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The Relationship between Sustainable Development Practices and Financial Performance: A Case Study of Textile Firms in Vietnam

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Abstract: Sustainable development practices have become very important for firms to go beyond short-term profitability, towards economic, environmental and social sustainability. This research aims to examine the relationship between a firm's sustainable development practices and its financial performance. Modelled as a multidimensional construct, sustainable development practices are represented by environmental practices, social practices in the workplace and social practices in the community, while financial performance is determined by profitability and growth. Using a mixed method survey, data were obtained from 389 textile firms in Vietnam, where there is a dire need to promote sustainable and environmental practices. Data analysis using partial least squares structural equation modeling demonstrates that sustainable development practices positively affect financial performance directly and indirectly via customer loyalty, employee satisfaction and corporate reputation. The findings also reveal the moderating role of entrepreneurial orientation, whereby the impact of sustainable development practices on financial performance is stronger for firms that are more innovative, proactive and willing to take risks. Taken together, these findings provide support for firms to holistically implement sustainable development practices and adopt an entrepreneurial orientation.

Keywords: sustainable development practices; financial performance; customer loyalty; employee satisfaction; corporate reputation; entrepreneurial orientation; corporate social responsibility; textile; Vietnam

1. Introduction

The business environment is undergoing rapid changes, with increasingly fierce competition between firms. In order to succeed, it is essential for firms to both maintain short-term success and pay attention to long-term survival. Additionally, corporate stakeholders including investors and customers have been paying greater attention to corporate social responsibility (CSR) and sustainable development practice (SDP) that go beyond short-term profitability, towards economic, environmental and social sustainability [1,2]. Commitment to sustainability has therefore become a strategic direction, as well as a strategic role in entrepreneurial orientation.

Corporate or business sustainability refers to "adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future" [3] (p. 373). Essentially, corporate sustainability requires firms to go beyond the traditional financial bottom line into a triple bottom line, which also emphasizes corporate performance with respect to social and environmental issues [4]. In doing so it has three guiding principles: environmental integrity, social equity and economic prosperity [5,6]. An important concept associated with the implementation of corporate sustainability are SDPs. Goldsmith and Samson [7] (p. 7) define SDPs as "a sub-set of business practices, engaged in to achieve sound strategy and performance outcomes". They also suggest that SDPs should focus on improving one or more of three key strategic areas: continuous stakeholder support, development of market opportunities and contribution to corporate financial performance.

There is little consensus on a single set of SDPs. Examples include practices that support a firm's key stakeholders such as shareholders (e.g., development of socially responsible investment criteria), employees (e.g., training and wage negotiation), customers (e.g., recognition of customer need for environmentally friendly products) and the community (e.g., improved community services, partnership with community organization, environmental programs) [7]. Furthermore, SDPs comprise practices that increase business efficiency such as waste minimization, innovation in supply chain management and investment in environmentally friendly technologies [7]. Hence, in its broadest sense, SDPs include CSR activities or socially responsible business practices. The present study draws on this broadest approach, and emphasizes that promoting the adoption of SDPs, including sustainable practices and socially responsible practices, will contribute to the achievement of the Sustainable Development Goals by the United Nations [8].

Prior research, spanning a decade, has sought to examine the impact of SDPs on corporate financial performance. However, results are inconsistent, and the association between SDPs and firm financial performance has not been fully understood. Several studies confirm a positive relationship between SDPs and financial performance [9,10]. Others suggest a statistically insignificant relationship [11], a negative relationship [12,13], a U-shaped relationship [14], an inverted U-shaped relationship [15,16] or an asymmetric relationship [15]. Such inconsistent results may demotivate managers to implement SDPs, as they are unsure about the financial benefits of such practices. Hence, further studies clarifying the link between SDPs and firm financial performance can contribute to both theory and practice. Notably, researchers have called for more research on the potential mediating and moderating variables that may affect this relationship [17,18]. It is also important to note that the extant literature primarily focuses SDPs and CSR in developed and Western contexts. There is therefore indeed a need for future research to examine these topics in the developing and emerging markets.

This study contributes to the extant literature associated with corporate sustainability and SDPs in several ways. First, it examines the direct association between SDPs and financial performance by uniquely applying an environmental, workplace and community interpretation of the former. This has not been done before, with most studies employing a single dimension measure. Underpinned by the RBV theory, the present study regards SDPs as a special type of firm resource that will exert a positive impact on financial performance. Second, a deeper understanding of the SDP-financial performance relationship is provided by analyzing the mediating effects of customer loyalty, employee satisfaction and corporate reputation. Third, the moderating role of entrepreneurial orientation in strengthening the efficacy of SDPs is also examined. Finally, given that there is a shortage of research studies conducted in developing and emerging markets, this study is among the first of its kinds that focuses on textile firms in Vietnam.

Vietnam is a typical emerging market economy with a GDP of about USD 262 billion and significant environmental issues regarding air and water pollution and depletion of resources [19].

In the last five years, the textile and apparel industry has been the second largest export industry, with export value contributing approximately 15% to GDP. In 2018, Vietnam's textile and apparel export has reached USD 36.2 billion in total [20]. Notably, the textile and apparel industry has been criticized for its heavy use of labor (especially female workers) and large amount of waste discharged into the environment (especially the textile dyeing industry). According to the Sustainable Apparel Coalition [21], thousands of different chemicals are used at different stages in the production process of a final clothing product, such as washing, dyeing, bleaching or printing. For example, the production of a complete T-shirt consumes 2495 liters of liquid, including chemicals and dyestuffs that are released back into the environment, thus, leads to environmental pollution. The use of toxic chemicals can also directly affect the users of the products if the chemical residues still remain on the products. Therefore, the implementation of SDPs is essential for textile and apparel firms to protect the environment and improve relationship with key stakeholders such as communities and consumers. This study enriches the literature relating to SDPs and its impact in emerging markets that have their own unique culture and legislations, as well as different managerial perceptions compared to developed countries, which are the primary focus in previous research. Importantly, insights gained from this present study expectedly provide support for firms to develop and implement SDPs, which contribute to economic and environmental sustainability in emerging countries like Vietnam.

The remainder of this paper is organized as follows. In the next section, the relevant literature is reviewed, and research hypotheses are presented. Thereafter, the research method is presented, followed by a detailed discussion of the analytical approach key findings. Finally, the conclusion, implications and future research directions are provided.

2. Literature Review and Hypotheses Development

2.1. Sustainable Development Practices

Alshehhi et al. [9] suggest that SDPs can be grouped as environmental practices and social practices. This approach emphasizes ethical aspects of SDPs through their impact on society and the environment [22–25]. Given that business activities are the major contributor to environmental degradation, such as accumulating greenhouse gases, contaminating water and depleting ozone layers [26], the environmental aspect of SDPs focuses on improving the quality of natural environment. The social aspect of SDPs, on the other hand, includes both internal social practices, such as employee support in the workplace and external social practices, such as community development [18,27].

