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# Determinants of Business Resilience and Sustainable Performance

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**Abstract:** This study examines how corporate social responsibility (CSR) affects sustainable performance and business resilience using stakeholder relationships and innovation capacity as mediating variables. Structural Equation Modeling (SEM) with a Partial Least Square technique is used for data analysis. The sampling method used a purposive method with a total sample of 151 people. A systematic questionnaire was used to gather primary data. According to the study's findings, stakeholder connections and innovative ability have been directly and positively impacted by corporate social responsibility. Stakeholder relationships having the ability to innovate positively impacts the resilience of businesses. Meanwhile, relationships between stakeholders and innovation capacity influence sustainable performance, mediated by business resilience. The theoretical implication of this research is that CSR will increase business resilience and sustainable performance if CSR can create relationships between stakeholders and innovation capacity.

**Keywords:** Business Resilience, Corporate Social Responsibility, Innovation Capacity, Stakeholder Relationships, Sustainable Performance

## Introduction

The severe crisis brought on by the Covid-19 outbreak and the world economic crisis reinforces the importance of building resilience in the business world. On the other hand, little is understood about the components of organizational resilience and how it functions in particular natural settings (Wenzel et al., 2021). Concern about the dangers of various upheavals or sudden changes requires business people to have high social responsibility behavior towards their stakeholders. Companies must care about the safety and welfare of their stakeholders. Well-executed social responsibility practices are a source of business resilience (Huang et al., 2020).

There are still a number of discrepancies in the results of studies looking into the relationship between corporate social responsibility and company resilience. Research by Yuan Wei et.al (2019) found that CSR does not support business resilience because implementing CSR actually increases costs. Meanwhile, research by Corrales-Estrada et al. (2021) and Huang et al. (2020) found that CSR contributes positively to company resilience. In the Indonesian context, similar discrepancies have emerged. According to Setyahuni & Widiar (2024), several publicly traded corporations drastically cut back on their CSR investment during the COVID-19 pandemic, which suggests that cost-cutting pressures overshadowed resilience building. On the other hand, Maulana et al. (2024) discovered that Indonesian MSMEs improved business continuity by using resilience tactics such product diversification, digital platform adoption, and cost reduction, which were frequently supported by government and corporate social responsibility. Additionally, Cahyaningati et al. (2024) attest that innovation capacity acts as a mediating factor in the favorable relationship between CSR and MSME performance in Indonesia. These contradictory results highlight the significance of contextual elements in determining how CSR enhances resilience, including firm size, industry, stakeholder expectations, and outside assistance.

This research uses stakeholder theory, focusing on the role of solid stakeholder relationships in creating organizational or corporate resilience and sustainable performance. From this perspective, stakeholders are groups or individuals who can influence or are influenced by an organization's objectives and actions. Effective stakeholder management allows firms to build trusting and reciprocity-based relationships with different stakeholder groupings, such as suppliers, employees, customers, and the community. It is the strengthening of these relationships with stakeholders that allows firms to share values, resources, and knowledge, thereby enhancing adaptability and resilience during crises (Liu & Yin, 2020). Wishart (2018) proposes that resilience, conversely, is considered the adaptive response to external pressures that threaten the survival of the organization since firms not only regain and recover from shocks but also gain the ability to access other new sources of strength.

CSR in the foregoing formation thus helps in a strategic sense, for it demonstrates the firm's commitment to balancing the interests of the stakeholders not only with the economic goals.Organizations may improve trust, legitimacy, and collaboration—all of which are critical components of organizational resilience and long-term sustainability—by putting CSR efforts into place that are in line with stakeholder requirements and expectations. For Micro, Small, and Medium-Sized Enterprises (MSMEs), which must manage uncertainty with minimal resources, this is especially crucial. Business resilience, which frequently results from entrepreneurial action, is influenced by institutional and psychological elements in addition to organizational characteristics, claim Korber & McNaughton (2018). Accordingly, CSR improves a company's capacity for innovation and stakeholder engagement, which in turn improves its ability to adjust to outside obstacles and achieve long-term success.

Following the 2008 financial crisis, scholars have focused particularly on the resilience of MSMEs (Saad et al. 2021). Resilience in business is just as crucial as efficiency and performance. The ability to handle challenging circumstances in a way that ensures the survival and prosperity of the business is known as business resilience (Haase and Eberl, 2019). According to Wishart (2018), corporate resilience is the capacity to foresee possible threats, successfully handle unforeseen circumstances, and adjust to change in order to emerge stronger than before. The unknown, which is characterized by more uncertainty, is something that MSMEs must continue to deal with, particularly in times of crisis when they have little to no information to go by.

The Indonesian MSME sector has repeatedly faced the blow of economic crises, since the 1998 crisis, the 2008 crisis, the 2019 Covid-19 pandemic catastrophe, the effects of which are still being felt to this day. Still suffering from the COVID-19 pandemic's impacts, the MSME sector also has to face the reality of sluggish people's purchasing power due to the slowing national economy caused by the sluggish global economy. The resilience of MSMEs has really been tested by these various crises (Djatmiko & Pudyastiwi, 2020; Ssenyonga, 2021).

The survival ability of MSMEs or the resilience of MSME businesses is an interesting theme to study. In Indonesia, it is vital to investigate MSMEs' survival or resilience capacity. MSMEs account for more than 99% of all business entities in the nation, generate over 61% of the GDP (roughly IDR 9,580 trillion), and employ 97% of the workforce (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2022). MSMEs continue to be especially susceptible to shocks like pandemics, economic crises, and shifting global demand despite their economic importance. For instance, many MSMEs found it challenging to survive the COVID-19 pandemic because of interrupted supply chains and lower consumer spending. Therefore, it is crucial to ensure their resilience—not just to ensure their existence but also to preserve national economic stability, safeguard employment, and promote equitable recovery. In light of their key role in economic stability, understanding how CSR, stakeholder engagement, and innovation capacity influence MSME resilience and sustainable performance becomes an imperative research agenda (Tambunan, 2023). Several previous studies explain that several factors can influence business resilience, including corporate social responsibility or CSR (Huang, 2020; Bartolacci et al., 2020), relationships between stakeholders (Corrales-Estrada et al., 2021), and Innovation Capacity (Wang et al., 2019).

The very rapid changes in the business environment force business actors to be able to adapt to these various changes, including MSMEs. Technological advancements, a pandemic followed by a food crisis, and other global factors are driving a number of changes. This study focuses specifically on Semarang City, the capital of Central Java Province, one of the region's major economic hubs. The increasing expectations for digital transformation, increased competition, and rising production costs are putting a great deal of burden on Semarang's MSMEs. The city was selected as the research site due to its vital significance in regional commerce and the significant number of MSMEs in several industries. Because of this, it was an appropriate environment for investigating how CSR, stakeholder relationships, and innovation capability promote sustainable performance and company resilience. As such, solutions are required to help them survive and grow.

