSPR	CDC	CDE	CDH	CDI	CSRSO
BSPE	**0.802**							
BSPL	0.269	**0.826**						
BSPR	0.342	0.400	**0.860**					
CDC	0.341	0.590	0.406	**0.866**				
CDE	0.418	0.418	0.504	0.644	**0.863**			
CDH	0.566	0.229	0.395	0.323	0.492	**0.808**		
CDI	0.307	0.302	0.464	0.281	0.399	0.430	**0.849**	
CSRSO	0.511	0.273	0.391	0.259	0.404	0.686	0.398	**0.820**

Source: Smart PLS Results; Survey,2025

The Fornell–Larcker criterion results in Table 2 above confirm satisfactory discriminant validity across all constructs. The square roots of the AVE values (shown on the diagonal in bold) are greater than the corresponding inter-construct correlations in each column and row, indicating that each latent variable shares more variance with its indicators than with other constructs (Fornell & Larcker, 1981).

Specifically, constructs such as CDC (0.866), CDE (0.863), andBSPR (0.860) demonstrate strong discriminant separation, showing minimal overlap with other constructs. The relatively lower correlations (e.g., BSPL–CDH = 0.229; CDI–CDC = 0.281) further confirm distinct conceptual boundaries between business sustainability dimensions and community development factors. These findings verify that multicollinearity is not a concern and that the model's constructs are empirically distinct and valid for structural analysis within the PLS-SEM framework (Hair et al., 2022).

Table 3: Discriminant Validity for LOCs-Hetrotrait-Monotrait Ratio (HTMT)

	BSPE	BSPL	BSPR	CDC	CDE	CDH	CDI	CSRSO

BSPE							
BSPL	0.305						
BSPR	0.383	0.442					
CDC	0.389	0.661	0.451				
CDE	0.476	0.471	0.558	0.725			
CDH	0.671	0.269	0.459	0.382	0.578		
CDI	0.350	0.343	0.521	0.318	0.453	0.507	
CSRSO	0.576	0.302	0.424	0.290	0.449	0.786	0.440

Source: Smart PLS Results; Survey, 2025

The Heterotrait–Monotrait (HTMT) ratio results given in Table 3 confirm adequate discriminant validity among all constructs. As recommended by Henseler et al. (2015), HTMT values below 0.85 indicate strong discriminant validity, while values between 0.85 and 0.90 remain acceptable for conceptually related constructs.

In this model, most inter-construct HTMT ratios fall below 0.85, confirming that each construct measures a unique aspect of the theoretical framework. The highest observed HTMT value (0.786, between CDH and CSRSO) is still within the acceptable threshold, suggesting that while these constructs are related through governance-linked social activities, they remain empirically distinct. Lower values (e.g., BSPL–CDH = 0.269; CDC–CDI = 0.318) further support discriminant separation between business sustainability and community development dimensions.

These results reinforce the earlier Fornell–Larcker findings and verify that multicollinearity is minimal, ensuring the constructs' validity for structural model assessment in PLS-SEM (Hair et al., 2022).

Table 4: Discriminant Validity for LOCs-Cross Loading

	BSPE	**BSPL**	**BSPR**	**CDC**	**CDE**	**CDH**	**CDI**	**CSRSO**
BSPE1	0.757	0.200	0.320	0.289	0.379	0.456	0.306	0.427
BSPE2	0.796	0.187	0.286	0.252	0.284	0.444	0.217	0.356
BSPE3	0.817	0.167	0.245	0.239	0.300	0.460	0.223	0.394
BSPE4	0.782	0.272	0.234	0.293	0.356	0.433	0.231	0.386
BSPE5	0.854	0.248	0.280	0.289	0.345	0.471	0.246	0.474
BSPL1	0.239	0.758	0.355	0.428	0.408	0.232	0.267	0.300
BSPL2	0.187	0.794	0.302	0.410	0.350	0.228	0.291	0.206
BSPL3	0.250	0.857	0.347	0.566	0.339	0.175	0.215	0.220
BSPL4	0.242	0.832	0.317	0.585	0.303	0.141	0.214	0.170
BSPL5	0.186	0.884	0.321	0.434	0.319	0.168	0.261	0.224
BSPR1	0.327	0.373	0.875	0.339	0.459	0.354	0.410	0.339
BSPR2	0.317	0.338	0.872	0.359	0.470	0.354	0.390	0.337
BSPR3	0.329	0.405	0.882	0.416	0.474	0.335	0.403	0.347
BSPR4	0.234	0.294	0.812	0.323	0.380	0.312	0.379	0.320

