

**SUSTAINABLE PERFORMANCE: THE EFFECTS
OF SUSTAINABILITY, STRATEGIC, TACTICAL
ORIENTATIONS AND CSR PRACTICES**

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ORIENTATIONS AND CSR PRACTICES**

by

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Dedication

Jo:

Mom,

Jhamez & Bander,

Nadain

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LIST OF ABBREVIATIONS

BSR	Business Social Responsibility
CSR	Corporate Social Responsibility
EC	European Commission
GDP	Gross Domestic Production
IEA	International Energy Agency
IFC	International Finance Corporation
INS	Institute National Statistics
MESD	Ministry of Environment and Sustainable Development
MOI	Ministry of Industry
NGOs	Non-Government Organizations
NRE	National Register Enterprises
OBG	Oxford Business Group
SMEs	Small-Medium Enterprises
SRB	Social Responsible Behavior
UET	Upper Echelon Theory
WB	World Bank
WBCSD	World Business Council for Sustainability Development

**PRESTASI LESTARI: KESAN-KESAN KELESTARIAN, STRATEGIK,
TAKTIKAL ORIENTASI DAN CSR AMALAN**

ABSTRAK

Prestasi lestari adalah topik baharu dalam bidang perniagaan, namun kesedaran mengenainya semakin meningkat dari hari ke hari. Perhatian terhadap kelestarian memberi tekanan kepada perusahaan untuk berusaha memenuhi norma-norma kelestarian. Di Tunisia, pihak media dan media sosial telah meluahkan kemarahan mereka terhadap organisasi agar beroperasi secara lestari kerana persekitaran semula jadi dan masyarakat setempat terjejas oleh operasi firma khususnya sektor perkilangan. Walaupun terdapat beberapa kajian yang telah meneliti isu-isu seperti ini, kebanyakannya bertumpu pada syarikat-syarikat besar dan multinasional dalam konteks barat dan kurang bertumpu pada perusahaan kecil. Oleh itu, disertasi ini cuba untuk mengkaji prestasi lestari di Tunisia merentasi PKS perkilangan. Disertasi ini bertujuan untuk mengetahui faktor-faktor yang boleh menyumbang secara positif kepada prestasi yang lestari. Dalam konteks ini, ia mencadangkan beberapa pemboleh ubah untuk bertindak balas terhadap permasalahan kajian, dan untuk mengatasi jurang kajian. Kajian ini mencadangkan bahawa pemilik orientasi PKS dapat mempengaruhi prestasi lestari merentasi seluruh perusahaannya kerana jenis ini banyak dipengaruhi oleh faktor peribadi pengurus. Walau bagaimanapun, untuk mendapatkan pengetahuan yang lebih mendalam, hipotesis dibuat bahawa amalan CSR mungkin menjelaskan hubungan tersebut. Pemboleh ubah ini boleh disokong oleh teori UET dan pihak berkepentingan kerana teori ini memberikan tumpuan kepada latar belakang pemilik dan prestasi firma. Oleh sebab permasalahan kajian memberikan tumpuan

kepada sektor perkilangan, tesis ini menggunakan kaedah kuantitatif dengan pensampelan bertujuan tidak kebarangkalian. Perusahaan kecil dan sederhana dipilih dalam sektor ini untuk menjadi peserta kajian kerana ia mewakili majoriti organisasi dalam sektor ini. Kajian ini menggunakan SPSS dan SEM-PLS kerana kelebihanannya untuk menganalisis data yang dikumpulkan. Didapati bahawa prestasi lestari sosial dan alam sekitar dipengaruhi oleh amalan CSR, tetapi prestasi lestari ekonomi tidak dipengaruhi. Selanjutnya, CSR juga dipengaruhi oleh orientasi kelestarian pemilik dan orientasi taktikal yang strategik. Selain itu, aktiviti mengenai tanggungjawab sosial mengantara orientasi ini dan prestasi lestari sosial dan alam sekitar, sedangkan prestasi lestari ekonomi tidak dipengaruhi. Kajian ini telah mengetengahkan keputusan tersebut dan cuba untuk membuktikan kewajarannya secara logik. Di samping itu, ia juga memberikan beberapa implikasi teoretikal dan praktikal, serta mencadangkan beberapa arah tuju untuk penyelidikan masa hadapan.

SUSTAINABLE PERFORMANCE: THE EFFECTS OF SUSTAINABILITY, STRATEGIC, TACTICAL ORIENTATIONS AND CSR PRACTICES

ABSTRACT

Sustainable performance is relatively a new topic in business's field; however, the awareness of it is growing day by day. This attention on sustainability has made pressure against enterprises to attempt to satisfy its norms. In Tunisia, media and social media have raised their tune against organizations to perform sustainably since natural environment and local communities are affected by firms' operations specifically, manufacturing sector. Although there are some studies have investigated such issues, many of them have focused on larger and multinational companies within western context with less attention on smaller enterprises. Thus, the thesis has made an attempt to examine sustainable performance in Tunisia across manufacturing SMEs. It aims to know the factors that could contribute positively on sustainable performance. Within this context, it has suggested some variables to respond to the research problem, and to overcome literature gaps. The study has proposed that SMEs owners' orientations can affect sustainable performance since these types of organizations are widely affected by their managers' personal factors. However, to gain deeper knowledge, it hypothesized that CSR practices might explain such relationships. These variables can be underpinned by stakeholder theory and UET due to these theories have focused on owners' backgrounds and firms' performance. Because of the research problem focuses on manufacturing sector, the thesis has adopted quantitative method with non-probability purposive sampling. Small and medium manufacturers are chosen to be the population of the study since they represent the vast majority of enterprises in the