Based on this explanation, the main problem addressed in this research is what strategies must be carried out by business actors, especially MSMEs, to maintain their existence and continue to develop sustainably in an increasingly volatile business environment. This study examines how corporate social responsibility (CSR) affects sustainable performance and business resilience using stakeholder relationships and innovation capacity as mediating variables. One strategy that can be pursued by business actors is to develop stakeholder sensitivity through CSR practices. CSR is expected to foster company synergy with stakeholders and simultaneously enhance innovation capacity as a form of organizational adaptation to dynamic external changes. These two mediating roles—stakeholder relationships and innovation capacity—are hypothesized to jointly encourage business resilience and lead to sustainable performance. The novelty of this research lies in its integrated framework that empirically examines the dual mediating roles of stakeholder relationships and innovation capacity in the linkage between CSR and strategic business outcomes—namely, resilience and sustainable performance. Unlike previous studies that typically analyze direct effects or focus on a single mediation pathway, this research offers a more comprehensive model by positioning stakeholder engagement and innovation capability as critical mechanisms in building MSME resilience. Furthermore, the study contributes new empirical evidence from the context of MSMEs in Semarang, Indonesia—an area underrepresented in current CSR and resilience literature—thereby offering valuable insights for both scholars and policymakers in developing economies.

## Literature Review

### *Stakeholder Theory*

The theory underlying this research is stakeholder theory. Stakeholder theory's central claim is that a company's business will perform better the stronger its relationships with other companies. Cooperation, respect, and trust are the cornerstones of healthy stakeholder relationships. The goal of stakeholder theory, a strategic management concept, is to assist businesses in fortifying their bonds with outside organizations and creating competitive advantages (Clarkson 1995). "A theory which states that all stakeholders have the right to obtain information about company activities that can influence their decision making," defines stakeholder theory, according to Deegan (2004). Stakeholder theory encompasses management and ethical domains. According to ethical theory, managers should run their companies with the interests of all stakeholders in mind. Stakeholders have a right to fair treatment by the business. The company's relationship with stakeholders will in turn be able to encourage the company to innovate to satisfy stakeholders. The strength of innovation and good relationships with stakeholders will also make the company accepted and supported by all stakeholders, thereby creating resilience and sustainable performance for the company.

In general, the company's goal is to achieve sustainable performance, specifically, performance that takes into account social, environmental, and economic aspects. The Triple Bottom Line, an Elkington concept, serves as the foundation for sustainable performance. that businesses need to perform in the areas of the economy, society, and environment. Companies can operate in a medium and long term perspective and can meet the needs of all interested parties, namely owners, consumers, employees, society and the environment (Bartolacci et al., 2020). Sustainable performance of micro and small businesses is what is expected during a crisis to face difficult market conditions. For example, success in reducing operational costs, maintaining product quality and customer satisfaction, returning business capital, can increase profit growth and expand market reach. Sustainability of micro and small businesses as support for the national economy, especially now in the post-pandemic and new normal era. Sustainable performance for MSMEs can be seen from customer management, employee management, business operational efficiency, return on business capital and companies being able to adapt and continue to innovate according to market changes, contributions to society and the environment.

The ability of a business to continue operating in the face of interruptions as well as the capacity to revitalize and sustain current organizations is known as organizational resilience. In the literature on organizational studies, resilience has been defined as the capacity required to withstand external shocks including natural disasters, economic downturns, and widespread diseases. The economy suffers from a number of effects from these external disruptions, such as a steep drop in consumer demand, problems in the supply chain, limitations, or even a halt to operations. The shocks that occur in the business environment require companies to develop adaptability, innovation and flexibility to withstand crises and bounce back to normal as soon as possible, which is part of the idea of resilience. Companies that have better resilience in dealing with unexpected circumstances will not experience severe losses. Companies with high resilience will quickly recover from losses. Two dimensions—the flexibility dimension, which takes recovery time into account, and the stability dimension, which represents the severity of the loss—showcase organizational resilience (Corrales-Estrada et al., 2021).

### *Business Resilience*

Business resilience is also defined as "the ability to respond productively to significant change and overcome unexpected hazards" (Ritter & Pedersen, 2020). The business environment is by its very nature dynamic, uncertain, and complex. By causing shocks and knock-on consequences that violently upset the stability of the industrial balance and jeopardize the existence of individual businesses, crises and disasters can further complicate the environment. In addition to having the short-term ability to bounce back from violent disruptions, resilient organizations also possess the long-term adaptability and creative thinking that can lead to significant modifications in their business models following crises and disasters.

This research analyzes the determinants of MSME business resilience by selecting CSR variables, stakeholder relationships and innovation capacity. Apart from examining the influence of determinants of business resilience, this research also examines the influence of business resilience on sustainable performance. Prior research has demonstrated that CSR activities have a major role in enhancing stakeholder relationships. CSR strategies boost stakeholder participation, strengthen stakeholder trust, and improve firm reputation—all of which are critical for building lasting partnerships, claim Martínez and Rodríguez del Bosque (2013). In a similar vein, Jamali et al. (2014) highlighted that socially conscious business practices foster collaboration and trust among stakeholders, resulting in more robust and cohesive alliances. Thus, in accordance with these conclusions, the following is the formulation of the first hypothesis in this study:

H1: CSR has a positive effect on stakeholder relationships

Innovation capacity and CSR are variables that influence business resilience. According to Yuan Wei (2019), The definition of CSR is voluntary corporate initiatives intended to enhance social or environmental problems. The social benefits of CSR can bring business profits. Building corporate resilience requires reciprocal connections with suppliers, competitors, the government, the environment, and employees, among other parties.

Businesses must actively participate in CSR in order to build strong bonds with a variety of stakeholders, which will help them recognize environmental changes and acquire the resources and assistance needed to put business resilience into practice successfully. In addition to helping a company absorb environmental shocks and thereby reduce volatility in finance, corporate social responsibility (CSR) activities also help a company establish a strong social foundation and reputation, which can be used as a resource to turn on traditional business resources (e.g., technology, labor, capital, and materials). Ultimately, this increases performance growth and opens up opportunities for business initiatives.