BSPR5	0.254	0.300	0.858	0.305	0.377	0.342	0.416	0.337
CDC1	0.257	0.561	0.318	0.835	0.498	0.275	0.256	0.213
CDC2	0.312	0.559	0.349	0.909	0.556	0.269	0.257	0.213
CDC3	0.306	0.446	0.379	0.863	0.576	0.296	0.255	0.220
CDC4	0.308	0.474	0.364	0.857	0.603	0.280	0.205	0.254
CDE1	0.362	0.392	0.429	0.633	0.818	0.397	0.257	0.358
CDE2	0.357	0.352	0.459	0.535	0.870	0.429	0.419	0.342
CDE3	0.361	0.359	0.448	0.547	0.879	0.459	0.369	0.350
CDE4	0.362	0.338	0.401	0.503	0.884	0.412	0.332	0.344
CDH1	0.443	0.212	0.358	0.352	0.429	0.755	0.328	0.417
CDH2	0.388	0.142	0.318	0.212	0.338	0.797	0.395	0.598
CDH3	0.482	0.180	0.290	0.211	0.389	0.811	0.292	0.575
CDH4	0.512	0.208	0.318	0.279	0.437	0.866	0.374	0.615
CDI1	0.287	0.288	0.388	0.235	0.345	0.375	0.828	0.391
CDI2	0.245	0.246	0.375	0.203	0.294	0.362	0.869	0.326
CDI3	0.227	0.230	0.413	0.211	0.349	0.351	0.872	0.295
CDI4	0.278	0.255	0.400	0.300	0.363	0.367	0.826	0.330
CSRSO1	0.431	0.270	0.403	0.245	0.381	0.621	0.377	0.815
CSRSO2	0.413	0.249	0.330	0.211	0.316	0.574	0.336	0.842
CSRSO3	0.470	0.230	0.332	0.229	0.353	0.585	0.345	0.878
CSRSO5	0.420	0.203	0.265	0.222	0.316	0.472	0.239	0.785
CSRSO6	0.394	0.199	0.334	0.160	0.319	0.614	0.372	0.811
CSRSO8	0.382	0.179	0.229	0.208	0.290	0.484	0.261	0.783

Source: Smart PLS Results; Survey,2025

The cross-loading results in Table 4 confirm the indicator reliability and discriminant validity of all measurement items. Each indicator loads highest on its corresponding construct compared to its correlations with other constructs, verifying that all items are well aligned with their intended latent variables (Hair et al., 2022).

For example, items under BSPE (loadings 0.757–0.854) and BSPR (0.812–0.882) show strong associations with their respective constructs, while cross-loadings with other constructs remain below 0.50. Similarly, indicators for CDC (0.835–0.909)and CDE (0.818–0.884) demonstrate high internal consistency and minimal cross-dimensional interference. The CSRSO indicators also exhibit satisfactory discriminant separation, with primary loadings above 0.78 and cross-loadings considerably lower, indicating conceptual distinctness.

Overall, all items meet the standard criterion of outer loadings ≥ 0.70 and cross-loadings < 0.50on non-target constructs, confirming satisfactory indicator reliability and discriminant validity within the measurement model (Fornell & Larcker, 1981; Hair et al., 2022).