Researchers that develop and validate models associated with SDPs often conceptualize them as unidimensional constructs. For example, Chan [22] adopted only an environmental strategy focus. Courrent et al. [18] examined three separate latent constructs, including environmental practices, social practices in the workplace and social practices in the community, however, these were not aggregated to form a single higher order construct. It is argued these approaches have not addressed adequately the needs of firm managers, given that their findings have not comprehensively described either a set of successful SDPs or the aggregation of different SDPs adopted by firms [3,28]. Baumgartner and Ebner [29] therefore suggested that SDPs should be treated as a multidimensional construct. This study therefore conceptualizes SDPs as a multidimensional construct determined by three dimensions (measures), including environmental practices (SDPE), social practices in the workplace (SDPW) and social practices in the community (SDPC). This holistic conceptualization is expected to better represent the complexity of SDPs.

2.2. Firm Financial Performance

Financial performance is an important aspect of firm performance and it greatly affects the management of business activities [30,31]. Good financial performance will provide resources for promoting business activities, such as research development and production. In contrast, bad financial performance will prohibit the expansion of business activities. Prior research studies have used a wide range of dimensions and associated indicators, such as return on asset (ROA), return on investment (ROI), return on equity (ROE), market value added, earnings per share (EPS) and net revenue growth, to measure financial performance. Data on such measures can be obtained by objective and subjective methods. The main advantage of objective method lies in its ability to ensure high accuracy. However, this method requires a large sample, and it is time and cost-consuming [32]. Subjective measures are often used in surveys and prove to be satisfactory indicators of firm financial performance [33]. Homburg et al. [34] selected a sample of firms and measured their return on sales (ROS) using objective and subjective methods. The findings showed that there was a close and positive correlation between subjective and objective measures. Likewise, Harris [35] reported a significant correlation between subjective and objective measures on financial performance of firms using ROI and revenue growth.

It is important to note that financial performance has different interpretations depending on the users' perspective. For instance, managers tend to care about welfare and profits so that their work will be highly appreciated, while owners want to maximize their assets by increasing the market value of the business. In addition, investors often show interest in net profit after tax and capital growth. In an effort to address the interest of key stakeholders, this study conceptualizes financial performance as a multidimensional reflective construct manifested by two dimensions: profitability and growth. While profitability indicates a firm's ability to create returns, growth represents a firm's ability to expand its size [36–38]. In the present study, these dimensions will be subjectively assessed by the firms' leaders.

2.3. Theoretical Background

Research in the file of SDPs has been guided by several underpinning theories. Of these, there are two competing theories in value creation and value destruction [39]. Whilst the value creation approach suggests that the adoption of SDP reduces firm risk, the value destruction theory postulates that a firm engaged in SDPs can lose focus on its traditional business strategies, resulting in lower shareholder value. Similarly, trade-off theory proposes a negative relationship between SDPs and financial performance when firms' resources are directed towards sustainable activities that are less profitable [9,40]. In contrast, a positive association is predicted by resource-based view (RBV) theory and stakeholder theory. The RBV theory postulates that companies possess distinctive capabilities such as SDPs which, if strategically exploited, are likely to obtain competitive advantage resulting in higher financial performance [9]. In accordance with the stakeholder theory, fulfilling the requirements of stakeholders (e.g., environmental practices and social practices in the workplace and community) can enhance corporate financial performance [41].

Of the previously mentioned theories, RBV theory and stakeholder theory effectively provide frameworks for many studies in the fields of SDPs, CSR and environmental sustainability [9,42]. The present study therefore utilizes these two theories as its main theoretical approaches. Accordingly, SDPs, which are considered as a firm's distinctive capabilities, help improve firm reputation and meet the requirements of key stakeholders including employees and customers, which altogether enhance firm performance.

2.4. The Direct Relationship between SDPs and Financial Performance

Despite inconsistent findings in the literature, the majority of previous studies have shown a positive association between SDPs and corporate financial performance [43,44]. Alshehhi et al. [9] reviewed 132 journal articles, and found that 78 percent of these articles confirm a positive relationship between SDP and financial performance. Research also points out that different dimensions of SDPs have a positive impact on financial performance. Environmental practices, such as using environmentally friendly technologies and processes in business activities (e.g., new product development and supply chain management), can create unique value for products and services that leads to sales growth [45–47]. Moreover, green practices help firms to reduce operational costs by saving energy and other resources, product-return costs and liability fees, which, altogether, improve the firms' financial performance [48–50].

Social practices in the workplace, which focus on employee support and promote staff long-term commitment, reduce costs associated with employee recruitment and training, which leads to better financial performance [51]. Social practice in the community, such as financial or labor contribution to local community projects and development of partnerships, will reduce the firm's risks [52,53], create financial value [53,54] and enhance financial performance [55]. Based on the above discussion, the following hypothesis is proposed:

H_1: *A firm's sustainable development practices will have a positive effect on its financial performance.*

2.5. The Mediating Roles of Employee Satisfaction, Customer Loyalty, and Corporate Reputation

To consolidate knowledge on the relationship between SDPs and a firm's financial performance, this study also examines the role of potential mediators. Mediation analysis allows exploration into the means by which the independent variable (SDPs) exerts its influence on the dependent variable (financial performance) [18]. Hence, it can provide a better understanding of the relationships between these variables [56]. According to the RBV theory, implementing SDPs is considered a unique resource, creating distinctiveness for the business and enhancing competitiveness with rivals. Specifically, the implementation of SDPs helps to improve customer value and customer satisfaction [57], leading to increased customer loyalty. In general, customer loyalty can be defined as attitudinal loyalty (feelings creating personal attachment to a product or firm) or behavioral loyalty (e.g., repurchase behavior) [58,59]. Empirically, customer loyalty leads to revenue growth and profitability [59]. Previous research demonstrates that customer loyalty results in higher sales, increased market share, decreased marketing expenses and higher financial returns for firms [60,61].

Employees feel satisfaction as a result of "the gratification or pleasurable emotional state resulting from the valuation of their jobs" [62] (p. 1301). According to the RBV theory and Stakeholder theory, environmental practices and social practices create value for key stakeholders, including employees, which will increase employee satisfaction. For example, SDPs in the workplace can provide human rights support, employee benefits and effective staff communication, while also promoting a learning and collaborative culture and a sustainable working environment [51,63], which lead to employee satisfaction. Previous research indicates that motivated and satisfied employees play essential roles in helping firms attain financial objectives [64]. Therefore, employee satisfaction is a potential mediator of the relationship between SDPs and financial performance [65].