sector. The thesis has used SPSS version 22 and SEM-PLS version 3.0 for their advantages to analyze the collected data. It has been found that social and environmental sustainable performances are impacted by CSR practices, but economic sustainable performance has not been affected. Further, CSR is also influenced by owners' sustainability, strategic and tactical orientations. Besides, social responsible activities have mediated these orientations and environmental, social sustainable performance, whereas economic sustainable performance has not been influenced. Thus, the research has highlighted these results and made an attempt to justify them logically. Moreover, it provides some theoretical and practical implications, further; it has suggested some directions for future research.

CHAPTER 1

INTRODUCTION

1.1 Introduction

In the present dynamic environment, companies need to cope with the complex and challenging circumstances to maintain their competitive position and to perform sustainably in business arena (Ubius, Alas, & Vanhala, 2009; Kozubek, 2015). Keeping a business sustainable is an example of several challenges that organizations face although is viewed by many managers as a key driver of firms' survive and growth (Bos-Brouwers, 2010; Ciemleja & Lace, 2011). However, the real problem is not the lack of sustainable performance inputs, but is the commitment of leaders towards contributed factors on sustainability outcomes (Galpin, Whittington, & Bell, 2015). For instance, corporations may have an opportunity of a new strategy of thinking by taking into account ecological and social impacts of their activities since operating environmentally and socially responsible prevent negative reactions from societies (Nulkar, 2014; Fuller & Tian, 2006; Spitzeck, Boechat, & Leao, 2013). Thus, considering these causes in companies' strategies is a new way of rebuilding the relationship between enterprises and wider community, which leads to sustainable performance (Porter & Kramer, 2006; Davidson, 2009).

Strategic and tactical orientations of firms, which are labeled as organizational factors, play important roles in adopting environmental and social policies despite different degree of attention has been paid on these topics across countries (Cantor, Morrow, McElroy & Montabon, 2013; Collins, Steg, & Koning, 2007; Okoreley & Nkrumah, 2012) This importance became from owners tactical and strategic ethical

orientations; however, a manager, who is responsible for both levels plans, should be aware of society's concerns and works with them closely, moreover, he/she needs to go further steps to take social and environmental decisions to satisfy local community and the organization's performance as well (Baumgartner, 2014; Nejati, Quazi, Amran, & Ahmed, 2016). But, the effective integration across those levels is the key to ensure that the reasons that lead to improve performance have been taken into consideration (Baumgartner, 2014).

Besides organizational factors, individual factors such as sustainability orientation can determine managers' views towards sustainability issues (Tata & Prasad, 2015; Galpin, Whittington, & Bell, 2015). A number of studies have shown that this factor has an impact on leaders; for example, it could be as a guide once they take decisions consequently, affects sustainable performance (Okoreley & Nkrumah, 2012; Kassel, 2012). As a result, it contributes to the enhancement of economic value (Maletic, Maletic, Dahlgaard, Dahlgaard-Park, & Gomišček, 2015), firm's reputation (Alon & Vidovic, 2015), competitive potentials (Mahmoud & Hinson 2012), and transform the society for the better (Alon & Vidovic, 2015).

Previous research has investigated the direct impacts of moral beliefs, values, orientations on performance, and found a correlation between them (Asah, Fatoki, & Rungani, 2015; Wynder & Dunbar, 2016; Bonnefon et al., 2017). Further, others concluded that there is an effect of strategic and tactical orientations on performance, but these associations need further explanation, and they suggested that Corporate Social Responsibility (CSR) may provide a better understanding for these correlations since it could offer various implications to the firms' outcomes (Alikaj, Nguyen, & Medina, 2017; Min-Seong Kim & Brijesh Thapa, 2017). For instance, it might reflect the degree of enterprises' involvement in social and environmental concerns (Nejati,

Quazi, Amran, & Ahmad 2017). However, a scrutiny of literature shows that social responsible activities are still debated with controversies findings, particularly when applied in the context of Small-Medium Enterprises (SMEs) (Baumgartner, 2014; Shahedul Quader, Kamal, & Hassan, 2016). Therefore, examining CSR by integrating those variables could provide a better picture of sustainable performance mainly in the context of SMEs in developing economies context (Aguinis, & Glavas, 2012; Baumgartner, 2014; Petrenko, Aime, Ridge, & Hill, 2016).

CSR is believed to have a crucial function on these relationships since orientations have a significant role on people's choices (Marcus, MacDonald, & Sulsky, 2015; Gao, 2017; Nielsen & Thomsen, 2009). Further, strategic and tactical levels often seek to comply with stakeholders' demands, thus, these activities affect the organization's performance (McWilliams, Siegel, & Wright, 2006). However, there is an argument of the nature of the link between social responsible practices and sustainable performance (Stewart & Gapp, 2014; Baumgartner, 2014; Jain & Winner, 2016; Gadenne, Mia, Sands, Winata, & Hooi, 2012). Therefore, there is a need to link these concepts to businesses' strategy (Emeseh & Songi, 2014; Kozubek, 2015). Hence, managers' views determine the degree of engaging in socially responsible programs, which leads to influence the enterprise's outcome (Porter & Kramer, 2006; Hillman & Keim, 2001).