Subsequently, the structural model was tested using Smart PLS 4.1.1.5, and path coefficients were evaluated through bootstrapping (5,000 resamples) to determine the significance and direction of hypothesized relationships among CSRSO, CD, and BS.

Table 5: Path Coefficients

Path	Path Coefficient	Standard Deviation	T-Statistics	P-Values	95% Confidence Interval
Direct Effect					
CD -> BS	0.638	0.045	14.056	0.000	(0.563; 0.713)
CSRSO -> BS	0.150	0.052	2.891	0.002	(0.062; 0.233)
CSRSO -> CD	0.602	0.038	15.886	0.000	(0.538;0.664)
Indirect Effect					
CSRSO -> CD -> BS	0.384	0.038	10.028	0.000	(0.326; 0.451)
Total Effect					
CD -> BS	0.638	0.045	14.056	0.000	(0.563; 0.713)
CSRSO -> BS	0.534	0.044	12.176	0.000	(0.462; 0.605)
CSRSO -> CD	0.602	0.038	15.886	0.000	(0.538;0.664)

Source: Smart PLS Results; Survey, 2025

H1: Community Development (CD) → Business Sustainability (BS)

The results show that Community Development exerts a strong and significant influence on Business Sustainability. This suggests that firms investing in community empowerment and welfare gain social legitimacy, operational stability, and long-term competitiveness.

Empirical studies by Muthuri, Moon, and Idemudia (2012)andOrdonez-Ponce and Clarke (2021) similarly found that firms engaging in collaborative community initiatives foster stakeholder trust, which directly contributes to sustainability outcomes. Ahmad, Yusof, and Abdullah (2013)further emphasized that community-oriented programs build social cohesion and improve corporate reputation, both key drivers of sustainable growth. This supports the Triple Bottom Line (TBL) framework (Elkington, 1997), which asserts that business longevity relies on the balanced pursuit of economic, social, and environmental objectives.

H2: CSRSO → Business Sustainability (BS)

The direct path between CSRSO and BS was positive and significant but comparativelyweaker, indicating that while CSR social orientation directly supports business sustainability, much of its impact operates indirectly through community development. Firms that integrate social responsibility into strategic planning enhance reputation, innovation, and employee engagement, all of which contribute to sustainable business outcomes.

This finding is consistent with Rehman, Bresciani, and Yahiaoui (2022), who observed that CSR orientation improves environmental and operational performance, particularly among SMEs. Similarly, Wang et al. (2022) found that socially responsible orientations enhance firms' resilience and long-term performance. Hsu and Chen (2023) also noted that CSR fosters innovation efficiency and environmental sustainability, reinforcing that social orientation is essential for sustainable competitiveness.

H3: CSRSO → Community Development (CD)

The analysis revealed a **strong and significant positive relationship** between Corporate Social Responsibility Social Orientation (CSRSO) and Community Development (CD). This indicates that firms with a strong CSR orientation actively contribute to social progress through initiatives in education, health, cultural preservation, and infrastructure.

This finding aligns with Mamo, Sisay, and Dessalegn (2023), who found that socially responsible firms in Ethiopian industrial parks enhanced community welfare through targeted social programs. Similarly, Masum, Aziz, and Hassan (2020) confirmed that CSR-oriented companies promote inclusive growth and strengthen social capital. Ismail et al. (2015) also noted that community engagement in CSR programs enhances mutual trust and strengthens corporate legitimacy. These studies collectively support stakeholder theory, which posits that socially responsible actions toward communities yield both social and organizational benefits (Hediger, 2010).

H₄: Indirect Effect — CSRSO → CD → BS (Mediation Analysis)

The results indicate a significant indirect effect of CSRSO on Business Sustainability through Community Development, confirming a partial mediation effect. This means CSR initiatives influence sustainability primarily by improving community welfare, which in turn enhances firms' operational harmony and social license to operate.