Corporate (firm) reputation refers to "customers perceptions of how well a firm takes care of customers and genuinely is concerned about their welfare" [66] (p. 386). SDPs enhance corporate image and reputation through providing social and environmental value for stakeholders, such as customers and local governments [63,67]. Customers who are faced with various offerings tend to select products or services from firms implementing environmental and social practices [57]. A firm with a good reputation is likely to enjoy direct cash benefits, high sales growth and high ROA [68,69].

The literature discussed above leads to the following hypotheses:

H_2: *Customer loyalty (H_{2a}), employee satisfaction (H_{2b}) and corporate reputation (H_{2c}) mediate the positive relationship between sustainable development practices and financial performance.*

2.6. The Moderating Role of Entrepreneurial Orientation (EO)

An entrepreneurial orientation denotes "the processes, practices, and decision-making activities that lead to new entry" [70] (p. 136). Courrent et al. [18] refer to an entrepreneurial orientation as one of innovation, proactiveness and risk taking. Firms that have innovative strategic direction, proactively update new technology, and are willing to take risk, are likely to achieve good financial performance [18].

While it has been argued that more innovative firms are constantly changing and do not have the time to implement effective SDPs [71], the overwhelming evidence suggests that a higher level of proactiveness and risk taking tends to strengthen the effects of socially responsible activities on firm performance, including financial performance [72–74]. Specifically, several authors argue that the development and implementation of sustainable practices require innovation, proactiveness and risk taking [73,74]. This is particularly relevant to firms in emerging countries that generally hesitate to engage in sustainable and environmental practices due to their concerns about the benefits of such activities [75]. Additionally, SDPs can be considered fairly new initiatives in such countries. It is therefore expected that entrepreneurial orientation will improve the efficiency of SDPs, hence strengthening the association between SDPs and financial performance. The following hypothesis is therefore formulated:

H_3: *Entrepreneurial orientation has a positive effect on the relationship between sustainable development practices and financial performance.*

Figure 1 illustrates the hypothetical relationships between the variables investigated in this study.

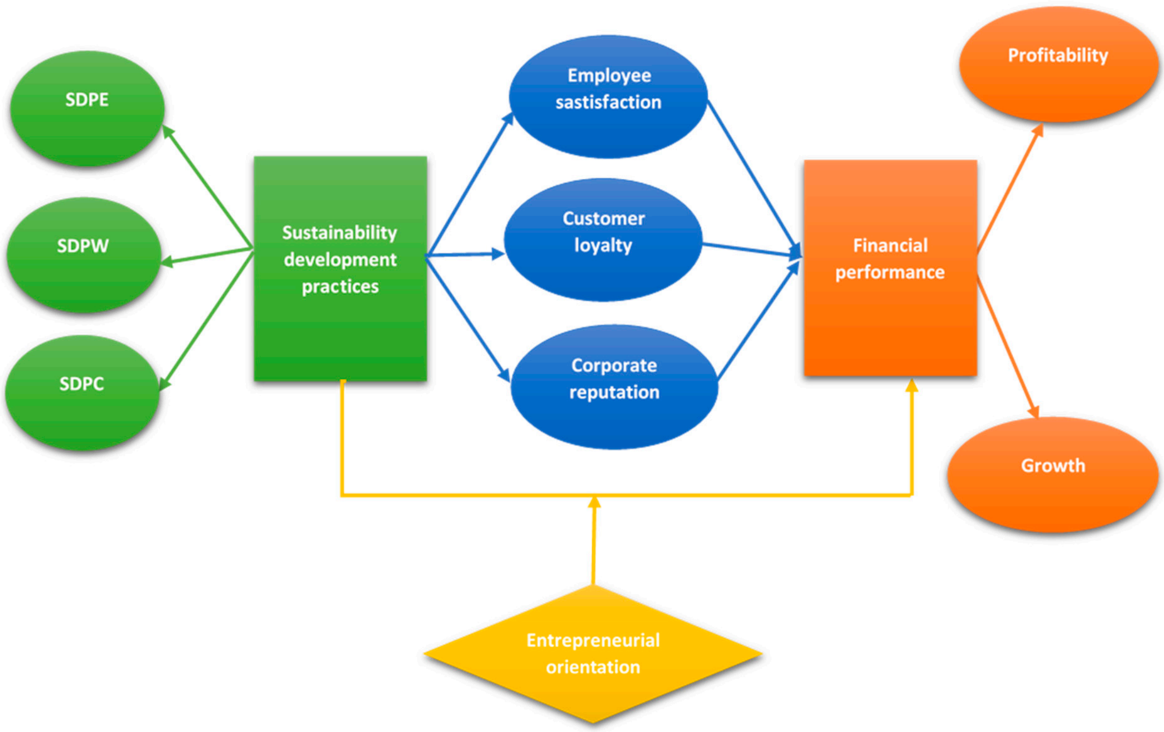

Figure 1. Research model.

3. Research Methodology

3.1. Research Sampling

This study used probability sampling to ensure sample representativeness [76]. Additionally, this approach is often associated with the survey research method employed in this study. Specifically, a simple random sampling technique was selected to obtain data from Vietnamese textile firms. The sampling frame included firms named in the "Vietnam Textile Directory" issued by Vietnam Textile and Apparel Association. The research team randomly selected firms and contacted them to request their voluntary participation, either online or offline. The survey was either emailed to firms or directly administered to firm representatives at two conferences organized by the Vietnam Textile and Apparel Association in 2018. Subjects of the survey included owners, managers, heads of departments, etc., who were knowledgeable about business strategy and SDPs. After data cleaning, 389 valid questionnaires remained and used in the analysis to test the hypothesis. The characteristics of the sample are illustrated in Table 1. Of 389 respondent firms, 332 were firms with 100% private ownership, 152 aged 11–15 years and 127 had 201–500 full-time employees. Additionally, 180 firms were located in the Northern provinces, 91 located in the Central provinces and 118 located in the South. Although this study's sample was not strictly representative of the population of all textile firms in Vietnam, it reflected the diversity in firm types, ages, sizes and locations. Hence, the study's findings can offer relevant insights for researchers and managers.

Table 1. Characteristics of surveyed firms.

Number of Employees	***n***	**%**
<100	38	9.8
100–200	69	17.7
201–500	127	32.7
501–1000	83	21.3
>1000	72	18.5
Firm age		
<5	58	14.9
5–10	101	25.9
11–15	152	39.1
16–20	47	12.1
>20	31	8.0
Firm type		
Firms with 100% private ownership	332	85.3
Firms with government ownership	57	14.7
Headquarter location		
Northern region	180	46.3
Central region	91	23.4
Southern region	118	30.3

n = 389.

