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CORPORATE SOCIAL RESPONSIBILITY DIMENSIONS AND FINANCIAL PERFORMANCE: THE MODERATING ROLE OF MANAGERIAL COMPETENCE IN SOMALI MANUFACTURING FIRMS

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ABSTRACT

Purpose: this study aimed to examine the effects of the four dimensions of corporate social responsibility economic, legal, ethical, and philanthropic responsibilities on the financial performance of manufacturing firms in Mogadishu, Somalia, while assessing the moderating role of managerial competency.

Design/Methodology/Approach: the study used a quantitative approach and cross-sectional explanatory research design. Data were collected through a survey of 200 respondents randomly selected from eight manufacturing firms. Exploratory and confirmatory factor analyses were conducted to validate the constructs, and Hayes' process macro was applied to test the moderation effects using regression analysis.

Findings: the results revealed that ethical, legal, and philanthropic responsibilities had negative effect on financial performance, whereas economic responsibility had a strong positive effect. The results confirmed managerial competence significantly moderate all relationships mitigating the negative impacts of ethical, legal, and philanthropic responsibilities and amplifying the positive effect of economic responsibility on financial performance.

Original value: this study provides original empirical evidence from a fragile state context, highlighting that corporate social responsibilities effect on financial performance is contingent on managerial competence. The result highlights the strategic relevance of skilled management in transforming corporate social responsibility initiatives from potential liabilities into drivers of financial success.

KEYWORDS: Corporate Responsibility, Social Responsibility, Economic Responsibility, Legal Responsibility, Philanthropic Responsibility, Managerial competence, financial performance, manufacturing firms, Somali.

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1.0 INTRODUCTION

Corporate social responsibility has become a central in business research due to its potential role enhancing both societal value and organization financial performance. Carroll's (1991) corporate social responsibility pyramid conceptualizes responsibilities across four dimensions economic, legal, ethical and philanthropic suggesting that firms are expected not only to generate profit but also to comply with laws uphold, ethical standard, and contribute to community well-being. In developed economies. Meta-analyses generally documented a positive link between corporate social responsibility and financial performance, as socially responsible firms benefit from stakeholder trust, reputation gains, and customer loyalty (Orlitzky, Schmidt and Rynes, 2002; Wang, Dou, Jia, 2016). However, some scholars caution that corporate social responsibility may also impose costs that offset financial gains particularly when implemented without strategic alignment (Mc Williams Siegel, 2000).

The evidence is far more limited and mixed in fragile or post-conflict economies like Somalia, where weak regulatory enforcement, political instability, and institutional voids complicate the corporate social responsibility financial performance relationship. In such contexts firms-internal capabilities may be more decisive than institutional support in shaping whether corporate social responsibility translates into tangible outcomes. Managerial competence, which reflects the ability of managers to strategically plan, allocate resources and align corporate social responsibility with business objectives, is a critical factor in this regard prior studies in emerging markets highlight that managerial capacity enhances the effectiveness of corporate social responsibility ensuring that initiatives yield both societal and economic value (Jamali&Karam, 2018; Luo & Bhattacharya, 2006).

Despite these insights, little empirical work has examined managerial competence moderates the relationship between corporate social responsibilities and manufacturing firm's financial performance in fragile state. Specifically, the question remains whether managers in Mogadishu manufacturing firms are able to leverage different corporate social responsibility dimensions to

achieve superior financial performance. Addressing this gap, this study aimed at to investigate the effects of corporate social responsibility dimensions on financial performance of manufacturing firms and the moderating role of managerial competence on the corporate social responsibility and financial performance relationship using Hayes PROCESS macro model 1. By testing each corporate social responsibility dimension separately, this study contributes to both corporate social responsibility literature and practice by identifying which forms responsibility, when guided by competent managers, are most effective in enhancing manufacturing firms financial performance in fragile institutional environments.

2.0 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Economic responsibility forms the foundation Carroll's (1991) CSR pyramid emphasizing profitability, efficiency, and competitiveness. Meta-analyses conform a generally positive association between economic responsibility and financial performance when firms successfully translate operational efficiencies into stakeholder value (Orlitzky, Schmidt, & Rynes, 2003; Wang, Duo, & Jia, 2016). Globally, corporate social responsibility driven cost reduction innovation enhance competitive advantage (Carroll and Shabana, 2010). In fragile context like Somalia, however firms face high production costs, infrastructural gaps, and volatile demand (Ali, 2022). Studies on Mogadishu's manufacturing sector highlights cost control, budgeting, and efficiency as survival imperatives (Abdullahi, & Mohamed, 2021). Managerial Competence plays a critical role in aligning economic responsibility with financial outcomes, as capable managers can optimize scarce resources and embed efficiency gains into broader corporate social responsibility strategies (Luo, Bhattacharya, 2006). The study hypothesized that:

H₁: Economic responsibility has no significant effect on financial performance of manufacturing firms.

H₂: Managerial competence has no moderation role on the relationship between economic responsibility and financial performance of manufacturing firms.

Legal responsibility refers to compliance with regulations, safety standards, taxation and licensing (Carroll, 1991). In emerging market compliance enhances legitimacy, reduces risks, and attracts investors (Aguinis & Glavas, 2012). Empirical evidence suggests that legal compliance strengthens financial performance by lowering costs transaction and signaling credibility (Jamali and Karam, 2018). In Somalia, legal enforcement remains weak yet; voluntary compliance can create competitive advantage by fostering trust and legitimacy (World Bank, 2022). For manufacturing firms in Mogadishu, navigating regulatory ambiguity requires skilled managers who can interpret fragmented rules, design compliance systems, and communicate adherence effectively. This align with broader fragile state evidence where firm-level managerial competence substitutes for weak institutional frameworks (Musa & Ali, 2021). This study hypothesized that:

H₃: Legal responsibility has no significant effect on financial performance of manufacturing firms.

H₄: Managerial competence has no moderation role on the relationship between Legal responsibility and financial performance of manufacturing firms.