This finding echoes McLennan and Banks (2019), who argued that meaningful community development initiatives enhance firms' legitimacy and reduce social risks, thereby reinforcing sustainability. Hoi, Wu, and Zhang (2018) also found that companies embedded in socially cohesive communities tend to achieve higher CSR and sustainability outcomes. Thus, community development functions as a strategic bridge linking CSR social orientation to sustainable business performance, consistent with shared value theory (Porter & Kramer, 2011).

All four hypotheses were supported, confirming that CSR social orientation significantly enhances community development and business sustainability, both directly and indirectly. The findings validate that firms engaging in socially oriented CSR activities create a mutually reinforcing cycle where community welfare drives sustainable business performance.
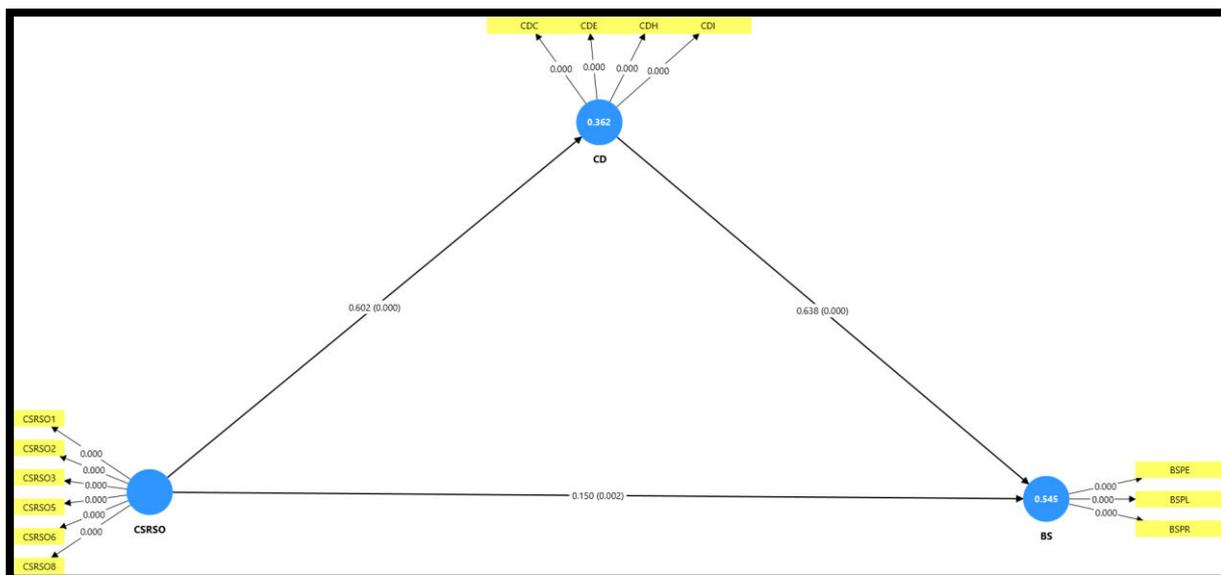
Figure 2: Size and Significance of Path Relationships among Variables

The model given in Figure 2 comprised three latent constructs: CSRSO, CD, and BS, measured by six, four, and three indicators, respectively. CSRSO reflected a firm's social and work orientation, CD captured community health, education, infrastructure, and culture, while BS represented the triple bottom line dimensions—people, planet, and profit. The results showed that CSRSO explained 36.2% (R^2 = 0.362) of the variance in community development, and together with CD, accounted for 54.5% (R^2 = 0.545) of business sustainability, indicating moderate explanatory power (Hair et al., 2021).