Various empirical studies that associate CSR to innovation capacity; for instance, Martínez-Conesa et al. (2017) found that CSR initiatives encourage stakeholders' participation, knowledge-sharing, and internal learning processes; all of which are critical efforts in promoting innovation. With similar arguments, Surroca et al. (2010) prove that CSR creates value for society in terms of intangible resources such as trust, reputation, and knowledge that act as catalysts in driving innovation capability. So these socially responsible companies are likely to be involved in the development of new ideas, products, and services directed at satisfying stakeholder needs and dealing with environmental challenges. Based on these findings, the following hypothesis is proposed:

H2: CSR influences innovation capacity

Companies that implement CSR well will perform stronger during unexpected shocks compared to companies that are not so good at implementing CSR. Support from important stakeholders, including workers, suppliers, consumers, and governments, provides vital resources that help businesses quickly adapt and weather unanticipated environmental turbulence. Businesses with stronger CSR performance before to the shock will lose less. Companies have made it easier for stakeholders to accept change and quickly adjust to new circumstances by implementing social practices. In turn, interactive connections between stakeholders who share and assist one another in the network will generate a collective strength that will help the business reduce losses and sustain stability. In addition, involvement in CSR allows companies to quickly obtain signals of environmental changes; so companies can quickly identify, process and respond to threats. Companies with high CSR involvement will receive support from stakeholders to accelerate the company's progress and recover from disruptions (Corrales-Estrada et al., 2021).

Furthermore, CSR enables an organization to build stakeholder interaction networks that exchange information and resources for collective benefits that bolster business sustainability (Du et al., 2011). CSR also improves an organization's capability for environmental scanning, leading to the early detection of external threats and their effective adaptive responses. CSR thus enhances organizational resilience through integrating stakeholder engagement, long-term thinking, and ethics into company strategies (Linnenluecke & Griffiths2010). Companies that maintain strong CSR commitments often experience smoother recovery from disruptions due to sustained stakeholder support and trust. Based on this, the following hypothesis is proposed:

H3: CSR influences business resilience

CSR encourages stakeholder cooperation and reciprocity. Through proactive CSR, the business has established a network of dependable and devoted partners based on trust and high commitment who will help when an environmental disturbance occurs. CSR fosters the growth of enduring and sustainable connections. Companies can create more genuine and long-lasting relationships with their key stakeholders the more social responsibility projects they participate in. Companies are able to keep up with market developments thanks to this relationship, which speeds up their adjustment to changing circumstances. This benefit becomes even more significant when there is a crisis because everything is new, uncertain, and unpredictable. A company's reputation can be enhanced by its CSR actions. The primary source of information for potential partners is the company's past success. An effective CSR profile, for instance, might convey to banks and investors the authenticity and dependability of a business. Gaining access to financial capital is essential for surviving a crisis, and a positive reputation can help with this. Depending on how new customers perceive a company's reputation for ethics and social responsibility, they may select a certain product or service over alternatives that are comparable. In order to attract top talent, a company can set itself apart from competitors in the labor market through active participation in CSR. Finding and keeping the best candidates for a position reduces expenses and saves a lot of time (Yuan Wei et al., 2019).

Stakeholder engagement enhances organizational resilience by encouraging cooperative problem-solving and guaranteeing access to vital resources during shocks, according to Mousa et al. (2020). In difficult operational or economic circumstances, strong stakeholder relationships make it easier for businesses to get logistical, emotional, and financial support. Additionally, businesses that are seen as morally and responsibly run a better chance of drawing in and keeping top talent, which is crucial for business continuity and resilience (Zerbini, 2017). Based on these findings, the following hypothesis is proposed:

H4: Stakeholder relationships influence business resilience

A resilient company is a company with reliability and flexibility. Reliability speaks of the capacity that allows a company to return to normal quickly after a disruptive event, while flexibility speaks of the business's capacity to bounce back and develop after disruption. Based on Li (2020), establishing robust stakeholder relationships is crucial for fostering firm dependability and adaptability, which in turn enhances business resilience. The corporation's job is to build positive relationships with its stakeholders, which are partnerships based on reciprocity and mutual trust between the company and different parties, such as suppliers, consumers, employees, and the general public (Harrison, Bosse, & Phillips, 2010). A company's ability to share its vision, values, knowledge, and tangible resources with its different stakeholders is facilitated by strong stakeholder connections. This increases the company's interconnectedness with the larger social system.

The beneficial impact of innovation capacity on business resilience has been demonstrated by prior research. Businesses that possess high innovation capabilities are better equipped to restructure their internal resources and business processes, allowing them to make more adept adjustments during times of crisis, claim Battisti and Deakins (2017). An organization's ability to innovate, which enables it to rethink its business models, services, and products to meet changing consumer expectations, is essential to its resilience in the face of unanticipated shocks. According to Duchek (2020), innovative companies are also more likely to develop learning systems that enhance their strategic agility and allow them to learn from disruptions. This literature leads to the following hypothesis:

H5: Innovation capacity influences business resilience

Even while innovation plays a significant role in fostering organizational resilience, some businesses are unable to develop the flexible capacities needed to modify their organizational structures and work procedures (Beuren, 2022). Businesses need to be innovative in order to convince stakeholders to embrace it and to create the right environment, like a creative atmosphere. Instead of being evolutionary, innovation is revolutionary; it is necessary to thrive in complex, dynamic marketplaces under unstable economic conditions. According to Caiden (2003), organizational changes that create value center on leadership, goals and objectives, work styles, procedures and methods, structure, policies and guidelines, staff, finances, contracts, suppliers, and alliances. If value isn't created, there could be performance complaints and criticism, a collapse in internal morale, talent turnover, or even outside intervention to stop the damage from getting worse, which could include forced innovation. In light of this hypothetical situation, organizations ought to be constantly examining and challenging a number of organizational characteristics, including goals, objectives, functions, political direction, policies, decision-making ability, plans, authority structure, division of labor, accountability, channels of communication, infrastructure, procedures, processes, personnel management, budgets, financial procedures, talent utilization, public image, complaints, and criticism—all of which continue to be difficult for businesses. In an effort to overcome and face changes in an environment full of uncertainty, companies must increase their adaptability. competitiveness and value (Scott, 2007). states that innovation is a prerequisite for developing organizational capacity to cope with an environment of change. This implies that organizations that innovate tend to increase organizational competitiveness.

H6: Business resilience influences sustainable performance

A resilient company that is a company that always adapts to environmental changes. Sustainable performance is the goal so that continuous adjustments are made to every element of the company. The company's adaptability is a source of business resilience. If increasing sustainability is a company goal, then business resilience is the ability to survive and adapt with goals that are continuously adjusted to changing opportunities and challenges faced (Hu et al., 2022). Enterprise resilience is further enhanced when businesses consistently and actively decrease risks and vulnerabilities, improve value for communities affected by constraints and issues, and increase their capacity to seize new possibilities. Companies that are able to adapt and differentiate can have different capacities to be resilient and sustainable. Companies that are able to carry out their social responsibilities to all stakeholders will receive support from all stakeholders so that they have strong business resilience to achieve the expected sustainable performance.