Ethical responsibility goes beyond legal requirements to include integrity, fairness, and accountability (Carroll, 1991). Stakeholders' theory (Freeman, 1984) suggests that firms adopting ethical practices enhance trust, long-term relationships, and ultimately financial performance. Global meta-analyses confirm positive links between ethical conduct, reputation, and financial performance (Orlitzky et al., 2003; Wang et al., 2016). In fragile economies like Somalia, corruption, favoritism, and weak enforcement undermine business legitimacy (Transparency International, 2023). Ethical practices such as transparent procurement or fair labor treatment can thus serve as differentiation for Somalia manufacturers. Recent studies in Somali banking and telecom sectors show that corporate social responsibility driven ethical conduct enhances customer loyalty and brand trust (Mohamed & Hassan, 2022). Managerial competence ensures that ethical initiatives are institutionalized rather than symbolic, enabling firms to convert ethics into tangible financial value. Therefore, the study hypothesized the following research hypotheses:

H₅: Ethical responsibility has no statistically significant effect on financial performance of manufacturing firms.

H₆: Managerial competence has no moderation role on the relationship between Ethical responsibility and financial performance of manufacturing firms.

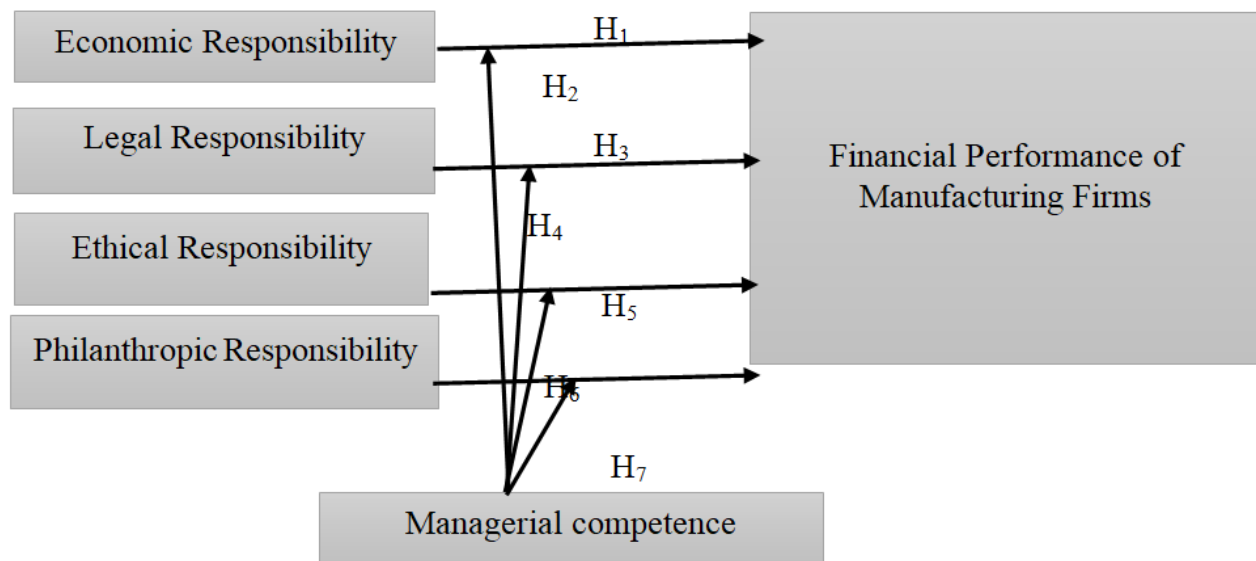
Philanthropic responsibility encompasses voluntary contributions to social welfare, including donations, community projects, and educational support (Carroll, 1991). While philanthropy can strengthen legitimacy and reputation (Porter & Kramer, 2006), some studies warn it may drain resources without strategic alignment (McWilliams & Siegel, 2000). In Somalia, where communities face acute needs, philanthropy is both visible and socially valued. Firms like Hormuud telecom illustrate how philanthropy through crises aid and infrastructure support builds trust and enhances legitimacy in fragile settings (World Bank, 2021). For manufacturing firms, philanthropy tied to business strategy (such as, vocational training linked to labor pipelines) can yield reputation and financial benefits. Managerial competence determines whether philanthropy remains a resource drain or becomes a strategic asset integrated into firm competitiveness (Ali & Yusuf, 2023). The study hypothesized:

H₇: Philanthropic responsibility has no statistically significant effect on financial performance of manufacturing firms.

H₈: Managerial competence has no moderation role on the relationship between Philanthropic responsibility and financial performance of manufacturing firms.

The study used the following conceptual framework based on Carroll, 1991 corporate social responsibility pyramid and empirical literature reviewed earlier:

Figure 1 Conceptual Framework



Source: (Conceptualized Based on Carroll, 1991 CSR pyramid; Jamali&Karam, 2018; Musa & Ali, 2021; Orlitzky, Schmidt, &Rynes, 2003; Wang, Dou &Jia, 2016; Ali & Yusuf, 2023)

3.0 RESEARCH METHODS AND MATERIALS

The employed a quantitative approach, cross-sectional survey design to investigate the effects of corporate social responsibility dimensions on financial performance of manufacturing firms; and to investigate the moderating role of managerial competence in the relationship between corporate social responsibility (CSR) dimensions (economic, legal, ethical & philanthropic responsibility) and financial performance among manufacturing firms in Mogadishu, Somalia. The design was appropriate in testing statistically the hypothesized relationships among multiple variables at a single point in time (Creswell & Creswell, 2018).

The study targeted a population of 500 employees from Somgrain Company Ltd, Mogadishu meat and Seafood Company, Beder dairy and meat, Wabah group, Rafco general trading company, Coca-Cola, Caafi water supply Company, and Shaakir foam in Mogadishu, Somalia. The target Population comprised executive, management, senior management, accountants, financial managers, operating managers and senior employees from target manufacturing firms operating in Mogadishu. However, the sample sizes were 240 determined using Slovin's formula representing firms across different sectors. Data were actually collected from 200 respondents based responses which are valid the sample size was deemed sufficient for both factor analysis and regression modeling, consistent with recommendations for multivariate analysis (Hair, Black, Babin, & Anderson, 2019).