Table 6: Model Explanatory Power and Predictive Relevance

Predictors	Outcome/s	R-Square (R^2)	f-Square (f^2)	Q-Square (Q^2)	RMSE	MAE
CD		0.545	0.572			
CSRSO	BS		0.031	0.276	0.858	0.670
CSRSO	CD	0.362	0.568	0.352	0.811	0.616

Source: Smart PLS Results; Survey, 2025

The effect size (f^2) results indicate that Community Development (CD)has asignificant effect on Business Sustainability (BS) (f^2 = 0.572). At the same time, Social-Oriented Corporate Social Responsibility (CSRSO)exerts asmall to moderate influenceon Community Development (f^2 = 0.031). These findings, consistent with Cohen's (1988) benchmarks, suggest that community development serves as a substantial transmission mechanism linking CSR to sustainability outcomes.

The predictive relevance (Q^2) values demonstrate strong model accuracy, with Q^2 = 0.276 for business sustainability and Q^2 = 0.352 for community development. Since

all Q^2 values exceed zero, the structural model possesses meaningful predictive relevance (Hair et al., 2022).

Model precision indicators also confirm good predictive quality. For business sustainability, RMSE = 0.858 and MAE = 0.670; for community development, RMSE = 0.811 and MAE = 0.616. These relatively low error values indicate stable estimation and reliable prediction performance within the PLS-SEM model.

5. Conclusions

This study explored the causal relationships among Corporate Social Responsibility Social Orientation (CSRSO), Community Development (CD), and Business Sustainability (BS) within the industrial parks of the Amhara Regional State, Ethiopia. Using Partial Least Squares Structural Equation Modelling (PLS-SEM), the results confirmed that CSRSO has both direct and indirect positive effects on business sustainability, with community development serving as a significant mediating variable.

The analysis revealed that firms with a strong CSR orientation significantly contribute to community development (β = 0.602, p < 0.001), reflecting the importance of socially responsible practices in enhancing education, health, infrastructure, and culture. In turn, community development strongly influences business sustainability (β = 0.638, p < 0.001) by fostering stakeholder trust, social stability, and shared prosperity. Although the direct relationship between CSRSO and BS (β = 0.150, p = 0.002) was relatively weaker, the indirect effect through CD (β = 0.384, p < 0.001) confirmed that community engagement is a key mechanism through which CSR orientation enhances long-term sustainability outcomes.

These findings demonstrate that socially responsible orientation is not only an ethical obligation but also a strategic asset that reinforces sustainable business performance. The study validates the principles of stakeholder theory, sustainability theory, andshared value theory, showing that mutual collaboration between firms and communities leads to inclusive and enduring growth. In the Ethiopian industrial park context, CSR-driven community initiatives strengthen corporate legitimacy, operational resilience, and competitiveness.

Overall, the results highlight that community development acts as a vital bridge connecting CSR orientation and business sustainability. Companies that embed social responsibility intotheir strategic frameworks can simultaneously uplift communities and secure their long-term viability, demonstrating that sustainable business success is inseparable from societal well-being.

6. Theoretical and Practical Implications

The study contributes to the growing body of literature linking CSR and sustainability by providing empirical evidence for the mediating role of community

development. It extends stakeholder theory by demonstrating that corporate responsiveness to community needs enhances both legitimacy and sustainable performance. Furthermore, it advances shared value theory (Porter & Kramer, 2011) by empirically validating that community-oriented CSR initiatives create reciprocal benefits for firms and society. The integration of these theoretical perspectives establishes a more comprehensive framework explaining how social orientation translates into sustainable outcomes in developing-country contexts.

From a managerial standpoint, the findings underscore that CSR should be embedded within core business strategy, not treated as peripheral philanthropy. Managers in industrial parks should prioritize community-focused projects such as vocational training, health services, cultural bazars, and local infrastructure that address pressing societal challenges while reinforcing firm competitiveness. By adopting strategic CSR, firms can strengthen stakeholder trust, attract socially conscious investors, and enhance employee commitment, thereby improving long-term performance. Furthermore, effective stakeholder dialogue mechanisms should be institutionalized to ensure community voices inform CSR decisions, fostering transparency and co-creation.