3.2. Research Measures

The variables in the research models were measured using previously validated scales (Appendix A). SDPs and financial performance were treated as second-order reflective constructs. SDPs were measured based on three dimensions: environmental practices (SDPE), social practices in the workplace (SDPW) and social practices in the community (SDPC). A total of 23 items were selected from Mirsha and Suar [77] and Courrent et al. [18] to measure these variables (nine items for SDPE; eight items for SDPW and six items for SDPC). Firm financial performance was measured by two variables (i.e., profitability and growth), as suggested by Santos and Brito [37]. Five indicators (i.e., ROA, ROE, ROI, ROS, EVA) were used to assess profitability. Growth was measured using five items: growth of assets, growth of net revenue, growth of after-tax profit, growth of market share and growth of staff. It should be restated that this study utilized subjective measures of financial performance, which have been used in relevant studies relating to the impact of sustainable and environmental practices on firm performance [78,79]. The firm representatives were asked to compare their financial performance during the past 3 years with the average of the sector, in terms of the 10 indicators measuring profitability and growth.

With respect to the interconnected variables, customer loyalty was measured by three items adapted from Sweeney [80]. These items sought firms' evaluation on regular consumers and how SDPs affect repeat purchase. Employee satisfaction was operationalized using four items selected from Sweeney [80] and Guthrie [81]. These items were designed to measure employee turnover, employee recommendations and how CSR impacts employee attraction, motivation and commitment. Five items measuring corporate reputation were adopted from Galbreath [82] and Mahon [83] to seek firms' perception of how their general reputation is perceived by consumers. Finally, the moderating variable of entrepreneurial orientation, reflecting innovativeness, proactiveness and risk taking, was measured by five items selected from Courrent et al. [18].

3.3. Analysis Approach

Structural equation modeling (SEM) with the partial least squares path modeling method was used to test the hypotheses. Partial least squares SEM (PLS-SEM) has quite a few advantages over covariance-based SEM (CB-SEM) in many situations commonly encountered, such as small sample sizes, non-normal distribution or when a complex model with many indicators and model relationships is to be studied [84]. PLS-SEM is also a more powerful tool when categorizing population associations and more suitable for exploratory research purposes [85]. Due to the flexibility PLS-SEM allows in accommodating our small sample size, we chose to apply this technique to examine our data.

For the analysis, the software package Smart PLS 3.0 (SmartPLS GmbH, Bönningstedt, Germany) was utilized. We obtained standard errors of loadings and path coefficient estimates were obtained through a bootstrap resampling procedure, i.e., 500 bootstraps of 300 cases. Following the approach of two-step modeling [86], the measurement model quality was evaluated before testing the structural model. Hence, reliability analysis and PLS factor analysis were initially carried out in order to verify the reliability and validity of the first-order latent constructs. Then, to estimate the independent effect of SDP on financial performance, a direct model was tested. Next, a partially mediated model was tested. This was done to assess the indirect effect of SDP on financial performance through the three consequences of SDP, namely employee satisfaction, customer loyalty and the reputation of the business. Lastly, the moderating role of EO was assessed.

The measurement model was tested for internal consistency, convergent validity and discriminant validity. To examine the model's internal consistency, two criteria in Cronbach's alpha and composite reliability were evaluated. Moreover, the model's convergent validity and discriminant validity was assessed using the average variance extracted and Fornell-Larcker, values respectively [87]. The structural model was assessed via a calculation of path coefficients, as well as examining the relevance and significance of the path coefficients using t-test and *p*-values. Finally, the analysis of the structural model's predictive relevance is conducted using R^2.

4. Data Analysis

4.1. Measurement Model

Internal consistency was determined using reliability analysis including Cronbach's Alpha coefficient values (α) and corrected item-total correlations. The results showed that six items (i.e., SDPE 3, SDPE 6, SDPC 3, SDPW2, SDPW4 and SDPW7) had corrected item-total correlations below 0.3, suggesting these items would be eliminated from further analysis. After deleting these items, the α values ranged from 0.798 to 0.932, suggesting that all the constructs had good internal consistency [87].

All the remaining measurement items were subjected to PLS factor analysis to examine convergent validity and discriminant validity of the constructs. As shown in Table 2, composite reliability (CR) and factor loadings were all above 0.7. In addition, the average variance extracted (AVE) was greater than 0.5, thus, convergent validity was ensured [87].

Discriminant validity was assessed using Fornell-Larcker criterion that compares the square root of AVE with bivariate correlations of latent variables. As illustrated in Table 3, the square root of each construct's AVE should be greater than its highest correlation with any other construct. Hence, the discriminant validity was confirmed [87].

Table 2. Construct reliability and validity.

Constructs	Items	Loadings	Mean	SD	α	CR	AVE
Environmental practices (SDPE)	SDPE1	0.792 ***	3.94	0.653	0.798	0.841	0.655
	SDPE3	0.709 ***	3.92	0.708			
	SDPE5	0.840 ***	3.94	0.684			
	SDPE6	0.758 ***	3.95	0.673			
	SDPE8	0.830 ***	3.89	0.700			
	SDPE9	0.800 ***	3.90	0.705			
Social practice in the workplace (SDPW)	SDPW 1	0.851 ***	3.98	0.660	0.812	0.849	0.572
	SDPW 2	0.781 ***	3.84	0.704			
	SDPW 4	0.838 ***	3.90	0.731			
	SDPW 5	0.915 ***	3.95	0.673			
	SDPW 7	0.866 ***	3.92	0.699			
	SDPW 8	0.900 ***	3.92	0.668			
Social practice in the community (SDPC)	SDPC 1	0.837 ***	3.88	0.720	0.839	0.869	0.560
	SDPC 2	0.776 ***	3.94	0.667			
	SDPC 4	0.801 ***	3.92	0.728			
	SDPC 5	0.745 ***	3.88	0.718			
	SDPC 6	0.836 ***	3.90	0.749			
Customer loyalty (CL)	CL1	0.834 ***	2.53	0.993	0.838	0.838	0.634
	CL2	0.786 ***	2.76	1.034			
	CL3	0.855 ***	2.78	1.026			
Employee satisfaction (ES)	ES1	0.739 ***	3.82	0.803	0.932	0.932	0.775
	ES2	0.805 ***	3.83	0.803			
	ES3	0.794 ***	3.73	0.790			
	ES4	0.822 ***	3.94	0.653			
Corporate reputation (CR)	CR 1	0.856 ***	3.92	0.708	0.880	0.890	0.697
	CR 2	0.821 ***	3.94	0.684			
	CR 3	0.847 ***	3.95	0.673			
	CR 4	0.819 ***	3.89	0.700			
	CR 5	0.809 ***	3.90	0.705			
Financial performance: Growth (FP_G)	FP_G1	0.807 ***	3.98	0.660	0.917	0.917	0.689
	FP_G2	0.829 ***	3.84	0.704			
	FP_G3	0.836 ***	3.90	0.731			
	FP_G4	0.844 ***	3.95	0.673			
	FP_G5	0.784 ***	3.92	0.699			
Financial performance: Profitability (FP_G)	FP_P1	0.861 ***	3.92	0.668	0.871	0.872	0.579
	FP_P2	0.795 ***	3.88	0.720			
	FP_P3	0.830 ***	3.94	0.667			
	FP_P4	0.847 ***	3.92	0.728			
	FP_P5	0.732 ***	3.88	0.718			
Entrepreneurial orientation (EO)	EO 1	0.786 ***	3.90	0.749	0.892	0.891	0.890
	EO 2	0.801 ***	2.53	0.993			
	EO 3	0.797 ***	2.76	1.034			
	EO 4	0.789 ***	2.78	1.026			
	EO 5	0.811 ***	3.82	0.803			