All constructs were measured using five-point Likert scales (1 = strongly disagree, 5 = strongly agree) adapted from validated instruments: economic responsibility: items capturing profitability, efficiency, and value creation (Carroll, 1991; Wang, Dou, &Jia, 2016). Legal responsibility: items reflecting adherence to regulations, industry standards, and licensing requirements (Carroll, 1991). Ethical responsibility: measures of fairness, integrity, and transparency in business practices (Jamali&Karam, 2018). Philanthropic responsibility: Voluntary contributions to community

welfare, such as donations and local development projects (Carroll, 1991; Ali & Yusuf, 2023). Managerial competence: items assessing strategic planning, decision-making, and stakeholder management skills (Musa & Ali, 2021). Financial Performance: was measured using subjective Likert-scale indicators reflecting managers' perceptions of sales growth, market share, profitability, and overall firm performance relative to competitors (Orlitzky, Schmidt, & Rynes, 2003; Wang, Dou & Jia, 2016; Ali & Yusuf, 2023). Each item was rated on a five-point scale (1 = strongly disagree, 5 = strongly agree) to allow standardized comparisons across firms.

Construct reliability was assessed using Cronbach's alpha and McDonald's Omega both sets of coefficients exceed the recommended 0.70 benchmark (Nunnally & Bernstein, 1994; Hair et al., 2019), demonstrating strong internal consistency for all constructs. Validity was established through exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) using Jamovi 2.6.26 (The Jamovi Project, 2023) tested factor loadings, dimensionality, and construct validity. The analysis confirmed satisfactory construct validity, with factor loadings above 0.60, average variance extracted (AVE) greater than 0.50, and acceptable model fit indices ($\chi^2/df < 3$, CFI $> .90$, RMSEA $< .08$). These findings suggest that the observed variables reliably measure their underlying latent constructs (Hair et al., 2019).

Regression assumptions were assessed prior to analysis, and satisfied (Field, 2018). Regression analysis was performed using Hayes PROCESS macro (model 1) in SPSS 24, Hayes (2018), employing 5,000 bootstrap samples with HC3 standard error for robust estimation. Each corporate social responsibility dimension was analyzed separately as an independent variable, financial performance as dependent variable, and managerial competence as the moderator. PROCESS automatically computed interaction terms, and conditional effects were examined at low, medium, high level of managerial competence. Significant Moderation effects were visualized using interaction plots generated by PROCESS macro, in accordance with Hayes (2018). The Johnson Neyman technique was applied to identify regions of significance, allowing precise interpretation of the levels of managerial competence at which the corporate social responsibility financial performance relationship were statistically meaningful.

To test the hypotheses and address the research objectives, financial performance was regressed on each corporate social responsibility dimension: economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility with managerial competence included as a moderator. Interaction terms were included to capture the conditional effects of managerial competence on the corporate social responsibility financial performance relationships. The study employed separate moderated regression models for each corporate social responsibility dimension and the models were specified as follows:

Model 1 (Economic Responsibility)

$$FP = \beta_0 + \beta_1 ER + \beta_2 MC + \beta_3(ER \times MC) + \varepsilon \dots \dots \dots 1$$

Model 2 (Legal Responsibility)

$$FP = \beta_0 + \beta_1 LR + \beta_2 MC + \beta_3(LR \times MC) + \varepsilon \dots \dots \dots 2$$

Model 3 (Ethical Responsibility)

$$FP = \beta_0 + \beta_1 ETR + \beta_2 MC + \beta_3 (ETR \times MC) + \varepsilon \dots \dots \dots 3$$

Model 4 (Philanthropic Responsibility)

$$FP = \beta_0 + \beta_1 PHR + \beta_2 MC + \beta_3 (PHR \times MC) + \varepsilon \dots \dots \dots 4$$

Where:

FP = Financial Performance

ER = Economic Responsibility

LR = Legal Responsibility

ETR = Ethical Responsibility

PHR = Philanthropic Responsibility

MC = Managerial Competence

ER×MC = interaction between Economic Responsibility and Managerial Competence

LR×MC = interaction between Legal Responsibility and Managerial Competence

ETR×MC = interaction between Ethical Responsibility and Managerial Competence

PHR×MC = interaction between Philanthropic Responsibility and Managerial Competence

β_0 = is the constant for each model

$\beta_1 - \beta_3$ = are the regression coefficients of each model

ε = the Error Term

4.0 Ethical Considerations

This study was conducted in accordance with established ethical standards for research involving human participants. Prior to data collection, respondents were informed of the purpose of the study, the voluntary nature of participation, and their right to withdraw at any time without penalty. Informed consent was obtained from all participants prior to survey completion. No personally identifiable information was collected, and all responses were recorded anonymously and treated with strict confidentiality.

As no formal institutional review board was available within the study context, the research adhered to internationally recognized ethical guidelines for science research. Data were securely stored in password-protected files and were accessible only to the researcher. The data were used solely for academic purposes and will be retained and disposed of in accordance with standard data protection practices.

5.0 DATA ANALYSIS AND INTERPRETATION

Table 1 below present the descriptive statistics for the study variables. Respondents rated their firm at moderate level on corporate social responsibility dimensions and financial performance. Among corporate social responsibility dimensions, economic responsibility received the highest mean score (M = 3.95, SD = 0.56). Suggesting strong emphasis on the economic practices. This aligns with prior empirical findings that highlight business firms of prioritize profit in keeping shareholder interest (Carroll & Shabana, 2010). Legal responsibility was also rated relatively high (M = 3.66, SD = 1.19), whereas ethical responsibility (M = 3.49, SD = 1.09) and legal Philanthropic responsibility (M = 3.51, SD = 1.32) received somewhat lower ratings, indicating less emphases on

philanthropy and ethical activities. Managerial competence rated moderately high ($M = 3.76$, $SD = 0.73$) and financial performance was also rated favorably ($M = 3.69$, $SD = 0.73$). Distributional properties supported the appropriateness of the data for regression analysis. Skewness values ranged from -0.15 to -0.88 for most variables indicating approximate symmetry (Kline, 2016). Economic responsibility exhibited stronger negative skew (-1.49), with most firms scoring high and few reporting low values. Kurtosis values were generally negative, suggesting flatter-than Normal distributions, except for economic responsibility Kurtosis (2.11), which indicated clustering around higher values.