Furthermore, social responsible practices and sustainable performance have been found to have positive effects on the attainment of businesses' social agenda (Nulkar, 2014). According to (Kassel, 2012; Jain, & Winner, 2016) the engagement on socially responsible polices leads to sustainable performance due to that these activities contribute on sustainability dimensions. Therefore, combining individual and organizational factors and linking them with enterprise's social activities could be

seen as a starting point to sustainable performance (Ciemleja & Lace, 2011; Rexhepi, Kurtishi, & Bexheti, 2013; Hooi, Ahmad, Amran, & Abidu rahman, 2016).

Remarkably, the focus of research in this field has investigated large corporations and little is known about SMEs (Windolph, Schaltegger, & Herzig, 2014). Additionally, these attempts have been carried out in fragmented efforts such as social responsible practices and sustainable performance (Emeseh & Songi, 2014) strategic and tactical levels (Nejati et al., 2016) or with a single aspect of sustainability such as environmental aspects (Papagiannakis & Lioukas, 2012), economic development (Maletic et al., 2015) and social factors (Pierto, 2012). Notably, the examination of the owner-manager's orientation on sustainability is largely ignored (Gao, 2017; Marcus et al., 2015). This represents a gap in the study of CSR and sustainable performance mainly in the context of SMEs where the owners-managers are the ones who set the enterprises' directions and decisions (du Plessis & Grobler, 2014; Baumgartner, 2014). In other words, by integrating sustainability, strategic and tactical orientations is assumed to illustrate comprehensive explanation of why an organization achieves sustainable performance whereas others are not (Sarkis, 2001; Petrenko et al., 2016; Shahedul Quader et al., 2016).

Besides, literature has yet to clarify the role of owners' individual and organizational orientations comprehensively in adopting and practicing social responsible norms in particular, across SMEs (Tang, Robinson, & Harvey, 2011; Asah, Fatoki & Rungani, 2015). Moreover, most of studies have been carried out in western countries with western standards (Stewart & Gapp, 2014). Despite all of these contributions, there is a lack of consensus of findings and the actual relationships across these variables remain unclear (Martinez-Costa, Soto-Acosta, & Palacios-Manzano, 2017; Cantor, Morrow, McElory, & Montabon, 2013; Gadenne, Mia, Sands,

Winata, & Hooi, 2012). Hence, based on this argument, more research is needed to be undertaken in these topics (Jain, Vyas, & Roy, 2017).

Therefore, the thesis aims to address the previous studies gaps pertaining to the complex relationships between individual (sustainability orientation), organizational (strategic and tactical orientations) factors, and sustainable performance (economic, environmental, and social). Particularly, is to explore them across SMEs with a mediating role of CSR practices.

The sample of the thesis is SMEs in manufacturing sector in Tunisia. According to the World Bank (WB) manufacturing sector contributes to Tunisian' Gross Domestic Product (GDP) approximately 16%, and considered as a second contributor to the economy (WB, 2015). As can be seen these enterprises have a significant impact on the country's economy (Statistiques Tunisie, 2015). The data will be gathered through a quantitative method by a questionnaire that will be distributed to the owners of those enterprises.

The rest of this chapter is organized as follows: background of the study, problem statement, research questions, objectives, significance of the study, scope of the research, definitions of key terms and organization of the thesis.

1.2 Background of the Study

Manufacturing sector represents 14% of production structure in Tunisia's economy, and it is the third contributor for the production structure as depicted in Figure 1.1. Further, it is a promised sector and the government provides incentives for international and local investors, who desire to invest on industrial segment (OECD, 2015). For example, it provides free locations, less taxes, loans etc. Moreover, it has a high potential to be the second contributor on production structure in Tunisia.

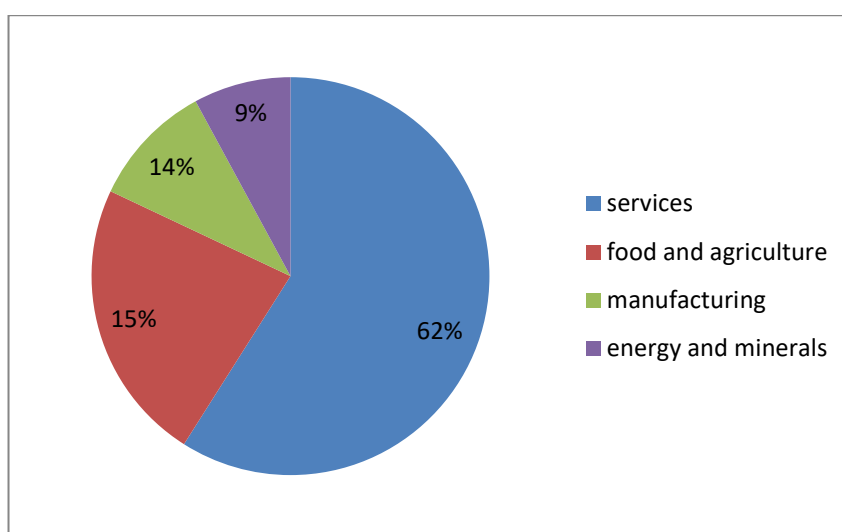


Figure 1.1. Tunisia's production structure (Global Trade Analysis Project, 2014)

Furthermore, it contributes up to 16 % of GDP to the economy of Tunisia as shown in Figure 1.2. (WB, 2015), in other words, GDP relies significantly on industrial sector as illustrated on the figure. For instance, the sector may jump to follow the first contributor due to the difference between second and third sector is just a one percent. Hence, the noteworthy role of the sector cannot be ignored.