### *The Mediation Role*

This goes beyond the fact that corporate social responsibility has a significant direct impact on business resilience as well as on sustainable performance. It also operates indirectly through mediating variables like stakeholder relations, innovation capacity, and business resilience itself. A handful of studies show how stakeholder relationships mediate the role of CSR in organizational resilience. Luo and Bhattacharya (2006), for example, found that CSR activities enhance stakeholder trust and engagement, which affect the firm's responsiveness and resilience to such external shocks. Thus, stakeholder relationships serve as a bridge between CSR and business adaptability and robustness.

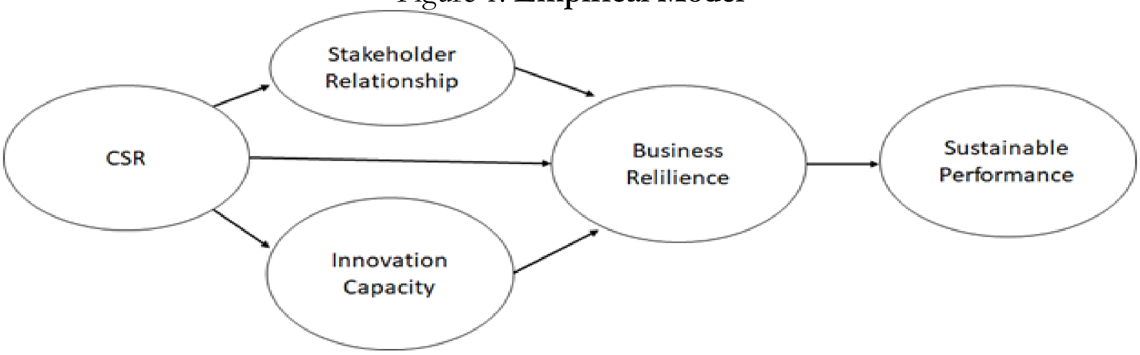
It is also to say that innovation capability is a key mechanism through which CSR becomes influential toward resilience. CSR activities are usually provocation toward learning and innovation culture within the organization (Martínez-Conesa et al., 2017). In that sense, firms that invest in innovation will also better respond to dynamic environments as well as with disruption, making innovation capacity a good mediator between CSR and resilience.

Additionally, it has been found that the resilience of the organization itself is a crucial mediating factor in achieving sustained performance. Resilient companies are more likely to use adaptive strategies, protect core skills, and ensure long-term existence, especially during turbulent times (Duchek, 2020). CSR can increase resilience, which supports environmental-social goals and long-term business performance. Meanwhile, for the mediating role of stakeholder relationships, innovation capacity and business resilience can be hypothesized as follows:

H7: Stakeholder relationships mediate the relationship between CSR and business resilience
H8: Innovation capability mediates the relationship between CSR and business resilience
H9: Business resilience mediates the relationship between CSR and sustainable performance

Based on the literature review and logical relationships between variables, the empirical research model can be described as follows:

Figure 1. **Empirical Model**




## Methods

### *Design and Approach*

This research is categorized into exploratory research followed by descriptive research. The method used is a survey method. A population is an amalgam of all the components that the researcher is concentrating on, whether they be things, events, or individuals with comparable traits. The population in this study were MSMEs in Semarang City who had received training/mentoring from the Semarang City KADIN. The sample for this research is MSMEs that meet the predetermined criteria and were obtained using the snowball method. The sampling method uses purposive and snowball sampling. First, by using a purposive sampling method, the sample criteria determined in this research are: 1) MSMEs that have received training/mentoring from the Semarang City Chamber of Commerce and Industry, 2) MSMEs that have been running their business for at least 5 years and have a workforce of at least 2 people. Second, using snowball, namely by collecting. data in which researchers use initial participants to refer or recommend additional participants. Based on the method used, a sample of 151 MSMEs was obtained.

### *Data Collection and Participants*

The data collection technique used by researchers to obtain primary data is by giving questionnaires to MSME actors with the help of enumerators. A questionnaire had to be completed by MSME actors who had been chosen as respondents. The questionnaire contains questions related to research indicators by providing alternative answers. The following are the indicator variables studied (Table 1).

Table 1. **Indicator of Each Variable**

| Variable | Construct | Indicator | Reference |
|---|---|---|---|
| Sustainable Performance | SP1 | - Utilizee resources efficiently | |
| | SP2 | - Obtain stable financial profits | (Hernita et al, 2021) |
| | SP3 | - Able to provide welfare to employees | |
| | SP4 | - Able to contribute to society | |
| | SP5 | - Able to maintain environmental balance | |
| | SP6 | - Able to increase product competitivenes | |
| Business Resilience | BR1 | - Able manage to risk | (Al-Balushi, 2020) |
| | BR2 | - Flexible and adaptive | |
| | BR3 | - Continue to diversity | |
| | BR4 | - Continue to innovate | |
| | BR5 | - Maintain excellence and quality | |
| | BR6 | - Have reserves or savings just in case | |
| CSR | CSR1 | - Treat employees well | (Lv et al., 2019) |
| | CSR2 | - Avoid business practices that harm other parties (unethical) | |
| | CSR3 | - Serve consumers as best as possible and respect their rights consumer | |
| | CSR4 | - Manage rubbish and waste wisely | |
| | CSR5 | - Empowering local communities | |
| | CSR6 | - Contribute to social activities and donations | |
| Stakeholder Relationship | SHR1 | - Collaborate with stakeholders | (Corrales-Estrada et al., 2021). |
| | SHR2 | - Maintain trust in stakeholders | |
| | SHR3 | - Maintain integrity towards stakeholders | |
| | SHR4 | - Maintain tolerance between stakeholders | |
| | SHR5 | - Mutual support with stakeholders | |
| | SHR6 | - Transparent to stakeholders | |
| Innovation Capacity | IC1 | - Have access to resources for innovation | (García-Sánchez et al., 2018) |
| | IC2 | - Have a creative and innovative culture | |
| | IC3 | - Always follow market changes | |
| | IC4 | - Able to take advantage of technological developments | |
| | IC5 | - Continue learning through training | |
| | IC6 | | |

### *Data Analysis*

The Structural Equation Model (SEM) analytical technique was employed in this study to analyze the data. SEM is a statistical method that can be used to examine direct measurement errors, latent constructs with other latent constructs, and patterns of interactions between latent constructs and their indicators (Hair et al., 2020). Multiple dependent and independent variables can be directly analyzed using SEM, a family of multivariate dependent statistics.

## Result

### *Respondent Profile*

Institutionally, Kadin is a very effective forum for developing MSMEs. MSME players together with the Semarang City Chamber of Commerce and various stakeholders in the cluster support each other and synergize to develop MSMEs in Semarang City so that MSMEs in Semarang City have business resilience and sustainable performance that continues to develop. Semarang City Chamber of Commerce and Industry) seeks to synergize all stakeholders in developing the local economy in Semarang City.