Table 1 Descriptive Statistics

Variables	n = 200					
	Mean	Std. D	Skewness		Kurtosis	
	Stat	Stat	Stat	Std. Err	Stat	Std. Err
Economic Responsibility	3.95	.56	-1.49	.172	2.11	.342
Legal Responsibility	3.66	1.19	-.29	.172	-1.38	.342
Ethical Responsibility	3.49	1.09	-.15	.172	-1.19	.342
Philanthropic Responsibility	3.51	1.32	-.19	.172	-1.63	.342
Managerial Competence	3.76	.73	-.39	.172	-.96	.342
Financial Performance	3.70	.73	-.88	.172	-.14	.342

Source: Survey Data, 2025

The exploratory factor analysis presented in table 2 indicated that factor loadings exceed 0.60, supporting the alignment of indicators with their intended constructs (Tabacknick&Fidell, 2019). ER2 (0.919) and MC2 (0.924) demonstrate very strong associations with their factors, while other items also loaded significantly. Uniqueness values were within acceptable ranges, indicating that a substantial portion of item variance was explained by the latent constructs. The Kaiser-Meyer Olkin (KMO) measure of sampling adequacy was 0.812, above the recommended 0.60 cutoff, and Bartlett's test of Sphericity was significant ($\chi^2 = 2078$, $df 276$, $p < 0.001$), confirming the data's suitability for factor analysis (Field, 2018) these result provide evidence of constructs validity, warranting further assessment through confirmatory factor analysis.

Table 2. Exploratory Factor Analysis (EFA) Loadings

Indicator	Factor Loading	Uniqueness
ER1	0.799	0.260
ER2	0.919	0.005
ER3	0.596	0.435
LR1	0.895	0.243
LR2	0.928	0.179
LR3	0.775	0.256
LR4	0.649	0.445
ETR1	0.933	0.093
ETR2	0.890	0.037
ETR3	0.698	0.381

PHR1	0.605	0.571
PHR2	0.788	0.398
PHR3	0.868	0.075
PHR4	0.769	0.328
MC1	0.671	0.470
MC2	0.924	0.012
MC3	0.873	0.220
MC4	0.852	0.097
FP1	0.884	0.116
FP2	0.820	0.113
FP3	0.778	0.325
FP4	0.809	0.241
FP5	0.984	0.048
FP6	0.685	0.278

Note: Extraction method: maximum likelihood; Rotation: Oblimin. Factor loadings above 0.60.

The confirmatory factor analysis results are reported in table 3 standardized factor loadings ranges from 0.659 to 0.972, all significant at $p < 0.001$. Most exceeded the recommended 0.70 threshold, indicating strong reliability (Byrne, 2016). The average variance extracted (AVE) for each construct surpassed the 0.50 criterion, thereby supporting convergent validity (Fornell&Lacker, 1981). Model fit indicate an acceptable model fit: $\chi^2 (160) = 209$. $P < 0.001$; CFI = 0.940; TLI = 0.928; RMAEA = 0.070 (90% CI {0.059, 0.098}), SRMR = 0.065. According to Hu and Brntler’s (1999) guidelines, these values collectively suggest a satisfactory representation of the hypothesized five factor model. These findings align with prior research showing that corporate social responsibility practices grounded in economic performance and ethical conduct enhance organizational legitimacy and profitability (Orlizky, Schmidt, &Rynes, 2003). Conversely, Philanthropy responsibility was not significantly related to financial performance, echoing prior studies that have found philanthropy to be less directly tied to business outcomes (Margolis & Walsh, 2003). After confirmatory factor analysis the average variance extracted (AVE) was determined manually using the following Formula:

$$AVE = \sum \frac{\text{standardized factor loading}^2}{\text{number of indicators}}$$

Table 3. Confirmatory Factor Analysis (CFA) Loadings and AVE

Construct	AVE	Indicator	Standardized Loading
Economic Responsibility (ER)	0.752	ER1	0.873
		ER2	0.902
		ER3	0.741
Legal Responsibility (LR)	0.702	LR1	0.838
		LR2	0.878
		LR3	0.875
		LR4	0.755

Ethical Responsibility (ETR)	0.808	ETR1	0.944
		ETR2	0.888
		ETR3	0.746
Philanthropic Responsibility (PHR)	0.650	PHR1	0.659
		PHR2	0.781
		PHR3	0.840
		PHR4	0.820
Financial Performance (FP)	0.803	FP1	0.834
		FP2	0.841
		FP3	0.820
		FP4	0.872
		FP5	0.971
		FP6	0.826

Source: Survey Data, 2025

Generally, the measurement model results validate the multidimensional structure of corporate social responsibility in the Somalia manufacturing firms' context, encompassing economic, legal, ethical, and philanthropic responsibilities, alongside financial performance. Strong factor loading and reliability estimates reinforce the robustness of the measures, with confirmatory factor analysis results demonstrate both convergent validity and acceptable model fit. Importantly, the findings emphasize the centrality of economic and ethical responsibilities to financial performance, consistent with the "business case for corporate social responsibility" (Carroll & Shabana, 2010; McWilliams & Siegel, 2001). By contrast, Philanthropic activities appear to serve more normative or symbolic purposes, rather than directly influencing profitability, a dynamic commonly observed in emerging markets (Jamali&Karam, 2018).

Table 4 presents the moderated regression analysis examining the effects of corporate social responsibility dimensions on financial performance, with managerial competence as a moderator. Across all four models, managerial competence showed a strong, positive, and statistically significant association with financial performance ($b = 0.45-0.50$, $p < 0.001$). This indicates that firms managed by individuals with higher levels of skills, experience, and strategic decision-making capability achieve superior financial performance regardless of corporate social responsibility dimension considered. The consistency of this effect across models indicated managerial competence as a central driver of financial performance in Somali manufacturing firms.