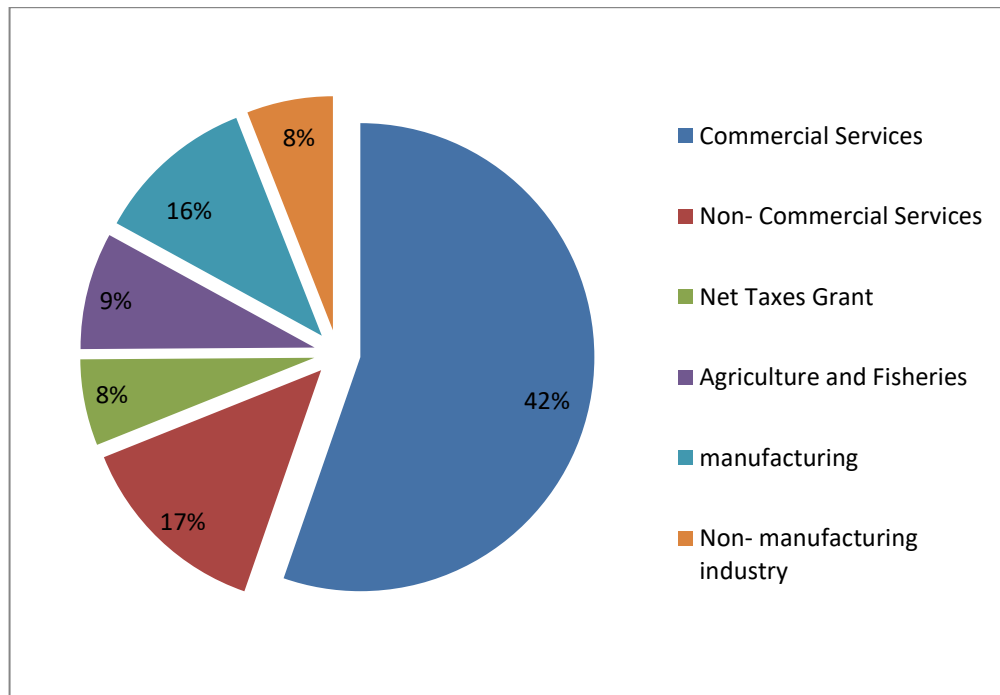


Figure 1.2. Composition of GDP by sector (WB, 2015).

However, the vast majority of enterprises in manufacturing sector are classified as SMEs, which represent more than 97 % of total firms in this sector (Tunisian Industries, 2017). These kinds of organizations contribute in Tunisian economy in many facets such as generating new jobs and international commerce (OECD, 2015). For example, they diffuse across countryside and have a significant function on rural areas development. Further, the importance of SMEs in manufacturing sector can also be seen on their effects on environmental, social, and economic issues (Santos, Suensson, & Padin, 2013; Bevan & Yung, 2015). In general, those types of enterprises in Tunisia have a crucial role on social and economic development.

Even though the government evokes them to be sustainable, manufacturing SMEs often are not fully aware of sustainable performance compared with larger organizations (Upadhye, Deshmukh, & Garg, 2013). On the other hand, they have advantages to overcome these challenges such as time of reaction, and flexibility since

the interaction between owners and stakeholders is personal in such collective society (Ussman, Almeida, Ferrira, Mendes, & Franco, 2001). However, local communities' concerns are different from area to area across the country (Upadhye et al., 2013).

Although Tunisia has a ministry for sustainability affaires, the concept of sustainable business is relatively new across private sector (Chtourou & Triki, 2017). However, SMEs across manufacturing sector may achieve some of sustainable performance without an intention to gain so (Chtourou & Triki, 2017). For example, Rekik and Bergeron, (2017) pointed out that Tunisian enterprises have a degree of cost reduction and improvement of employees' health conditions; additionally, manufacturers have decreased emissions (Fodha & Zaghdoud, 2010). On the other hand, Chtourou and Triki, (2017) claim environmental sustainable performance is not always affected by Tunisian's manufacturers' social and environmental practices.

However, Tunisian's SMEs are able to be proactive towards society and ecology issues to be sustainable despite many of them have adopted some initiatives for local community. For instance, they attempt to employ neighborhoods workers, encourage employees to develop their skills and participate in local activities (Chtourou & Triki, 2017). Moreover, they took some steps towards the natural environment to minimize their negatives effects. For example, several of manufacturers use friendly and recycled materials (Chtourou & Triki, 2017). In spite of some CSR practices across them in Tunisia, their focus is not comprehensive and does not include all concerning issues; for instance, customers' rights gain more attention than environmental problems (Dkhili & Ansi, 2013). All in all, manufacturing SMEs in Tunisia have taken some ambitious steps to satisfy several norms of sustainability and social responsibility, but there are further steps need to be taken.