The respondents of this research are MSME actors who have participated in various training and coaching conducted by the Semarang City Chamber of Commerce and Industry. The sample criteria to become respondents for this research are: 1) Minimum 5 years of business experience, 2) have at least 2 employees, 3) have attended training and guidance from the Semarang City Chamber of Commerce and Industry.

Based on product type, the majority of Semarang City MSME respondents are engaged in the food sector. MSME players see that the potential and resilience of businesses in the food sector is greater and stronger because food is a basic need for society.

Based on gender, the number of women involved in the MSME business is greater than men. As can be seen in Table 2, female respondents were 64.90%, while male respondents were only 35.10%. The explanation for this phenomenon is that many MSME entrepreneurs are women who want to have their own source of income but can still carry out their duties as housewives. Women MSME entrepreneurs start their businesses starting from skills such as cooking, knitting, embroidery, etc. Male entrepreneurs start their businesses mostly because they have certain skills and don't want to work for other people.

Based on age, all MSME respondents are of productive age. The composition of respondents based on age was mostly 35-45 years old, followed by 45-55 years old, and the least were MSME respondents aged less than 25 years. There are actually more MSME respondents who are older than MSME respondents who are less than 25 years old. This condition shows that quite a lot of MSMEs are still very productive in old age.

Based on the time the business was established or the length of the business, it can be seen that the length of the MSME business in Semarang City is at least 5 years. Most of the MSMEs in Semarang City are experienced, with a maximum length of business of 6 years. The largest number of MSMEs with a business period of 5-10 years.

Based on the number of workers, the majority of MSME respondents still employ a small workforce, namely less than 5 people. This shows that the business scale of MSMEs assisted by the Semarang City Chamber of Commerce and Industry is still larger (52.32%) on the micro and super micro scale. 37.75% of MSMEs employ between 5-10 workers, and 9.93% employ more than 10 workers.

Table 2. **Respondent Profile**

| Profile | Frequency (people) | Percentage (%) |
|---|---|---|
| **Business Sector** | | |
| Food and Beverage | 116 | 76,21 |
| Batik | 17 | 11,25 |
| Craft | 20 | 13,24 |
| **Age** | | |
| 25-35 years | 25 | 16,55 |
| 36-46 years | 61 | 40,39 |
| 47-57 years | 54 | 35,76 |
| 58-68 years | 21 | 13,90 |
| **Gender** | | |
| Woman | 91 | 60,26 |
| Man | 60 | 39,74 |
| **Education** | | |
| High School | 72 | 47,68 |
| Diploma | 32 | 21,19 |
| Bachelor | 47 | 31,12 |
| **Total manpower** | | |
| 3-6 | 78 | 51,65 |
| 7-10 | 45 | 29,80 |
| 10-12 | 28 | 18,55 |
| **Length of business** | | |
| 5-8 years | | 42,38 |
| 9-12 years | 54 | 35,76 |
| 13-17 years | 33 | 21,86 |

### *Test of Reability and Validity*

In this investigation, concept validity was evaluated using two approaches. In order to assess convergent validity, the factor loading values for each and every questionnaire item are tested. According to Hair et al. (2019), the item is deemed legitimate when the factor loading value is equal to or more than 0.70. A loading factor value of 0.5 is nevertheless deemed appropriate empirically. Every indicator in Figure 1 has a loading factor value larger than 0.5, indicating that each one is legitimate. It is not appropriate for the discussion part to just reiterate the results from the results section or to present new findings not covered in the article's earlier sections. Rather, the emphasis need to be on emphasizing the wider ramifications of the study's conclusions and connecting them to earlier investigations.

In addition, collinearity among formative indicators was assessed using the Variance Inflation Factor (VIF), in line with recommendations by Hair et al. (2019). VIF values were calculated to ensure that multicollinearity does not bias the estimation of indicator weights. A VIF value below 5.0 is generally considered acceptable, and values under 3.3 indicate minimal multicollinearity concern (Hair et al., 2019). In this study, all formative indicators exhibited VIF values below the threshold of 3.3, suggesting that collinearity is not a significant issue, and the indicators are suitable for inclusion in the PLS-SEM model. This dual assessment confirms that the measurement model meets the validity requirements necessary for further structural analysis.

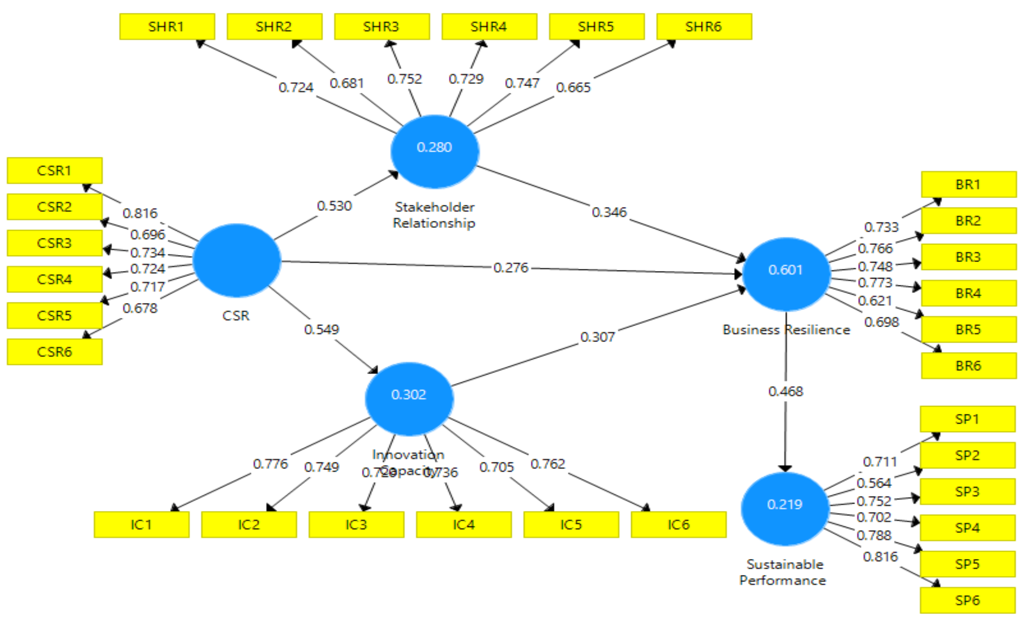
The assessment of collinearity among formative indicators was conducted using the Variance Inflation Factor (VIF). As presented in Table 3, all VIF values are below the recommended threshold of 3.3, indicating that there is no critical issue of multicollinearity among the indicators (Hair et al., 2019). This suggests that each indicator provides distinct information in measuring its respective construct.