Table 4 Moderated Regression Results Corporate Social Responsibility Dimensions Predicting Financial Performance

Predictor	Model 1 ER b (SE)	Model 2 LR b (SE)	Model 3 ETR b (SE)	Model 4 PHR b (SE)
Constant	3.66 (.04)***	3.75 (.05)***	3.74 (.05)***	3.75 (.05)***
CSR Dimension	0.76 (0.04)***	-0.15 (.04)***	-0.17 (0.04)***	-0.14 (.04)***
MC	0.49 (.07)***	0.46 (.08)***	0.48 (.09)***	0.50 (.07)***
CSR×MC	0.31 (.08)***	0.13 (.06)*	0.14 (-07)*	0.17 (.06)**

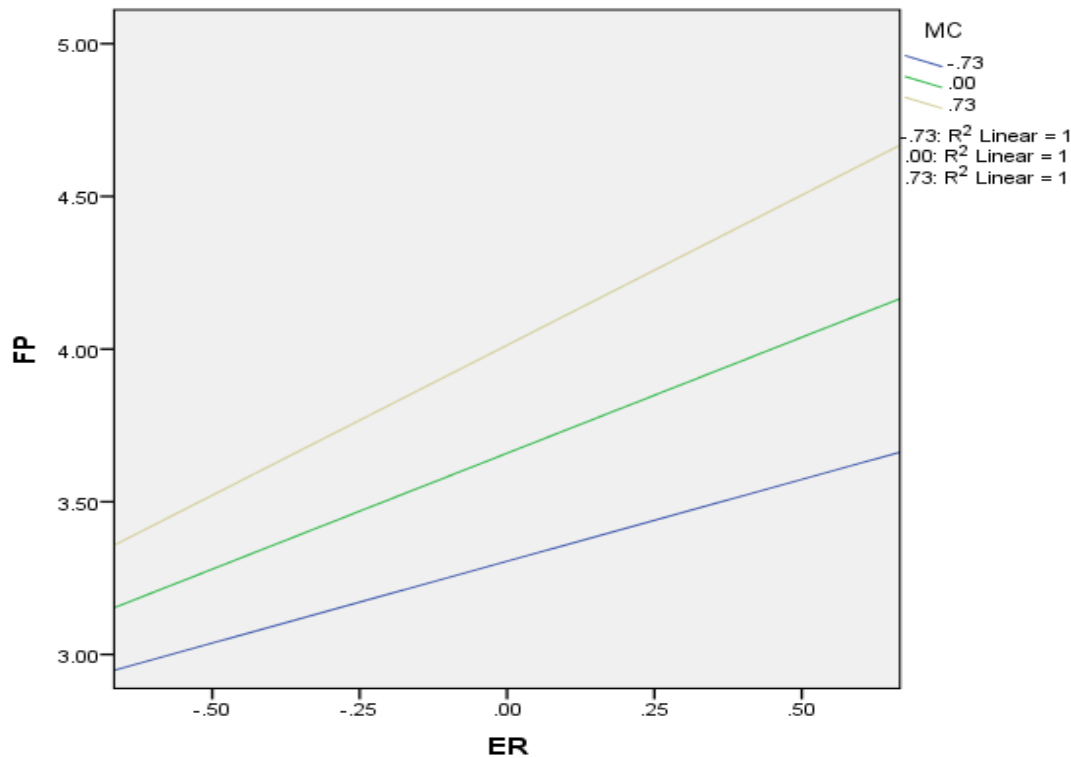
Model R ²	.57	.45	.46	.44
F (df)	311.0 (3, 196)***	42.7 (3, 196)***	43.6 (3, 196)***	42.6 (3, 196)***

*Note. * ER = Economic Responsibility; LR = Legal Responsibility; ETR = Ethical Responsibility; PHR = Philanthropic Responsibility; MC = Managerial Competence.
 p < .05, **p** < .01, ***p*** < 0.001.

Johnson-Neyman analyses showed that ER Positively predicted FP across nearly all levels of MC, whereas the negative effects of LR, ETR, and PHR on FP were significant only at low levels of MC and became non-significant as MC increased.

Model 1 reveals that economic responsibility has a strong positive and statistically significant effect on financial performance (b = 0.76, p < .001). This suggests that manufacturing firms that emphasize profitability, efficiency, productivity, and cost control experience enhanced financial performance. The significant interaction term (b = 0.31, p < .001) indicates that managerial competence strengthens the positive effect of economic responsibility on financial performance. Figure 2 shows a clear positive relationship between economic responsibility and financial performance, with the slope of the relationship becoming progressively steeper as managerial competence increases. At low levels of managerial competence, improvements in economic responsibility are associated with modest financial performance. In contrast, firms led by highly competent managers experience substantially stronger financial performance from economic responsibility practices. The figure confirms that managerial competence amplifies the financial benefits of economic responsibility, suggesting that profitability driven corporate social responsibility initiatives are most effective when guided by competent or capable managers. Based on the results both H₁ and H₂ are rejected.