On the other hand, these enterprises do not respect all stakeholders' rights and CSR standards (Chtourou & Triki, 2017). For example, since the unemployment rate is high in Tunisia, factories have paid lower salaries, and have demanded from workers to work longer hours despite these policies are not entirely comply with the state's laws (Eid, 2012; Chtourou & Triki, 2017; Eweje, 2014). Moreover, even though many manufacturers' internal environment is not completely healthy, many of them do not provide health coverage for their employees, and safety conditions are less respected (Eid, 2012; Chtourou & Triki, 2017; Eweje, 2014).

However, manufacturing SMEs have a different type of management, which is often the manager is the owner, so the nature of the relationship between them and local community is closer compared to larger corporations, which facilitates awareness of their needs and priorities (Ciliberti, Pontrandolfo, & Scozzi, 2008). Kechiche and Soparnot, (2012); Santos et al., (2013) state that there is a misconception by the owners towards some business issues such as CSR because they consider it costly. In addition to the lack of financial resources dilemma, they argue that there is no clear evidence shows an apparent link between implementing social responsible strategies and the firm's profits. On the other hand, SMEs structures are more flexible; thus, they have high potentiality for practicing socially responsible (Singh et al., 2014). Due to high flexibility structures, manufacturing SMEs' ability to adopt social and environmental activities becomes easier (Hasan, 2016). In summary, though these enterprises face some challenges, they can take an advantage of their size to be sustainable firms.

Additionally, increasing business competition and trade environment complexity led them to become a key- competitive factor in Tunisia, but, these enterprises may need to adjust their strategies to deal with those challenges (Shahedul Quader, Kamal, & Hassan, 2016). However, the level of commitment and

implementation of social and environmental issues across them is different, which leads to different outcomes across enterprises (Shahedul Quader et al., 2016).

Furthermore, stakeholders' pressure against manufacturers to be social responsible has increased last decade (Jose & Chacko, 2017). Economic, environmental, and social performances are vital factors for manufacturing SMEs to meet these groups' demands; consequently, they could protect their market share and satisfy them simultaneously (Golini, Longoni & Cagliano, 2014; Jose & Chacko, 2017). The dimensions of sustainability may be seen as new opportunities to improve the existing performance by thinking differently than rivals do, however, they should know the exact needs and necessities of local communities and avoid misunderstanding their demands (Abdul-Rashid, Sakundarini, Ghazilla, & Thurasamy, 2017; Schaltegger & Burritt, 2014). Thus, manufacturing SMEs need to meet stakeholders' expectations in order to survive and flourish.

Therefore, manufacturing SMEs have a significant contribution on Tunisian's economy, but they need to be socially responsible in order to achieve sustainable performance.

1.3 Problem Statement

The debate of the relationship between sustainable performance and an enterprise's size has increased recently. In fact, research often concentrates on larger firms. Particularly, in developed economies with western norms, and less focus has been paid on emerging economies mainly, Tunisia. Since the government did not take enough efforts to support sustainability, there is a lack of awareness among manufacturing SMEs managers to engage on social and environmental concerns. Further, media and social media have raised their tune against unethical

manufacturers' practices. Besides, these factories are required to comply with European standards because of a high percentage of them depend on exporting to Europe. Moreover, there is a need to know those managers' personal factors to whether engage or neglect social issues, also the orientations of strategic and tactical levels that direct social practices. However, many of previous studies have investigated one dimension of sustainable performance such as environment. Hence, the focus of this research is to overcome these gaps to understand sustainable performance across manufacturing SMEs in Tunisia (Hasan, 2016; Ben Salem & Zouaoui, 2017; Mattoussi & Ayadi, 2017; ElElj & Abassi 2014; Maletic et al., 2015; Cebrian et al., 2013).

The greater number of corporations in Tunisia is classified as SMEs despite the fact that previous research has focused on multi and large companies (Hasan, 2016). Tunisian' Ministry of Industry (MOI) pointed out that these enterprises play an essential role in society and economy particularly, in manufacturing sector. Though more than 19% of Tunisian employees are working in it, previous studies concentrated on multinational and large corporations when they investigated sustainable performance (MOI, 2017; European investment bank, 2015). Thus, there is a dearth of availability data in these topics, rather limited in manufacturing SMEs (Bergeron, 2017; AlMahrouq, 2010; Alhyari, Al-Nasour, Al-Weshah, & Abutayeh, 2011; Ben Salem & Zouaoui, 2017). Therefore, these enterprises need to be examined to know the nature of their sustainable performance (Al-Mahrouq, 2010; Bella & Al-Fayoumi, 2016; Ammary, 2015).

However, in 2015 Arab sustainable development report has claimed that Arabic countries, in particular Tunisia and Tunisians' enterprises are not sustainable. It highlighted that organizations have yet to meet sustainable performance standards such as improving society's health and safety. Furthermore, these firms have not

shown significant efforts to minimize their negative impacts on natural environment (Arab sustainable report, 2015).

Furthermore, there is a debate in media and social media regarding environmental performance. These claims include manufacturers' emissions, pollution, and wastes whether solid and/or liquid (Alrai magazine, 2016). Additionally, the argument is raised the social performance standards. This performance is focused on improving local communities well-being mainly across rural areas, besides, minimizing negative impacts on society.