For policymakers, the study highlights the need to create enabling frameworks that promote responsible corporate behaviour and inclusive growth. Industrial development policies in Ethiopia should incentivize firms to integrate CSR and community development goals within their operational strategies, aligning them with the Sustainable Development Goals (SDGs)—notably SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), and SDG 11 (Sustainable Communities). Collaborative partnerships among government, industry, and local communities should be strengthened to institutionalize CSR as a driver of national sustainable development.

While the study provides strong empirical evidence, future research could employ longitudinal designs to capture the dynamic nature of CSR impacts over time. Expanding the analysis to include environmental and governance dimensions of CSR would also provide a more holistic understanding of corporate sustainability. Comparative studies across different regions or industries in Ethiopia and other emerging economies could further validate the generalizability of the findings. Incorporating qualitative approaches such as structured interviews and case studies could enrich insights into how CSR initiatives are perceived and experienced by community stakeholders.

This study affirms that socially responsible orientation is both a moral imperative and a strategic necessity for businesses operating in developing contexts. Firms that view community development as integral to their sustainability agenda not only foster societal well-being but also secure enduring economic success. Hence, achieving business sustainability in Ethiopia's industrial ecosystem requires a

paradigm shift from transactional CSR to transformational, community-centred responsibility that creates lasting shared value.

7. References

1. Aguinis, H., & Glavas, A. (2019). On corporate social responsibility, sensemaking, and the search for meaningfulness through work. Journal of Management, 45(3), 1057–1086.
2. Ahmad, P., Yusof, F., & Abdullah, F. (2013). Local economic growth and community sustainability. Procedia - Social and Behavioral Sciences, 105, 274–283.
3. Aquino, R. S., Lück, M., & Schänzel, H. A. (2018). A conceptual framework of tourism social entrepreneurship for sustainable community development. Journal of Hospitality and Tourism Management.
4. Asumah, A. (2015). Effect of corporate social responsibility on community development: A case study of Anglogold Ashanti, Obuasi Mine.
5. Carroll, A. B. (2021). Corporate social responsibility: Perspectives on the CSR construct's development and future. Business & Society Review, 126(1), 39–66.
6. Cohen, J. (1988). Statistical power analysis for the behavioral sciences (2nd ed.). Lawrence Erlbaum Associates.
7. Croom, S., Vidal, N., Spetic, W., & Marshall, D. (2018). Impact of social sustainability orientation and supply chain practices on operational performance. International Journal of Operations & Production Management, 38(8), 1495–1519.
8. Eizenberg, E., & Jabareen, Y. (2017). Social sustainability: A new conceptual framework. Sustainability, 9(1), 68.
9. Elkington, J. (1997). Cannibals with Forks: The Triple Bottom Line of 21st Century Business. Capstone.
10. Esteves, A. M. (2008). Mining and social development: Refocusing community investment using multi-criteria decision analysis. Resources Policy, 33(1), 39–47.
11. Flint, R. W. (2013). Practice of sustainable community development. Springer.
12. Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. Journal of Marketing Research, 18(1), 39–50.
13. Freeman, R. E., Phillips, R., & Sisodia, R. (2020). Tensions in stakeholder theory. Business & Society, 59(2), 213–231.
14. Gebremariam, T., & Abate, M. (2023). Industrial parks and sustainable development in Ethiopia: A critical review of opportunities and challenges. Ethiopian Journal of Economics and Development Studies, 11(2), 44–58.
15. Gimeno-Arias, F., Santos-Jaén, J. M., Palacios-Manzano, M., & Garza-Sánchez, H. H. (2021). Using PLS-SEM to analyze the effect of CSR on corporate performance: The mediating role of HR management and customer satisfaction. Mathematics, 9(22), 2973.
16. Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2021). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM) (3rd ed.). Sage Publications.

17. Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A primer on partial least squares structural equation modeling (PLS-SEM) (3rd ed.)*. Thousand Oaks, CA: Sage.