Table 3. **Collinearity Statistics (VIF) for Outer Model Indicators**

| Indicator (SP) | VIF | Indicator (BR) | VIF | Indicator (CSR) | VIF | Indicator (SHR) | VIF | Indicator (IC) | VIF |
|---|---|---|---|---|---|---|---|---|---|
| SP1 | 1.608 | BR1 | 1.586 | CSR1 | 2.359 | SHR1 | 1.598 | IC1 | 1.791 |
| SP2 | 1.227 | BR2 | 1.777 | CSR2 | 1.535 | SHR2 | 1.513 | IC2 | 1.730 |
| SP3 | 1.685 | BR3 | 1.614 | CSR3 | 1.936 | SHR3 | 1.691 | IC3 | 1.675 |
| SP4 | 1.55 | BR4 | 1.749 | CSR4 | 1.746 | SHR4 | 1.572 | IC4 | 1.795 |
| SP5 | 1.752 | BR5 | 1.451 | CSR5 | 1.497 | SHR5 | 1.556 | IC5 | 1.484 |
| SP6 | 2.043 | BR6 | 1.413 | CSR6 | 1.404 | SHR6 | 1.423 | IC6 | 1.835 |

To assess potential collinearity issues among formative indicators, the Variance Inflation Factor (VIF) was examined for each indicator in the outer model. As shown in Table X, all VIF values are well below the conservative threshold of 3.3, indicating that multicollinearity is not a concern in this study (Hair et al., 2019). CSR1 (2.359) and SP6 (2.043) have the highest VIF values, both of which are still within reasonable bounds. The validity of the formative measurement paradigm is supported by these findings, which demonstrate that each indicator makes a distinct contribution to its associated concept without duplicating overlap.

Figure 2. **Loading Factor**



The second approach computes the average variance extracted (AVE) value for every variable in order to evaluate discriminant validity. According to accepted standards, An AVE score of 0.500 or above for a variable indicates good discriminant validity (Hair et al., 2019). Every variable in Table 4 have an AVE value of at least 0.500. This demonstrates that every variable has strong discriminant validity, suggesting that the variables are unique constructs that successfully gauge several study facets.

Table 4. **Validity Test**

| | **Cronbach's Alpha** | **rho_A** | **Composite Reliability** | **Average Variance Extracted (AVE)** |
|---|---|---|---|---|
| Business Resilience | 0.819 | 0.827 | 0.869 | 0.525 |
| CSR | 0.823 | 0.826 | 0.871 | 0.531 |
| Innovation Capacity | 0.837 | 0.840 | 0.880 | 0.550 |
| Stakeholder Relationship | 0.811 | 0.815 | 0.864 | 0.514 |
| Sustainable Performance | 0.817 | 0.824 | 0.869 | 0.528 |

Source: Primary data processed, 2023

Put the structural model to the test. the inner model, also referred to as structural model analysis. Evaluating the R-square value for each endogenous latent variable is the first step. By examining the structural model's R-square value, we can gain a better understanding of how some exogenous latent variables affect endogenous variables and whether this influence is statistically significant. According to Hair et al. (2019), the R-square value is weak if it is above 0.190 but below 0.330, moderate if it is more than 0.330 but below 0.670, and extremely important if it surpasses 0.670.

Based on the Bootstrapping output results in Table 5, an R-squared value of 0.601 is obtained, which is included in the high influence category. This value shows that around 60.100 percent of sustainable performance can be explained by CSR constructs, relationships between stakeholders, innovation capacity and business resilience. The remaining 39.9% of the variance is caused by other variables that have not been studied.

Table 5. **Coefficient of Determination**

| | **R Square** | **R Square Adjusted** |
|---|---|---|
| Business Resilience | 0.601 | 0.593 |

Source: Primary data processed, 2023

The analysis of size effects ($f^2$) indicates that Business Resilience has a phenomenal impact on Sustainable Performance ($f^2$ = 2.641), revealing that higher resilience has greater sustainable outcomes. However, Corporate Social Responsibility (CSR) indicates no direct effect on Business Resilience ($f^2$ = 0.000); CSR activities may not strengthen resilience in organizations. However, CSR has a huge effect on Innovation Capacity ($f^2$ = 1.781) and Stakeholder Relationship ($f^2$ = 2.218). CSR initiatives are instrumental in promoting much-needed innovation and building good stakeholder relationships; they can also indirectly contribute to resilience. Innovation Capacity has a small effect on Business Resilience ($f^2$ = 0.100), whereas Stakeholder Relationship shows a medium effect ($f^2$ = 0.259), indicating that stakeholder collaboration and innovation are effective facilitator mechanisms of resilience (Table 6).

Table 6. **Effect Size ($f^2$) of Structural Relationships in the PLS-SEM Model**

| Structural Path | $f^2$ | Interpretation |
|---|---|---|
| Business Resilience → Sustainable Performance | 2.641 | Very large effect |
| CSR → Business Resilience | 0.000 | No effect |
| CSR → Innovation Capacity | 1.781 | Very large effect |
| CSR → Stakeholder Relationship | 2.218 | Very large effect |
| Innovation Capacity → Business Resilience | 0.100 | Small effect |
| Stakeholder Relationship → Business Resilience | 0.259 | Medium effect |

Source: Primary data processed, 2023

The analysis of predictive relevance through $Q^2$ predict indicates that each latent variable scores above 0, thereby suggesting a reasonably good ability to predict. Stakeholder Relationship received the highest predictive value ($Q^2$predict = 0.681), followed closely by Innovation Capacity (0.633) and Business Resilience (0.477). Sustainable Performance meets the standard (0.425), thus proposing that this model can predict the construct with reasonable accuracy. According to Hair et al. (2019), $Q^2$ values above 0.35 indicate high predictive relevance for a given construct. All constructs in this model definitely scored higher than 0.35. In addition, RMSE and MAE values further establish that the innovative model predictions are fairly reliable. The results thus emphasize that the present model of PLS-SEM is not only directional in nature but also has strong predictive power beyond the sample (Table 7).