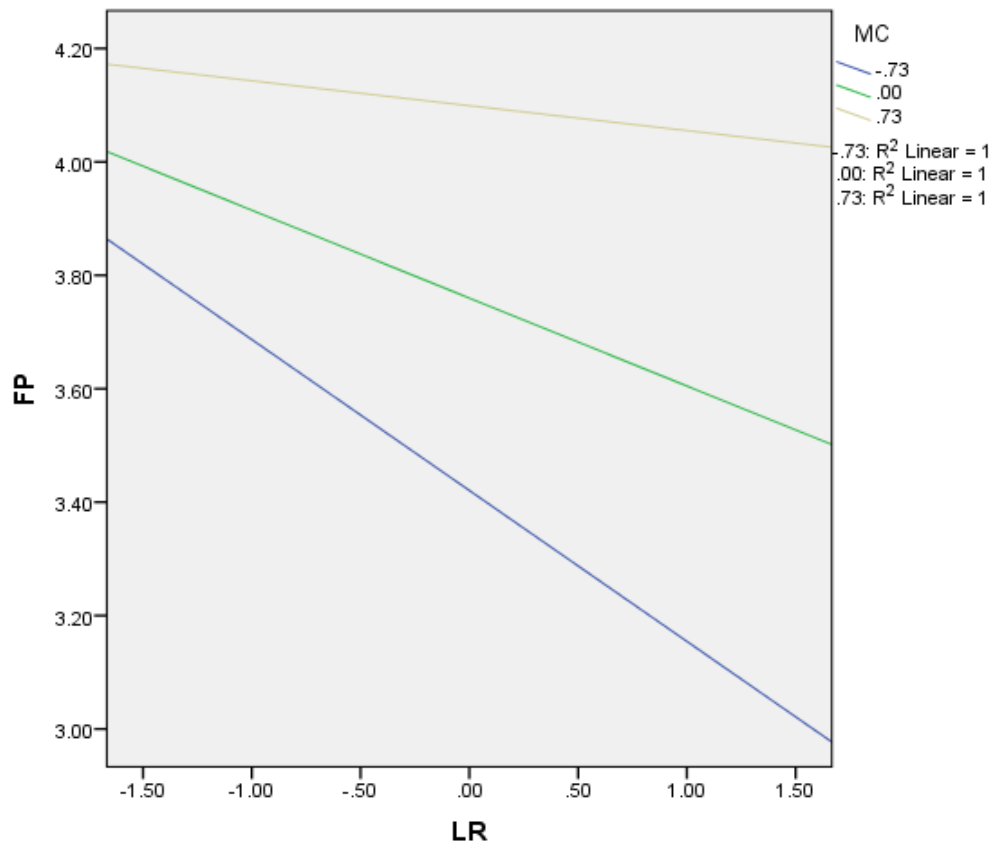
Figure 2. Interaction between Economic Responsibility (ER) and Managerial Competence (MC) on Financial Performance



Source: Survey Data, 2025

Model 2, legal responsibility exhibits a negative but statistically significant direct effect on financial performance ($b = -0.15$, $p < .001$), implying that compliance with laws and regulations may impose short-term financial costs on manufacturing firms. However, the interaction plot shows that this negative relationship weakens as managerial competence increases. The positive and significant interaction effect ($b = 0.13$, $p < .05$) indicates that competent managers are better able to manage compliance-related costs and reduce their adverse effect on financial performance. As shown in figure 2, legal responsibility exhibits a negative relationship with financial performance, particularly at low and moderate levels of managerial competence. This suggests that compliance-related costs may strain firm resources and reduce profitability when managerial capacity is limited. However, at higher levels of managerial competence, the downward slope becomes less steep, indicating that the negative effect of legal responsibility is mitigated. The study accepted H_3 and rejected H_4 .

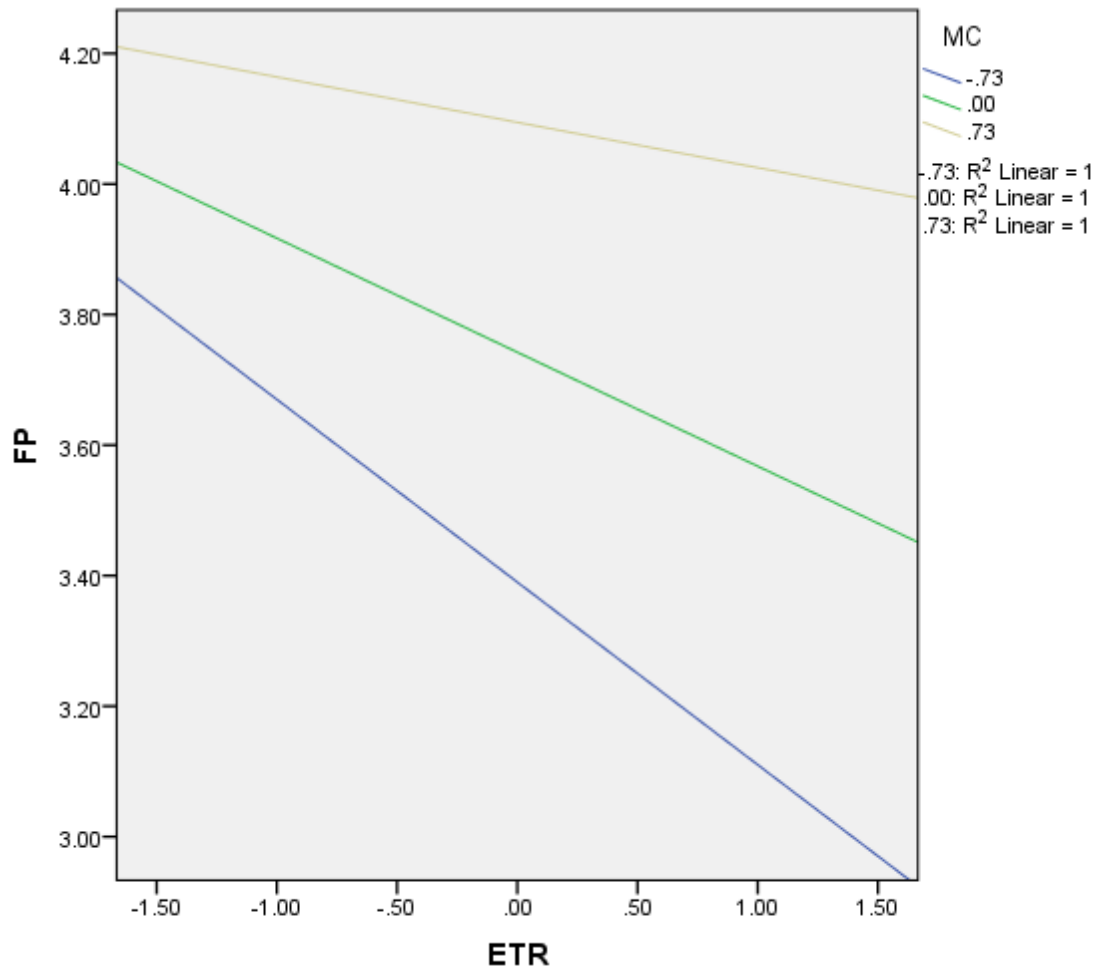
Figure 3. Interaction between Legal Responsibility (LR) and Managerial Competence (MC) on Financial Performance (FP)



Source: Survey Data, 2025

Model 3 indicates that ethical responsibility has a negative and statistically significant direct effect on financial performance ($b = -0.17, p < .001$). This suggests that ethical practices may increase operational costs in the short term. The significant interaction ($b = 0.14, p < .05$) confirms that managerial competence moderates the relationship positively. Figure 4 illustrates a generally negative association between ethical responsibility and financial performance at low levels of managerial competence, reflecting the short-term cost implications of ethical practices. However, as managerial competence increases, the slope becomes flatter, indicating that the negative effect of ethical responsibility on financial performance is substantially weakened and, in some cases, nearly neutralized. The result confirmed that H_5 is supported and H_6 is not supported.