Moreover, the ministry of sustainability has proposed a plan according to the UN 2030 vision. It promises a win-win vision for the government, society, population etc.; furthermore, it helps enterprises to perform sustainably. The vision is based on protecting natural environment and improving people lives' conditions simultaneously with economic sustainable performance like achieving profits and building reputation for their firms.

Further, despite there is a sustainability ministry, the current policy of Tunisian's government does not promote social responsibility concerns effectively (Ben Salem & Zouaoui, 2017; Afek Tounis, 2018); as a result, there is a lack of knowledge across SMEs owners in manufacturing sector (Ben Salem & Zouaoui, 2017; Afek Tounis, 2018). In consequence, the natural resources have been widely exploited in particular, across industrial sector due to the huge amount of needed resources that enterprises need to keep their projects running out, which affect the natural environment negatively (Rekik, 2017; Saidi & Fnaiech, 2014). Therefore, understanding the awareness of social and ecological issues among manufacturers' managers is vital since it explains their attitudes and choices towards these challenges

(Saidi & Fnaiech, 2014; Rekik, 2017). In other words, individual factors might determine the degree of owners' commitment towards sustainability.

More importantly, in 2016 the Ministry of Environment and Sustainable Development (MESD) has taken ecological steps to encourage enterprises' managers to take advance social responsible initiatives (MESD, 2017). On the other hand, media and social media have claimed that the ministry and the government do not make enough pressure against manufacturers, particularly, environmental and community issues (Afek Tounis, 2018; Chtourou & Triki, 2017). For example, many workers in the sector have been paid minimum wages without medical insurance, and they are not being allowed to contribute on society's activities; further, they are exploiting natural resources, and less attentions are paid towards the environment as whole (Eid, 2012; Chtourou & Triki, 2017; Eweje, 2014). Additionally, civil organizations demand more concrete enforce and instructions since these groups state that manufacturing sector has yet to respond to the ministry guidance and strategy (Rekik & Bergeron, 2017). Therefore, SMEs in this sector have to be examined to know whether there is strategic or tactical degree of ethical orientations towards these issues.

In addition, Oxford Business Group (OBG) and Institute National Statistics (INS) pointed out that this sector relies heavily on exportation. For example, more than one third of manufacturers export to Europe, and the sector contributes up to 76% of Tunisian's total exporting; hence, they have to comply with European socially responsible standards (Mattoussi & Ayadi, 2017; OBG, 2016; INS, 2017). Moreover, many of Tunisian manufacturers target international customers; for instance, some of firms are producing exclusively for France and Italy. Consequently, their products have to comply with these states' norms since their products are totally exported to those markets. In other words, these Tunisian's products have to meet EU social

responsible standards (Mattoussi & Ayadi, 2017; OBG, 2016). These standards include fair wages, health coverage, emissions, safe work environment etc., which are not strictly followed by manufacturing SMEs in Tunisia (Dkhili and Ansi, 2013; Ben Salem and Zouaoui, 2017). Thus, these organizations need to satisfy European's criterion and specific countries standards by practicing socially responsible to protect and expand their market shares as a result of their performance (Jose & Chacko, 2017; Longoni & Cagliano, 2016).

Besides previous real-world problems, there are several literature gaps. For example, despite that there are dearth studies in sustainable performance in Tunisia, research depended on developed economies' standards and did not take into account the country's culture (ElElj & Abassi 2014; Megdadi, Al-Sukkar, & Hammouri, 2012). Developing economies have entirely different norms and thoughts in many views such as measuring orientations and sustainability (Albdour, Nasruddin, & Lin, 2010; Angelo, Amui, Caldana, & Jabbour, 2012). Hence, relaying on western economies' standards can provide less accurate picture; however, research in Tunisia has yet to investigate these factors across manufacturing SMEs within the local culture. Thus, there is a call to investigate small and medium manufacturers within the nation's norms (Kokash, Thomas, & Al-Oun, 2011; Angelo et al., 2012; Albdour et al., 2010).

Additionally, many studies have investigated only one dimension of sustainable performance such as environment (Nulkar, 2014; Onyido, Boyd, & Thurairajah, 2016; Papagiannakis & Lioukas, 2012) economic (Maletic et al., 2015), which can be a fragment view. In other words, examining sustainable dimensions in a comprehensive vision instead of taking a single factor could demonstrate a better understanding of the current situation of sustainable performance across manufacturing SMEs in Tunisia (Liboni & Cezarino, 2014). Therefore, scrutinizing all

sustainable dimensions in a single study can provide knowledge and enrich the topic domain (Harik, El-Hachem, Medini, & Bernard, 2015).

However, studying sustainable and social issues with missing around circumstances may produce less perfect results (Galpin et al., 2015; Liboni & Cezarino, 2014). Individual factor like sustainability orientation is a main driver for SMEs performance (Galabova & McKie, 2013; Nulkar, 2014; Okorley & Nkrumah, 2012). For example, it determines owners' stand; in particular, in manufacturing SMEs due to the absence of governess rules and norms such as large firms have (Asah, Fatoki, & Rungani, 2015). The outcome of these types of businesses is ultimately affected by their managers' orientations and views; interestingly, background factors are rarely explored across these enterprises and even limited concerning sustainable performance mainly in Tunisia (Asah et al., 2015; Okorley & Nkrumah, 2012). In general, individuals' characteristics are crucial elements in owners' thoughts, thus, there is a need to investigate them across these types of firms (Asah et al., 2015; Okorley & Nkrumah, 2012).