Table 7. **Predictive Relevance ($Q^2$predict), RMSE, and MAE of Latent Variables in the PLS-SEM Model**

| Latent Variable | $Q^2$predict | RMSE | MAE |
|---|---|---|---|
| Business Resilience | 0.477 | 0.756 | 0.499 |
| Innovation Capacity | 0.633 | 0.615 | 0.475 |
| Stakeholder Relationship | 0.681 | 0.576 | 0.426 |
| Sustainable Performance | 0.425 | 0.790 | 0.524 |

Source: Primary data processed, 2023

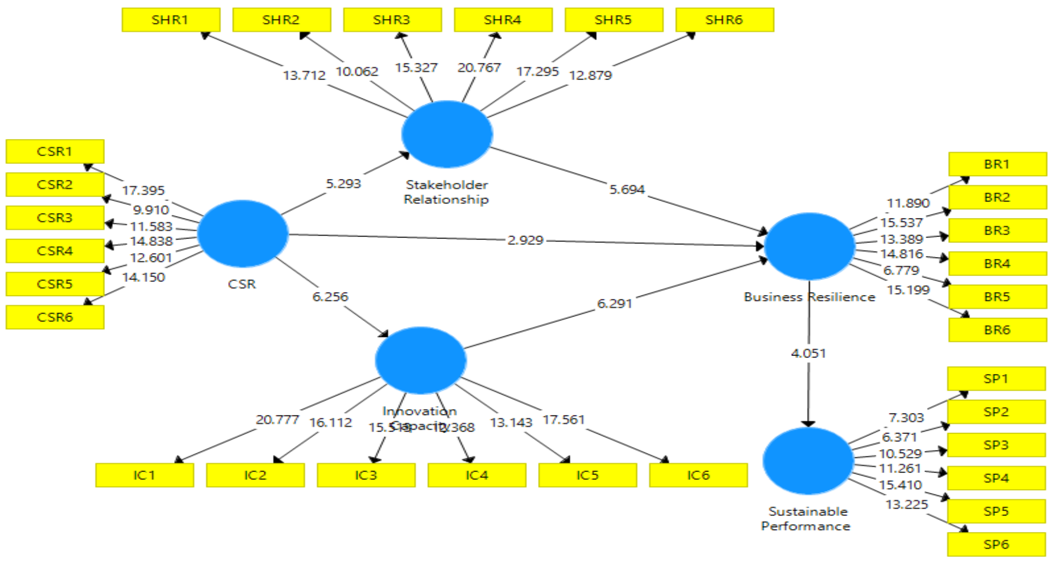
Furthermore, there was a good fit with the research model. Hair et al. (2019) have demonstrated that the Standardized Root Mean Square Residual (SRMR) value in Table 8 is 0.070, which is less than the recommended level of 0.080.

Table 8. **Model Fit Test Results**

| | Saturated Model | Estimated Model |
|---|---|---|
| SRMR | 0.070 | 0.070 |
| d_ULS | 2.288 | 7.514 |
| d_G | 0.812 | 1.082 |
| Chi-Square | 646.598 | 759.849 |
| NFI | 0.717 | 0.668 |

Source: Primary data processed, 2023

Figure 3. **Path Analysis**




The SmartPLS 3 program's Bootstrapping capability was used to conduct hypothesis testing. It is generally acknowledged in economics and management studies that research should have a significance level of between 5 and 10 percent. If the T-statistic value is more than the minimal requirement of 1.960 and the P value indicates the significance level, which is at or below 0.050, the hypothesis is deemed acceptable. This suggests that exogenous and endogenous variables have a considerable impact. On the other hand, the effect is deemed unimportant and shows that there is no impact on the connection between the external and endogenous variables if the The P-value is more than 0.050 and the T-statistic value is less than 1.960.

Table 9 shows the results of testing hypotheses 1 to hypothesis 6. The test results show a direct influence between business resilience and sustainable performance, CSR and business resilience, CSR with innovation capacity, CSR with stakeholder relationships, innovation capacity with business resilience and stakeholder relationships with resilience. business. The results of table 7 indicate that hypotheses 1 through 6 are acceptable.

Table 9. **Direct Effect**

| | **Original Sample (O)** | **Sample Mean (M)** | **Standard Deviation (STDEV)** | **T Statistics (\|O/STDEV\|)** | **P Values** | **Hypothesis Result** |
|---|---|---|---|---|---|---|
| BR -> SP | 0.468 | 0.479 | 0.115 | 4.051 | 0.000 | Accepted |
| CSR -> BR | 0.276 | 0.269 | 0.094 | 2.929 | 0.004 | Accepted |
| CSR -> IC | 0.549 | 0.552 | 0.088 | 6.256 | 0.000 | Accepted |
| CSR -> SR | 0.530 | 0.531 | 0.100 | 5.293 | 0.000 | Accepted |
| IC-> BR | 0.307 | 0.307 | 0.049 | 6.291 | 0.000 | Accepted |
| SHR ->BR | 0.346 | 0.355 | 0.061 | 5.694 | 0.000 | Accepted |

Source: Primary data processed, 2023

The mediation test findings for hypotheses 7 through 9 are displayed in Table 10. It is evident from Table 10, which displays the indirect influence between variables, that hypotheses 7 through 9 have been validated. It has been established that Hypothesis 7, it is true that stakeholder relationships have an impact on how CSR and business resilience interact. The validity of Hypothesis 8, which posits that innovation capability acts as a mediator in the relationship between corporate social responsibility and resilience, has been demonstrated. It has also been demonstrated that Hypothesis 9, which claims that corporate resilience mediates It is true that there is a connection between CSR and sustainable performance.

Table 10. **Indirect Effect**

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (\|O/STDEV\|) | P Values | Hypothesis Result |
|---|---|---|---|---|---|---|
| CSR -> IC -> BR -> SP | 0.079 | 0.082 | 0.029 | 2.709 | 0.007 | Accepted |
| CSR -> BR -> SP | 0.129 | 0.134 | 0.065 | 1.990 | 0.047 | Accepted |
| SHR -> BR -> SP | 0.162 | 0.171 | 0.053 | 3.031 | 0.003 | Accepted |
| CSR -> SHR -> BR | 0.183 | 0.189 | 0.051 | 3.601 | 0.000 | Accepted |
| IC -> BR -> SP | 0.143 | 0.147 | 0.041 | 3.458 | 0.001 | Accepted |
| CSR -> IC -> BR | 0.169 | 0.169 | 0.036 | 4.697 | 0.000 | Accepted |
| CSR -> SHR -> BR -> SP | 0.086 | 0.093 | 0.038 | 2.243 | 0.025 | Accepted |

Source: Primary data processed, 2023

## *Discussion*

Table 6 shows the results of testing hypotheses H1 to hypothesis H6. The test results show a direct influence between business resilience and sustainable performance, CSR and business resilience, CSR with innovation capacity, CSR with stakeholder relationships, innovation capacity with business resilience and stakeholder relationships with resilience. business. As shown in table 6, hypotheses H1 to hypothesis H6 are accepted. In light of the data analysis findings displayed in the aforementioned table, it can be seen that all hypotheses are accepted.