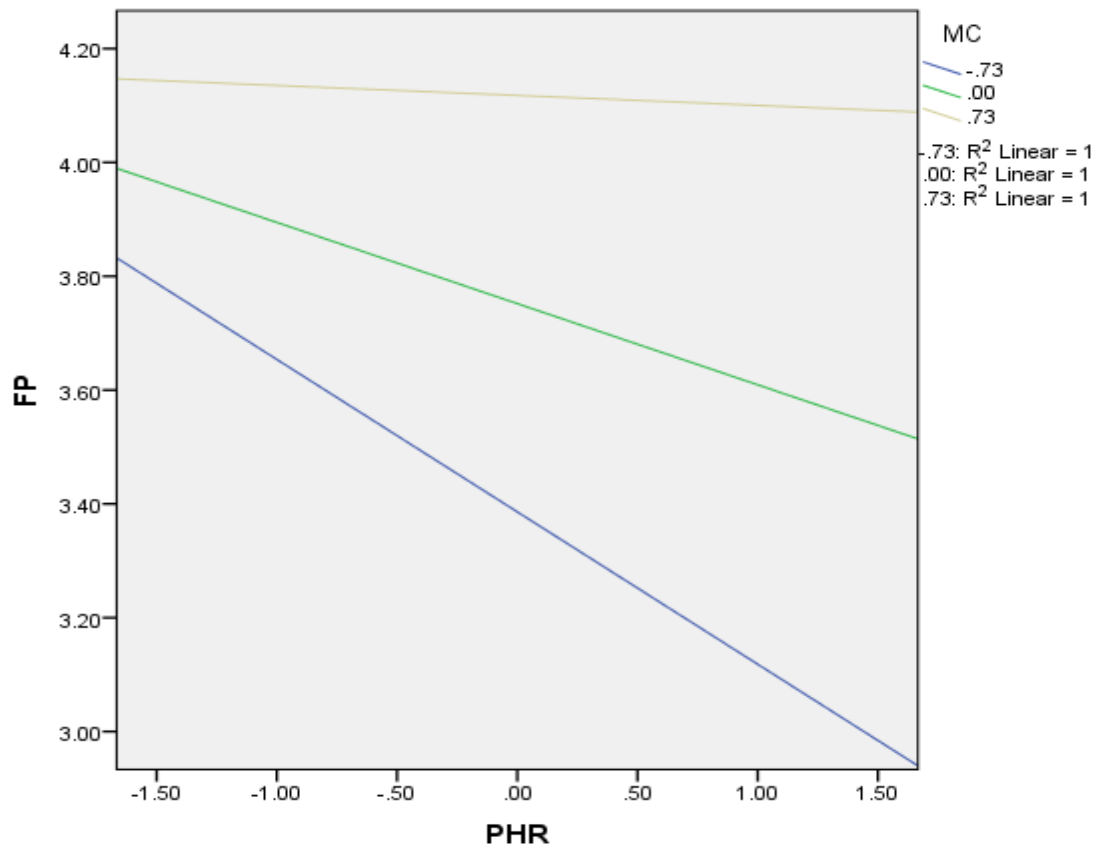
Figure 4. Interaction between Ethical Responsibility (ETR) and Managerial Competence (MC) on Financial Performance (FP)



Source: Survey Data, 2025

Similarly, Model 4 shows the philanthropic responsibility is negatively associated with financial performance ($b = -0.14$, $p < .001$), indicating the discretionary social investments may reduce short-term profitability. However the interaction plot demonstrates that firms with higher managerial competence experience a weaker negative relationship between philanthropic responsibility and financial performance. The positive and significant interaction effect ($b = 0.17$, $p < .01$) suggests that competent managers are able to strategically manage philanthropic activities to minimize financial strain. Figure 4 shows that philanthropic responsibility is negatively associated with financial performance at lower levels of managerial competence, indicating that discretionary social investments may divert scarce resources away from core operational activities. However, as managerial competence increases, the negative slope becomes markedly flatter, demonstrating that firms with highly competent managers experience a substantially weaker negative relationship between philanthropic responsibility and financial performance. The study supported H_7 and not supported H_8 .

Figure 5. Interaction between Philanthropic Responsibility (PHR) and Managerial Competence (MC) on Financial Performance (FP)



Source: Survey Data, 2025

6.0 DISCUSSION AND CONCLUSION

The study provides empirical evidence that the financial outcomes of corporate social responsibility initiatives in Somali manufacturing firms are highly contingent on managerial competence. Across all models, managerial competence exhibited a strong and consistent positive effect on financial performance, underscoring the importance of managerial skills in fragile and institutionally weak contexts. This finding aligns with Human Capital Theory and Resource-Based view, which conceptualize managerial competence as a strategic resource that enhances firm efficiency and competitiveness (Barney, 1991; Hambrick & Mason, 1984). Prior studies in emerging markets similarly emphasize that capable managers can substitute for weak institutions by improving decision-making, resource allocation and strategic alignment (Adams et al., 2010; Jamali&Karam, 2018).

Economic responsibility demonstrated a strong positive relationship with financial performance, supporting Carroll's (1991) assertion that profitability and efficiency form the foundation of CSR. Firms that emphasized cost control, productivity, and value creation achieved superior financial outcomes, consistent with the business case for CSR (Carroll & Shabana, 2010; Orlitzky et al., 2003). Importantly, managerial competence amplified this relationship, indicating that economic responsibility yields greater financial returns when guided by skilled managers. This supports Dynamic Capability Theory, which posits that managerial ability enables firms to convert operational practices into sustained performance advantages, particularly in volatile environments (Teece et al., 1997; Wang et al., 2016).