Previous research has suggested that organizational factors and elements such as strategic and tactical orientations govern how a business operates; in consequence, performance would be affected (Gates & Steane, 2009; Serebour & Ansong, 2016). However, the majority of past research has concentrated on strategic views with less attention on enterprises' tactics orientations (Gates & Steane, 2009; Serebour & Ansong, 2016). Tactical orientation needs to be enlarged such as strategic level, in other words, strategic and tactical orientations should be studied as integrative factors and simultaneously to understand their effects on small and medium manufacturers' outcomes (Gray & Jones, 2016; Guo & Cao, 2014). Generally, the role of these levels on sustainable performance of SMEs needs to be deeply explained since we know little

about them comprehensively (Gray & Jones, 2016; Gates & Steane, 2009; Guo & Cao, 2014).

Besides, literature provided inconclusive findings with sustainable performance due to different measures and practices (Petrenko et al., 2016; Gao, 2017; Waldman, et al., 2006). The paradoxical conclusions led a number of studies to propose CSR as a mediator because it can measure the degree of ethical and non-ethical activities of manufacturing SMEs in Tunisia, and may provide further explanation for these relationships (Alikaj et al., 2017; Aguinis, & Glavas, 2012; Gao, 2017; Baumgartner, 2014). SMEs mainly in emerging economies have received a growing attention and pressure as well regarding their activities from media, and businesses' partners to transfer their practices into a social responsible way (Ciliberti Pontrandolfo & Scozzi, 2008; Luo & Bhattacharya, 2009). Despite previous studies in Business Social Responsible (BSR), these attempts have been carried out in developed economies (Kokash et al., 2011; Albdour et al., 2010). However, manufacturing SMEs in developing economies operate differently than their counterparts in western countries; therefore, studying their socially responsible practices as a mediator between individual, organizational factors and sustainable performance is needed (Ciliberti et al., 2008; Kokash et al., 2011).

As can be seen, research in manufacturing SMEs sustainable performance has achieved fewer amounts compared with larger firms particularly, in Tunisia. Additionally, the majority of these studies adopted western standards, which may overlook Tunisian society's context, concerns, and demands. Furthermore, we know little about individual, organizational factors, CSR practices impact on sustainable performance across SMEs and even limited in Tunisia. Moreover, there is less knowledge of these issues among SMEs' owners mainly the pressure groups' demands

have increased in Tunisian media and social media against them to act socially responsible. Besides, the actual relationships among them are still inconclusive, and the majority of previous research investigated these variables with one dimension rather than comprehensively. Hence, the thesis is an endeavor to overcome practical and literature gaps in this field since studies did not examine the suggested variables comprehensively.

1.4 Research Questions

The thesis seeks to address the following question: *What are the factors that contributing to sustainable performance across Manufacturing SMEs in Tunisia?*

To answer this question, the thesis is going to examine sustainability, strategic, tactical orientations impact on sustainable performance with the mediating role of CSR across SMEs in manufacturing sector. However, to gain a better understanding of these relationships, five sub-questions have been addressed:

1. What is the relationship between sustainability orientation and CSR practices?
2. What is the relationship between a firm's strategic and tactical orientations and the CSR practices?
3. What is the relationship between CSR practices and sustainable performance (i.e., economic, environmental, and social performance)?
4. Is there a mediating role of CSR practices on the relationship between sustainability orientation and sustainable performance?
5. Is there a mediating role of CSR practices on the relationship between strategic and tactical orientations and sustainable performance?

1.5 Research Objectives

The study aims to achieve the following objectives:

- 1- To examine the relationship between sustainability orientation and CSR practices.
- 2- To examine the relationship between strategic and tactical orientations and CSR practices.
- 3- To examine the relationship between CSR practices and sustainable performance.
- 4- To investigate the mediating role of CSR practices on the relationship between sustainability orientation and sustainable performance.
- 5- To investigate the mediating role of CSR practices on the relationship between strategic and tactical orientations and sustainable performance.

1.6 Significance of the Study

It is hoped that this study will provide many potential implications for literature and management practices, some of these are highlighted below.

1.6.1 Theoretical Implications

The thesis will contribute to Upper Echelon Theory (UET) and stakeholder theory through extending them via empirical evidences with respect to sustainability, strategic, tactical orientations, CSR, and sustainable performance. In other words, a single theory cannot always explain complicated constructs. Therefore, the two theories are expected to broaden our knowledge in regard to suggested variables. Furthermore, integrating more than a theory could give a clearer picture of how individuals' backgrounds (as UET proposed) is changing overtime, also practices towards stakeholders (as stakeholder theory suggested) cannot be stable over years. As

a result, the outcome would not be steady, which might add more knowledge to the applied theories.

The research hopes that UET exposes the role of the background of manufacturing SMEs' owners on engagement on social practices, in particular, in different contexts such as Arabic area. Further, the theory is widely applied in large organizations, therefore, the study will add to knowledge a new view of smaller firms and different context.