The results of this research strengthen the research findings of Awad & Martín - Rojas (2024) that CSR actually creates close relationships between stakeholders. Relationships between stakeholders, for example employees and the surrounding community, employees and consumers, become stronger when the company carries out empowerment activities, activities related to social culture and so on. Strong relationships between stakeholders will make it easier for companies to solve the problems they face and achieve short-term and long-term goals (Karla, 2024). Stakeholders will prefer to be associated with companies that are seen as ethical, responsible and committed to producing a favorable effects on the environment and society.

CSR if integrated into business strategy allows companies to generate valuable intangible strategic assets. CSR will encourage innovation because of collective intelligence between stakeholders. The impact of CSR is to strengthen ties between stakeholders and the company so that stakeholders will contribute to the company's development efforts through innovation. These findings strengthen the research results of Bartolacci et al. ( 2020 ).

CSR activities can also mitigate early changes in the economic, political and social environment, so that business resilience can be stronger. Companies that believe CSR is an obligation for the company will automatically make social investments. As a social investment, companies will gain benefits in the form of: increased profitability and stronger financial performance, for example through energy efficiency, increased accountability, increased employee commitment because they are cared for and appreciated, reduced vulnerability to conflict between the company and society and increased reputation and building of the company (Low and Bu, 2021) .

Relationships with interested parties such as the general public, government and related institutions can affect the reputation and legitimacy of a business. A good reputation and community support can be important factors in building resilience to external pressures and reputation crises. Involving stakeholders in decision-making and communication processes can increase organizational flexibility. By listening to input from various parties, the business world can adapt more quickly and effectively to environmental changes (Karla, 2024). Stakeholders who are actively involved in the business, such as employees and management, can aid in the creation of an innovative and change-oriented organizational culture. This can increase business readiness to face market or environmental changes. By building and maintaining good relationships with various stakeholders, the business world can strengthen its foundations and increase its ability to face challenges and continue to develop in the long term. These strong relationships are a key element in building business resilience.

The findings of this research confirm the research results of Garrido-Moreno et al. (2024), that innovation is an important requirement for companies to survive in the long term. Companies that have a high ability to innovate will definitely continue to develop their products, operating systems, marketing systems and service systems so that they are always superior to their competitors. says that innovation capacity is the value created through innovation efforts which can be seen in new ways of doing things or new processes and products that contribute to prosperity. This then results from multiple relationships and communications between organizations, resources, qualifications and of course connections to other organizations. Therefore, a company's innovation capacity is not the result of the company's capabilities, but flows from a collection of capabilities, which means it has internal potential to get new ideas and identify new market opportunities. Innovation adds value to a product by introducing fresh concepts that set it apart from competitors. Innovation is defined as the basic desire to depart from existing technology or operational processes to progress away from current conditions. Innovation is a step that companies must take in order to survive and excel in competition in the global era.

Business resilience affects sustainable performance if there is good integration. If businesses successfully integrate sustainability into their strategies and daily operations, business resilience will impact sustainable performance. Business resilience is a component of sustainable business. Sustainable business and business resilience are closely related and cannot be separated from each other. Companies that have the ability to survive and develop will enjoy strong sustainable performance. Companies must be able to react fast to any modifications in the business, economic, social and political environment so that they are able to survive and enjoy sustainable performance (Chandran et al., 2023).

Business resilience requires joint strength from stakeholders. CSR that is implemented well will form relationships between stakeholders which constitute a common strength to face various economic turbulence that affects business resilience. CSR does not directly affect business resilience, because the impact of CSR is not in the short term. The impact of CSR will have an impact on business resilience if CSR actions are able to form harmonious relationships between stakeholders. A company's relationship with its stakeholders can be strengthened and improved via constant implementation of corporate social responsibility. Consistent implementation of CSR to stakeholders will provide returns in the form of support from stakeholders which has an impact on business resilience (Pfajfar, 2022).

CSR can produce effective resources which ultimately have a favorable effect on the resiliency of businesses. The better the implementation of CSR for employees, the more motivated employees will be productive and innovative in resolving the issues and difficulties the business faces. Innovation power and employee productivity are certainly innovation capabilities that strengthen business resilience. The results of this investigation align with previous research findings by Adekola and Clelland (2020) and Wei and Kim (2021) indicating that CSR has a role in crisis management. Strong corporate social responsibility will help businesses react and bounce back from adversity more quickly. CSR, which essentially aims to provide the best for stakeholders, will increase the ability to adapt and take risks, increase innovation capability in defending the business from all shocks, competition and even unpredictable environmental changes.

The connection between sustainable performance and CSR is mediated in part by business resilience. The results of this investigation support the justification offered by Hamzah and Gozali (2022). If a company is able to face environmental changes effectively then it will also maintain sustainable performance in the long term. Business resilience acts as a mediator in the interaction between CSR practices and sustainable performance since CSR-committed businesses frequently include stakeholders in the decision-making process. In this way, business resilience can increase due to strong support from stakeholders, which can ultimately improve the company's sustainability performance. CSR practices that include innovation and operational efficiency can strengthen a company's competitiveness and support sustainable performance. CSR practices that strengthen relationships with communities and stakeholders can provide a strong foundation for maintaining sustainable performance even in crisis situations. CSR which includes social sustainability and employee welfare can increase employee involvement and motivation in facing every situation. Business resilience can mediate the positive reputational impact of CSR and ensure that companies can maintain and leverage this reputation to support sustainable performance.

## Conclusion

This study aimed to analyze the influence of Corporate Social Responsibility (CSR) on business resilience and sustainable performance, with innovation capacity and stakeholder relationships as mediating variables. The findings support the notion that CSR directly and significantly improves stakeholder relationships and innovation capability. Stakeholder engagement and innovation capacity are two more factors that directly improve business resilience. In turn, the relationship between CSR and sustainable performance is mediated by corporate resilience. The direct impact of company resilience on sustainable performance was found to be statistically small, despite the fact that it mediates the relationship between the two. This suggests that when paired with other reinforcing elements like innovation and stakeholder collaboration, the role of company resilience may be more successful.

The research's theoretical ramifications indicate that when corporate social responsibility (CSR) successfully cultivates innovation capability and solid stakeholder relationships, it significantly enhances business resilience and sustainable performance. This demonstrates how these components might be integrated to improve organizational sustainability. Practically speaking, the study advises MSME actors to strategically execute CSR efforts as a means of fostering innovation and trust-based relationships with stakeholders, in addition to fulfilling social commitments. This will improve their long-term performance and company resilience.

For future research, two directions are suggested:

1. To improve generalizability, future research should examine this model in more specific contexts, as the degree of the relationship between CSR, business resilience, and sustainable performance may differ by industry, company size, and business climate.
2. Future research should reexamine or improve the assessment indicators for both categories to achieve greater alignment with sectoral and organizational reality, as business resilience did not have a substantial direct effect on sustainable performance.

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