Note: SD: Standard deviation; α: Cronbach's Alpha; CR: composite reliability; AVE: average variance extracted. *** $p < 0.001$; $n = 389$.

Table 3. Bivariate correlations and discriminant validity.

Constructs	SDP	CL	ES	CR	FP	EO
1. Sustainable development practice (SDP)	**0.771**					
2. Customer loyalty (CL)	0.231	**0.796**				
3. Employee satisfaction (ES)	0.256	0.363	**0.880**			
4. Corporate reputation (CR)	0.381	0.328	0.169	**0.35**		
5. Financial performance (FP)	0.571	0.239	0.416	0.525	**0.795**	
6. Entrepreneurial orientation (EO)	0.252	0.568	0.319	0.396	0.598	**0.41**

Note: Diagonal value indicates the square root of AVE of the constructs.

4.2. Structural Models

A structural model was run to test the direct association between SDP and financial performance in the absence of the mediating variables. The analytical results including the standardized path coefficients and *p*-values are shown in Figure 2.

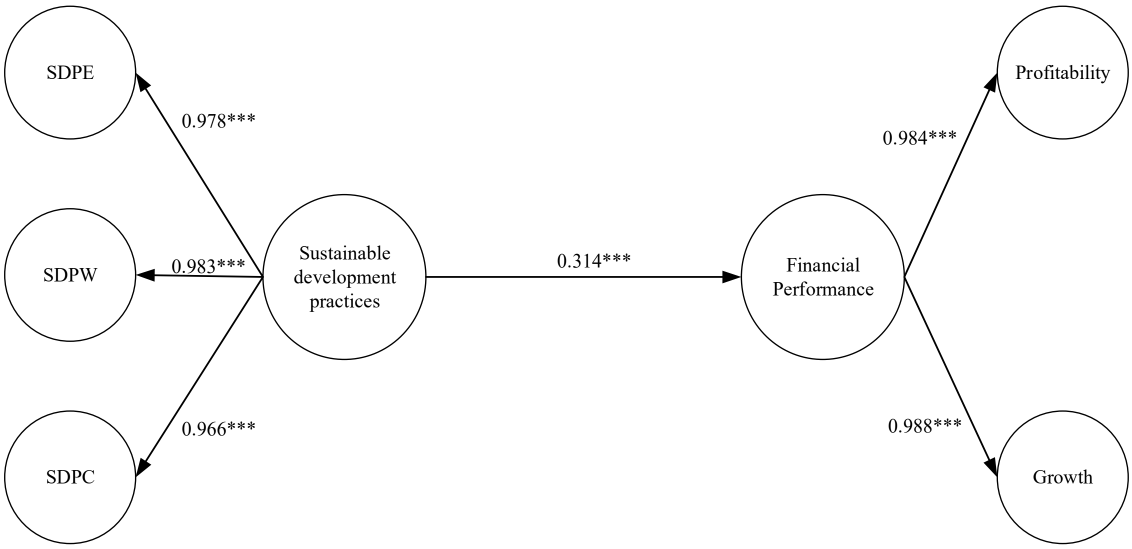

Figure 2. Direct model examining the direct relationship between sustainable development practices (SDPs) and financial performance. Note: *** $p < 0.001$.

According to Figure 2, SDPs exerted a positive direct impact on firm performance, and this impact is significant at the 0.001 level ($\beta = 0.314$, $p < 0.001$). Hence H_1 was supported, indicating that the more Vietnamese textile enterprises adopt sustainable development practices, the higher their financial performance.

A full structural model was run to assess H_2 suggesting the mediating effects of customer loyalty, employee satisfaction and corporate reputation (Figure 3).

The mediating role of these constructs were assessed using the four steps suggested by Hair et al. [87]. Step 1: significant relationship exists between SDPs and financial performance. This was confirmed in accordance with H_1. Step 2: SDPs have significant effect on the mediators. According to the analytical results in Figure 3, this condition was met. Specifically, SDPs have a significant positive impact on customer loyalty ($\beta = 0.183$, $p < 0.001$), employee satisfaction ($\beta = 0.563$; $p < 0.001$) and corporate reputation ($\beta = 0.174$; $p < 0.01$). Step 3: the mediator factors are required to exert significant influence on financial performance. The structural equation model showed that customer loyalty ($\beta = 0.164$; $p < 0.01$), employee satisfaction ($\beta = 0.162$; $p < 0.05$) and corporate reputation ($\beta = 0.239$, $p < 0.001$) were significantly associated with financial performance. Step 4: the relationship between SDPs and financial performance is non-significant (full mediation), or this relationship is still significant but in a smaller magnitude (partial mediation). In comparison with the direct model illustrated in Figure 2, the inclusion of the three mediators decreased the effect of SDPs on financial performance ($\beta = 0.152$, $p < 0.05$ vs. $\beta = 0.314$, $p < 0.001$. These results suggested that customer loyalty, employee satisfaction and corporate reputation partially mediated the association between SDPs and financial performance. Hence, H_{2a}, H_{2b} and H_{2c} are partly supported.