Because of the originality of the framework, it will provide an insight of how the study model could achieve its goal as these theories suggested, particularly across SMEs. For example, CSR has been proposed as a mediator; hence, we need to know how UET explains the owners' backgrounds and engaging on social responsible issues. Further, how applying stakeholder theory leads to a better outcome as it suggested. Thus, composed constructs could provide a new vision of variables relationships. Hence, intervening on these propositions through adding a new variable could explain better how sustainable performance is impacted and new insights are provided. Further, with respecting others' contributions, previous research has been carried out in different contexts such as countries and cultures, and few studies have examined sustainable performance in eastern context mainly in Arabic societies, thus, studying these variables in a different country might present a new perspective of sustainable performance.

The findings of the study may offer new evidences for bridging the theoretical knowledge gaps regarding the investigated factors. For instance, many of studies have provided a suggestion that CSR may answer the question regarding that why some firms are sustainable whereas others are not. Hence, adding social responsible

practices as a mediator may offer a better explanation of manufacturing SMEs performance.

Further, focusing on CSR practices will expand the individual, organizational factors and sustainable performance domain because much of previous research has concentrated on one dimension. In addition, these studies did not look into social responsible practices with sustainability, strategic and tactical orientations comprehensively.

Therefore, the novelty of the thesis can be seen on suggested framework, which is an attempt to give a new direction for future research on sustainable performance.

1.6.2 Practical Implications

The firms participating in this study will receive - upon their request- a summary of findings. The conclusions will help owners to know the nature of sustainable performance in Tunisian's context.

The thesis examines factors that may affect sustainable performance across manufacturing SMEs. However, if the hypotheses have been supported, the results could lead owners for practicing socially responsible since it a win-win strategy for the enterprises and stakeholders.

This engagement has several marketing benefits such as reputation, loyalty, word of mouth etc., which in turn leads to better revenues. Further, it will minimize risks for instance boycotts and fines. Therefore, they may focus and develop CSR

activities; they also could adopt and adjust others' practices to increase their contributions on firm's outcomes. In other words, manufacturing SMEs may develop their own standards or/and imitate others' norms.

Moreover, the combination between organizational and individual orientations with CSR may generate a comprehensive picture of sustainability. Thus, owners can get a better understanding of factors relationships, which may lead to change an enterprise strategy and takes advantages of government's incentives. They will be able to plan more creativity and better integrate strategies and tactics in order to improve their enterprises to be sustainable. In other words, the conclusions of the research might help owners to adjust or change the environment of work to be more social and environmental in order to achieve desirable performance.

Furthermore, the domain of sustainability is not confined by businesses; other sectors such as the government can take an advantage of the conclusions. For example, since Tunisia has a ministry for sustainability development, and it does propose a strategy for enterprises, the research may provide some insights for them to revise or adjust the next plan. For instance, policymakers can issue some legislations based on the study findings to strength the sector, as a result, it might improve the competitive position of Tunisia among other countries; particularly, the state relies heavily on Foreign Direct Investment (FDI).

In general, the thesis conclusions will contribute on academic domain by enriching sustainability, strategic and tactical orientations, CSR practices, and sustainable performance topics, and provide suggestions for practitioners in business arena.

1.7 Scope of the Study

This study has covered sustainability, strategic and tactical orientations; moreover, social responsible practices and sustainable performance. The research is carried out among SMEs operating in manufacturing sector in Tunisia. The sector is defined as a segment of economy where raw materials are converted into tangible products (Kumar & Suresh, 2006). The data of the study has been obtained from manufacturing SMEs' owners, who are responsible for strategic and tactical levels at these enterprises.

1.8 Definition of Key Terms

There are no universally accepted definitions of sustainable performance, sustainability, strategic, tactical orientations and CSR or their dimensions; however, the thesis adopts some definitions to achieve the study objectives.

Sustainable performance: The ability of the enterprise to perform economically, socially and environmentally (Zhou et al., 2008).

Economic sustainable performance: Enterprise economic growth through reducing the costs of consumption and production processes (Zhou et al., 2008).

Social sustainable performance: An enterprise achievement through improving social welfare of employees and society (Pierto, 2012).

Environmental sustainable performance: The ability of a firm to reduce its negative impacts on natural environment (Zhou et al., 2008).

Sustainability orientation: Managers' views towards the integration of ecological and social considerations across businesses (Kuckertz & Wagner, 2010).

Strategic orientation: It refers to owners' long-term perspective towards social responsibility (Singhapakdi, Vitell, Rallapalli, & Kraft, 1996).

Tactical orientation: It refers to owners' short-term perspective towards social responsibility (Singhapakdi et al., 1996).

CSR practices: Corporate behaviors that aims to affect stakeholders positively, and that go beyond its economic interest (Turker, 2009).

Manufacturing sector: Refers to a segment of economy where raw material is converted into tangible product (Kumar & Suresh, 2006).

Manufacturing SMEs: It characterized by the full time size of employees with 200 workers or less in manufacturing sector (INS, 2017).

1.9 Organization of the Thesis

The thesis contains five chapters. The first one covers the background, problem statement, research questions, and research objectives. It has also comprised the novelty of the research, scope of the study and has provided definitions for key terms.

The second chapter includes literature review that related to the variables of the study, and more attention has been paid towards the hypotheses, framework, and the suggested theories of the variables.

The third chapter of the study consists of the methodology that has been chosen. Furthermore, it has highlighted population and the sample of the thesis.

In chapter four, analyzing data and explaining the hypotheses tests have been provided, additionally, the findings are highlighted.

The last chapter discusses the findings and the justifications of the results; besides, it focuses on the limitations of the study; moreover, future research has been suggested.