18. Hediger, W. (2010). *Welfare and capital-theoretic foundations of CSR and corporate sustainability. Journal of Socio-Economics, 39(4), 518–526.*

19. Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). *A new criterion for assessing discriminant validity in variance-based structural equation modeling. Journal of the Academy of Marketing Science, 43(1), 115–135.*

20. Hoi, C. K., Wu, Q., & Zhang, H. (2018). *Community social capital and CSR. Journal of Business Ethics, 152(3), 647–665.*

21. Hsu, B. X., & Chen, Y. M. (2023). *The relationship between corporate social responsibility, external orientation, and environmental performance. Technological Forecasting and Social Change, 191, 122490.*

22. Ismail, M., Alias, S. N., & Mohd Rasdi, R. (2015). *Community as stakeholder of the corporate social responsibility programme in Malaysia: Outcomes in community development. Social Responsibility Journal, **11(1)**, 109–130.*

23. Khan, N., Bibi, S., & Jamal, W. (2023). *Corporate social responsibility and sustainable firm performance: The moderating role of innovation capability. Sustainability, 15(2), 1072.*

24. Lehtonen, M. (2004). *The environmental–social interface of sustainable development: Capabilities, social capital, institutions. Ecological Economics, 49(2), 199–214.*

25. Mamo, Y. A., Sisay, A. M., & Dessalegn, B. (2023). *The socio-economic effect of CSR on community development in Southern Ethiopia. Cogent Business & Management, 10(1).*

26. Masum, A., Aziz, H., & Hassan, M. (2020). *Corporate social responsibility and its effect on community development: An overview. IOSR Journal of Business and Management, 22(1), 35–40.*

27. McLennan, S., & Banks, G. (2019). *Reversing the lens: Why corporate social responsibility is not community development. Corporate Social Responsibility and Environmental Management, 26(1), 117–126.*

28. Muthuri, J. N., Moon, J., & Idemudia, U. (2012). *Corporate innovation and sustainable community development in developing countries. Business & Society, 51(3), 355–381.*

29. Nunnally, J. C., & Bernstein, I. H. (1994). *Psychometric theory (3rd ed.)*. McGraw-Hill.

30. Ordonez-Ponce, E., & Clarke, A. (2021). *Business contributions to the Sustainable Development Goals through community sustainability partnerships. Sustainability Accounting, Management and Policy Journal, 12(5), 1011–1032.*

31. Porter, M. E., & Kramer, M. R. (2011). *Creating shared value. Harvard Business Review, 89(1–2), 62–77.*

32. Qing, C., & Jin, S. (2022). *How does corporate social responsibility affect the sustainability of social enterprises in Korea? Frontiers in Psychology, 13, 859170.*

33. Rehman, S. U., Bresciani, S., & Yahiaoui, D. (2022). Environmental sustainability orientation and CSR influence on SMEs. *Corporate Social Responsibility and Environmental Management, 29(2), 273–289.*

34. Ring, J. E. (2022). Operationalizing sustainable development, stakeholder theory, and corporate social responsibility to improve community engagement outcomes. *Journal of Sustainable Development, 15(1), 1–14.*

35. Ringle, C. M., Wende, S., & Becker, J.-M. (2024). "Smart PLS 4." Bonningstedt: SmartPLS, https://www.smartpls.com.

36. Sarstedt, M., Hair, J. F., Nitzl, C., Ringle, C. M., & Howard, M. C. (2022). Beyond a tandem analysis of SEM and PROCESS: Use of PLS-SEM for mediation analyses! *International Journal of Market Research, 64(3), 299–316.*

37. Wang, X., Yang, M., Park, K., Um, K. H., & Kang, M. (2022). Social sustainability of a firm: Orientation, practices, and performances. *International Journal of Environmental Research and Public Health, 19(20), 13391.*

38. Wondimu, K., & Tefera, M. (2024). Corporate social responsibility and community relations in Ethiopian industrial parks: Challenges and opportunities. *African Journal of Sustainable Development, 12(1), 44–59.*