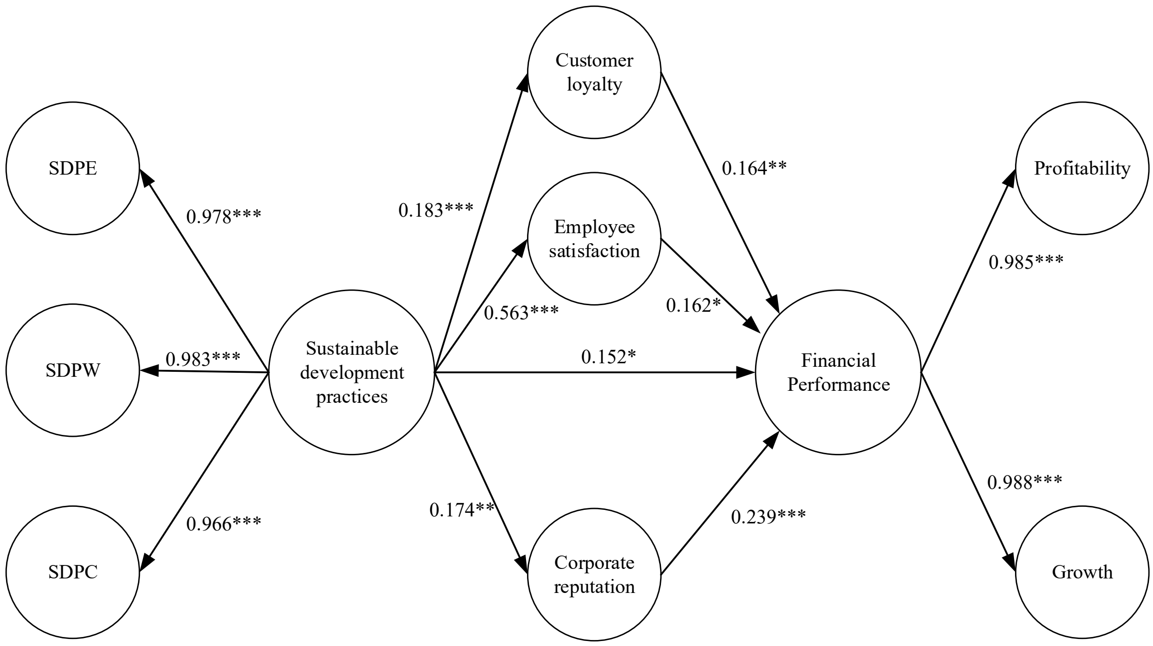

Figure 3. Mediation model. Note: *** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$.

Furthermore, to examine the validation and predictive capability of the direct model and the full model, goodness-of-fit (GoF) index and multiple R^2 were used. To assess the GoF, the following levels were proposed by Wetzels et al. [88], i.e., small = 0.1, medium = 0.25 and large = 0.36. For the direct model, the GoF value was 0.19, indicating an average model fit. The direct model explained a significant 10.8 percent of the variation in firm financial performance. The GoF obtained for the full model including the mediators was 0.39, suggesting a substantial model fit. In addition, 35.2 percent of firm financial performance can be explained by the full model. These statistical indices suggested that the full model has better predictive ability than the direct model.

4.3. Testing for Moderating Effect of Entrepreneurial Orientation

PLS-SEM moderation analysis using bootstrapping was conducted to examine the hypothesized moderating impact of entrepreneurial orientation on the link between SDPs and financial performance [85]. The resultant model is shown in Figure 4.

As shown in Figure 4, the moderating effect of entrepreneurial orientation was significant at the 0.001 level ($\beta = 0.183$, $p < 0.001$), providing support for the moderating role of entrepreneurial orientation. In addition, Figure 5 illustrates how entrepreneurial orientation moderated the relationship between SDPs and financial performance.

According to Figure 5, in a linear sense, entrepreneurial orientation strengthened the positive relationship between SDPs and financial performance. As such, the effect of SDPs on financial performance was stronger for firms that have higher entrepreneurial orientation, compared to those with lower entrepreneurial orientation. Hence, H_3 was accepted.

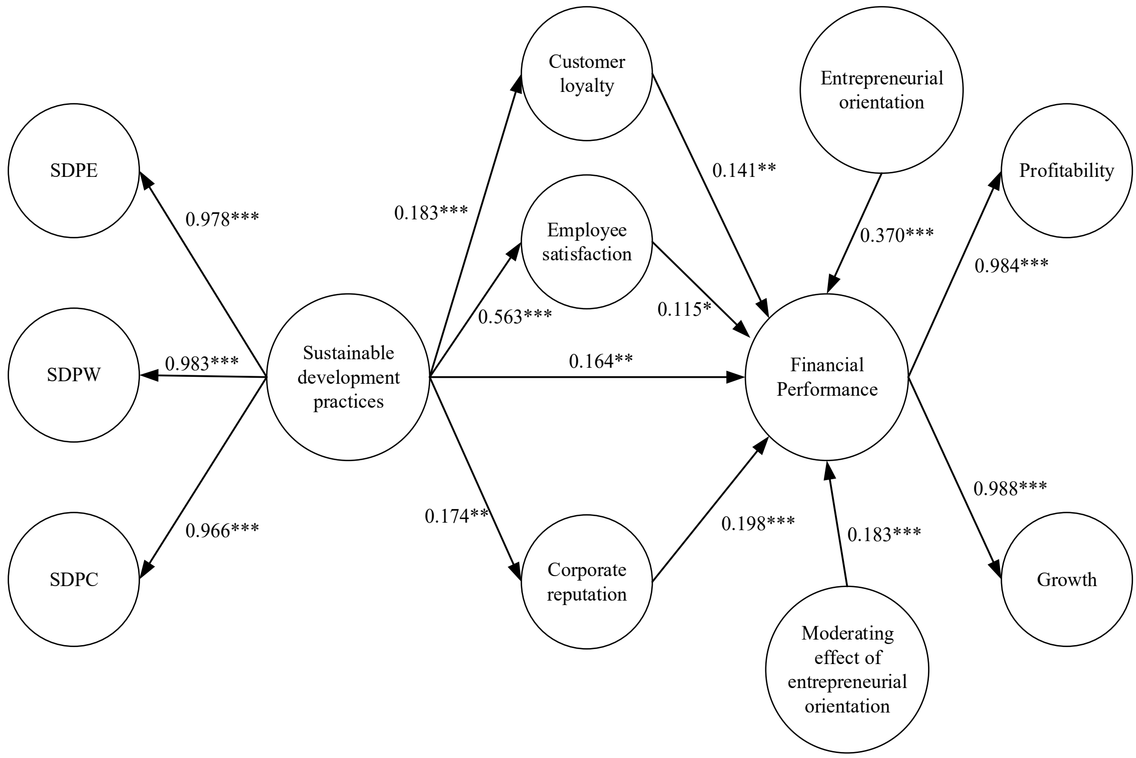

Figure 4. Moderation model. Note: *** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$.