In contrast, legal responsibility exhibited a negative direct effect on financial performance, suggesting that compliance-related costs may strain firm resources in the short-term. This finding diverges from evidence in developed economies, where regulatory compliance often enhances legitimacy and reduces risk (Aguimis&Glavas, 2012). However, in fragile contexts such as Somalia characterized by regulatory ambiguity and weak enforcement compliance may increase operating costs without immediate market rewards. Notably, managerial competence significantly mitigated this negative effect, consistent with studies showing that capable managers can manage regulatory complexity more efficiently and leverage compliance for reputation gains (Jamali&Karam, 2018; Musa & Ali, 2021).

Ethical responsibility also showed a negative direct association with financial performance, indicating that ethical practices may impose short-term costs related to transparency, fair labor practices, and governance reforms. While this contradicts much of the global literature corporate social responsibility literature (Orlitzky et al., 2003; Wang et al., 2016), it reflects the realities of fragile markets where ethical investments may not be immediately rewarded by stakeholders. Crucially, managerial competence weakened this negative relationship, suggesting that competent managers are better able to institutionalize ethics, align them with firm strategy, and translate trust and legitimacy into longer-term financial benefits. Similar patterns have been observed in other and emerging economies, where ethics become financially valuable only when strategically embedded (Jamali&Karam, 2018; Mohamed & Hassan, 2022). Finally, Philanthropic responsibility was negatively associated with financial performance, reinforcing concerns that discretionary social investments may divert scarce resources from core operations when not strategically managed (McWilliams & Siegel, 2000; Margolis & Walsh, 2003). However, the moderating role of managerial competence indicates that philanthropy need not be financially detrimental. When guided by skilled managers, philanthropic activities can be aligned with business objectives such as workforce development or community-based supply chains thereby reducing financial strain. This finding supports porter and Kramer's (2006) argument that strategic philanthropy, rather than ad-hock giving, is more likely to generate shared value, especially in resource constrained environments.

7.0 CONCLUSION

The study concludes that the financial impact of corporate social responsibility in Somali manufacturing firms is not uniform across corporate social responsibility dimensions and is critically shaped by managerial competence. While economic responsibility enhances financial performance directly, legal, ethical, and philanthropic responsibilities impose short-term financial costs unless effectively managed. Managerial competence consistently moderates these relationships by mitigating negative effects and strengthening positive ones, highlighting its central role in transforming corporate social responsibility from a potential liability into a strategic asset. These findings extend corporate social responsibility theory by demonstrating that, in fragile state contexts, internal managerial capabilities are more decisive than institutional framework in determining corporate social responsibility outcomes. Practically, the results underscore the need for firms and policymakers to prioritize managerial capacity-building to ensure that corporate social responsibility initiatives contribute to both social well-being and financial sustainability.

Despite its contributions, this study has limitations. The cross-sectional design limits causal inference, and reliance on subjective measures of financial performance may introduce perceptual bias.

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Appendix: Questionnaire

Part A: Respondent Characteristics

Please tick the responses that best apply to you

1. Sex of Respondent

Male	Female
1	2

2. Marital Status

Single	Married	Separated	Divorced	Widowed
1	2	3	4	5

3. Age Bracket

20-30	31- 40	41-50	50+
1	2	3	4

4. Designation at this organization.

Supervisor	Manager	Staff
1	2	3

5. What's your highest level of education?

Certificate	Diploma	Degree	Masters	Doctorate (PhD)
1	2	3	4	5

6. How long have you worked with this firm?

0 – 2 year	3 – 5 years	6 – 8 years	9 – 10 years	Over 10 years
1	2	3	4	5

SECTION B. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Within the scale limits of 1-5 please indicate to what degree you comply with the following sentences in the context of your organization. Where: 1 stands for Strongly Disagree, 2 for Disagree, 3 is Neutral, 4 is Agree, and 5 is Strongly Agree.

Kindly tick the response appropriate to you using the scale below:

Strongly Disagree =1, Disagree =2, Not Sure =3, Agree =4, Strongly Agree =5						
ECR	Economic Responsibility	1	2	3	4	5
ECR1	To what extent do you agree that businesses should prioritize long-term economic stability over short-term profits					
ECR2	How important is it for companies to create job opportunities and contribute to local economic growth					
ECR3	In your opinion, how well do companies in your area fulfill their economic responsibilities?					
LR	Legal Responsibility	1	2	3	4	5

LR1	The company ensures timely payment of taxes in accordance with the law					
LR2	The organization complies with national and local legal frameworks governing its operations					
LR3	The company secures and renews all legally required documents, permits, and licenses					
LR4	The organization regularly updates its practices to remain aligned with changes in legal and regulatory requirements					
ETR	Ethical Responsibility	1	2	3	4	5
ETR1	Does the company promote honesty and integrity in all its business operations?					
ETR2	Does the organization treat employees, customers, and partners fairly and respectfully?					
ETR3	Has the firm implemented ethical guidelines or a code of conduct for decision-making?					
PHR	Philanthropic Responsibility	1	2	3	4	5
PHR1	The organization undertakes donations to charity					
PHR2	The company takes part in community educational programs					
PHR3	The company is involved in community healthcare programs					
PHR4	The organization takes part in community sporting events					

SECTION C: MANAGERIAL COMPETENCE (MC)

MNC	Managerial Competence	1	2	3	4	5
MNC1	Our managers demonstrate a clear understanding of the firm's long-term strategic direction.					
MNC2	Leadership proactively plans for sustainable organizational growth.					
MNC3	Managers effectively motivate and inspire their teams to achieve goals.					
MNC4	Supervisors foster a supportive and collaborative team environment.					

SECTION D: FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS (FPMF)

FPMF	Financial Performance of Manufacturing Firms	1	2	3	4	5
FPMF1	The volume of our sales has been increasing steadily over time					
FPMF2	We consistently attract new customers who contribute to sales growth					
FPMF3	Our repeat sales from existing customers are steadily rising					
FPMF4	The business regularly meets or exceeds its sales target					
FPMF5	Our sales revenue shows consistent growth across different products or services					
FPMF6	Our customer base has been growing consistently compared to competitors					