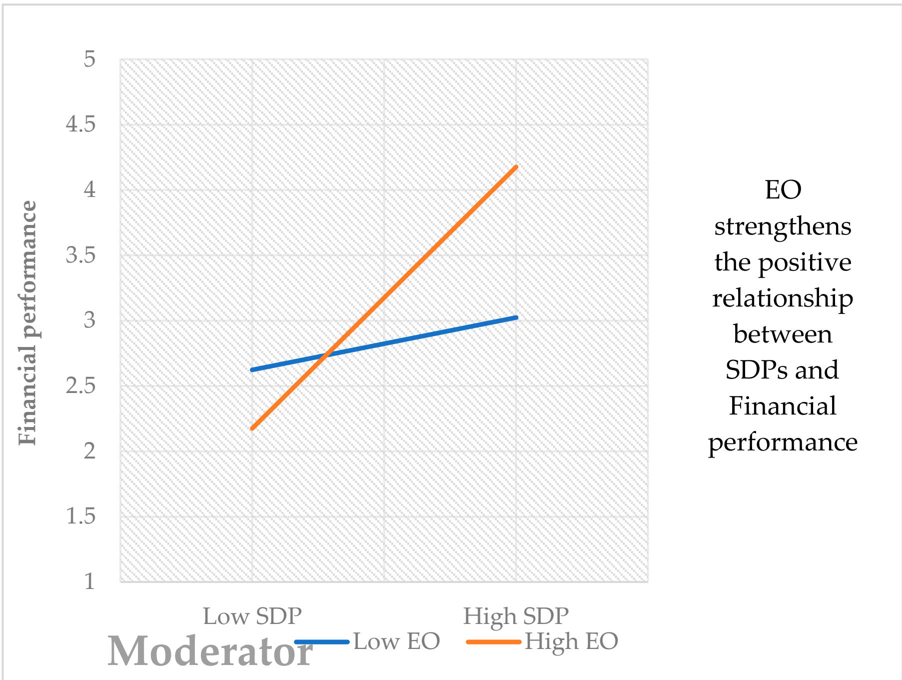

Figure 5. Moderating effect of entrepreneurial orientation.

5. Discussion and Implications

This study has sought to analyze the impact of SDPs on financial performance using data obtained from Vietnamese textile firms. It is important to note that both SDPs and financial performance were conceptualized as multidimensional constructs. While SDPs were represented by environmental practices, social practices in the workplace and social practices in the community, financial performance was assessed with respect to profitability and growth. Overall, the current study provides further support for the RBV theory and stakeholder theory that SDPs can be considered distinctive capabilities, which help firms to fulfill the requirements of key internal and external stakeholders (e.g., employees and customers), as well as enhance their reputation, which altogether improve the firms' financial performance. It also highlights the SDP-non-financial benefits-financial performance mechanism, emphasizing the mediating roles of marketing related factors (i.e., customer loyalty and corporate reputation) and human resource-related factors (i.e., employee satisfaction). This study's findings provide both theoretical and managerial implications.

5.1. Theoretical Implications

The results show that SDPs have a direct and positive impact on financial performance, indicating that SDP implementation generate financial gains in terms of profitability and growth. While this finding contradicts those of several studies [57], it echoes and extends prior evidence that the implementation of SDPs and CSR activities greatly improves corporate financial performance [9,10,89,90]. It also validates the RBV which posits that SDPs can be viewed as a unique resource serving as a competitive advantage and leading to better financial performance. This appears true for Vietnamese firms in the textile sector, which have been criticized for polluting the environment and local community [21,91]. Therefore, firms can use SDPs to get ahead of their rivals.

Notably, the results also highlight the partial mediating roles of customer loyalty, employee satisfaction and corporate reputation. That is, implementing the three dimensions of SDPs satisfies the employees [63,92], enhances customer loyalty and improves corporate reputation [81], which altogether increases financial performance in the long term [65,69,93]. Essentially, SDPs have the strongest impact on employee satisfaction. This supports earlier finding that SDPs motivate employee [63] and reduces employee turnover rate [51]. In the Vietnamese context, the implementation of SDPs indeed can attract high skilled workforce [94]. Furthermore, among the mediators, corporate reputation exerts the strongest influence on financial performance. This is in line with prior research demonstrating that firms with good reputation tend to enjoy financial benefits [57,68,69]. The significant role of the mediators suggests that SDPs lead to non-financial gains, such as customer loyalty, employee satisfaction and corporate reputation, which, in turn, result in financial benefits in the long run. Importantly, the full model including the mediators appears to have a better predictive ability than the direct model, indicating the complexity of the relationship between SDPs and financial performance.

While previous research has found opposite findings about the role of entrepreneurial orientation, the present study provides support for the moderating role of entrepreneurial orientation in strengthening the efficacy of SDPs. The results show that SDPs exert a stronger influence on financial performance for firms with stronger entrepreneurial orientation. Such firms are characterized as being innovative, proactive and willing to take risks, which has been identified as a key requirement for effective development and implementation of SDPs [72–74]. To the best of the researchers' knowledge, this study is the first attempt that examine the moderating mechanism of entrepreneurial orientation in the association between SDPs and financial performance. In addition, it generates a comprehensive understanding of how SDPs impact financial performance by incorporating moderation and mediation influences in the research model. The findings of this study contribute to the literature relating to the influences of sustainable and social practices on firm performance, as well as enriching the current knowledge on sustainability issues in emerging markets.

5.2. Managerial Implications

The findings of this study have important practical implications for textile firms in Vietnam. The inconsistent findings about business-related benefits of SDPs implementation in previous studies have raised the question "Should businesses implement SDPs?". This question is particularly relevant in the context of Vietnam, where there is a dire need to promote sustainable practices and CSR [95–100]. The findings encourage the adoption of SDPs among textile firms as SDPs enhance financial performance directly and indirectly, via marketing-related benefits (i.e., customer loyalty and corporate reputation) and human resource-related benefits (i.e., employee satisfaction). To maximize the effectiveness of SDPs, firms should collectively implement environmental practices and social practices in the workplace and the community. Specifically, firms need to adopt an environmentally friendly approach to all business activities. They should also provide employees with equal opportunities, transparent procedures, regular training and development programs, fair payment and a healthy and safe workplace. In addition, textile firms need to support the community through engagement in community services, support for social and sustainable initiatives, the promotion of human development and human rights and financial payment. It is also important for firms to communicate to employees, customers and other stakeholders about their sustainable practices. For example, they should provide consumers and the community with clear information about different environmental and social practices via broadcast media, websites, social media pages and special events. Importantly, firms who proactively adopt entrepreneurial orientation are also well placed to secure financial benefits from SDPs. That is, the managers of textile firms should be innovative and proactive in adopting SDPs, which are generally considered fairly new initiatives.

Policymakers should communicate to textile firms' managers that implementation of SDPs will contribute to their financial performance. Governmental organizations should provide educational and promotional programs that feature firms that achieve competitive advantages and financial benefits through the adoption of SDPs. Given that pursuing environmental and social programs often require significant investment, the government should provide firms with financial supports in terms of tax allowances, loans or grants. Finally, policymakers should seek to understand other barriers that prevent firms from implementing SDPs by conducting surveys and interviews or organizing conferences and discussion forums.

6. Conclusions and Future Research

This study is among the first of its kind that comprehensively investigates the direct and indirect effects of SDPs on financial performance in the Vietnamese textile sector. Importantly, it conceptualized SDPs as a multidimensional construct represented by the three dimensions: environmental practices, social practices in the workplace and social practices in the community. Such a conceptualization emphasizes the integrative effects of various aspects of SDPs. Additionally, the present study confirms the significant moderating role of entrepreneurial orientation and the mediating role of customer loyalty, employee satisfaction and corporate reputation. The findings of this study provide fresh insights into the usefulness and effectiveness of SDPs, as well as encouraging firms to adopt SDPs and entrepreneurial orientation. This will consequently contribute to the sustainability of firms, as well as the economy and society more broadly.

However, this study has several limitations. The data on financial performance was obtained from one representative from each of the companies. While this subjective measurement has been used by researchers facing difficulties in collecting objective data on firm performance, future research should seek to use a more objective measurement of financial performance. Second, the sample was drawn from the companies listed in "Vietnamese textile directory 2015", implying that the study might have overlooked the small and micro businesses, who contribute considerably to the textile market in Vietnam. Future research should therefore investigate small and micro textile firms. Third, this study did not control for firm characteristics. Future research should address this limitation by testing the impact of firm size and ownership on the relationship between SDP and financial performance. Fourth, future research could apply the model developed in this study in different industry contexts. Fifth, given this study collected data at a point in time (i.e., cross-sectional), a longitudinal study should be conducted to investigate changes in a firm's financial performance and its relationships with SDPs and the mediators. Finally, future research can extend this study to strategic issues. Specifically, researchers can investigate the impact of SDPs on a firm's strategic performance. In addition, future studies can examine how the firm's strategic orientation may influence the relationship between SDPs and financial performance.

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Appendix A Measurement of Variables in the Model

Environmental practices [a]

SDPE1. Well-defined environment responsibilities

SDPE2. Systems for measuring and assessing environmental performance

SDPE3. Policies for substitution of polluting and materials and conservation of virgin materials

SDPE4. Designs facilitating reduction of resource consumption and waste generation during production, distribution and product usage

SDPE5. Preference for green products in purchasing

SDPE6. Natural environment training for employees

SDPE7. Regular voluntary information about environmental management to stakeholders

SDPE8. Policies for preventing direct and indirect pollution of soil, water, and air

SDPE9. Mechanism for supporting research and development of environmental technologies

Social practices in the workplace [a]

SDPW1. An equal opportunity action plan

SDPW2. Anti-discrimination policies towards issues of gender, pregnancy, marital status

SDPW3. Policies towards sexual harassment prohibition

SDPW4. Policies for the training and development of employees

SDPW5. The right to freedom of association, collective bargaining and complaint procedure

SDPW6. Policies covering health and safety at work

SDPW7. Provision for formal worker representation in decision making

SDPW8. Compensation of workers as per legally mandated minimum wages

Social practices in the community [a]

SDPC1. Policy for contribution of skills and time of employees for community services

SDPC2. Supports for third-party social and sustainable development-related initiatives

SDPC3. Supports public policies and practices to promote human development and democracy

SDPC4. Pursues partnerships with community organizations, government agencies and other industry groups dedicated to social causes

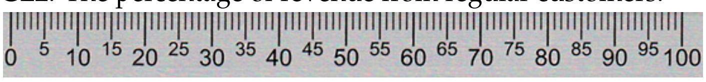
SDPC5. Prohibits child labor, and violation of human rights

SDPC6. Makes timely payment of taxes

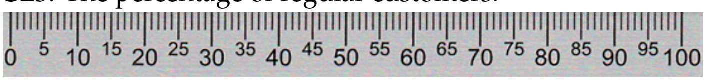
Customer loyalty

CL1. SDPs effectively affect the ability to repeat the purchase or order [b]

CL2. The percentage of revenue from regular customers: [c]

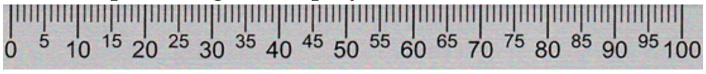


CL3. The percentage of regular customers: [c]

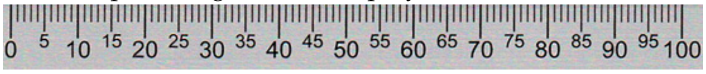


Employee satisfaction

ES1. The percentage of employee turnover of the firm: [c]



ES2. The percentage of staff employment via the recommendation of other employees: [c]



ES3. SDPs effectively affect employee attraction, motivation and commitment [b]

ES4. SDPs create trust and commitment to long-term work of employees [b]

Corporate reputation [b]

CR1. Our firm is viewed by customers as one that is successful.

CR2. We are seen by customers as being a very professional organization.

CR3. Customers view our firm as one that is stable.

CR4. Our firm's reputation with customers is highly regarded.

CR5. Our firm is viewed as well-established by customers

Entrepreneurial orientation [b]

Our firm

EO1. has implemented important modifications in its products and services in the last 5 years

EO2. has introduced several new lines of products and services in the last 5 years

EO3. is often the first to introduce innovations (e.g., new products and services, new techniques and technologies, production methods)

EO4. is generally the one to make the moves to which our competition replies

EO5. favors high-risk projects that are supposed to bring in a lot of profit

Profitability [d]

FP_P1. Return on assets (ROA)

FP_P2. Return on Equity (ROE)

FP_P3. Return on investment (ROI)

FP_P4. Return on sales (ROS)

FP_P5. Economic value added (EVA)

Growth [d]

FP_G1. Growth of assets

FP_G2. Growth of net revenue

FP_G3. Growth of profit after tax

FP_G4. Growth of market share

FP_G5. Growth of staff

Notes:

[a] item measured using 5-point scale, ranging from 1 for 'it is not in the firm code' to 5 for 'it is in the firm code and fully implemented';

[b] item measured using 5-point scale, ranging from 1 for 'strongly disagree' to 5 for 'strongly agree';

[c] responses were recoded into 5 groups of percentages;

[d] item measured using 5-point scale, ranging from 1 for 'below average much more' to 5 for 'above average much more'.

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