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## RESEARCH ARTICLE

# Doing well and being responsible: The impact of corporate social responsibility legitimacy on responsible entrepreneurship

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## Abstract

This article examines the influence of corporate social responsibility (CSR) legitimacy on responsible entrepreneurship. It also analyses the contingent factors that influence the relationship between CSR legitimacy and responsible entrepreneurship. While studies on CSR legitimacy are burgeoning, studies analyzing contingent factors and boundary conditions surrounding CSR legitimacy theory are sparse. We extend legitimacy theory by estimating a contingent model that examines the effect of local embeddedness and CSR commitment on the relationship between CSR legitimacy and responsible entrepreneurship. Utilizing time-lagged data collected from 282 entrepreneurs in Vietnam, we demonstrate that CSR legitimacy positively influences responsible entrepreneurship. Further, we find that local embeddedness exacerbates the potency of CSR legitimacy as a driver of responsible entrepreneurship. Additionally, our results show that this moderation is conditioned by CSR commitment. Specifically, the moderating effect of local embeddedness on the linkage between CSR legitimacy and responsible entrepreneurship is stronger when CSR commitment is high. These findings improve the conceptual scope and generalisability of CSR legitimacy as a driver of responsible entrepreneurship in non-Western contexts.

## KEYWORDS

corporate social responsibility, CSR commitment, legitimacy, local embeddedness, responsible entrepreneurship, Vietnam

## 1 | INTRODUCTION

There is a growing interest in responsible entrepreneurship among academics and practitioners. It has been suggested that new ventures should adopt responsible entrepreneurial strategies to help satisfy their stakeholders (Wang & Bansal, 2012; Ye & Li, 2020) and gain competitive advantages (Perezts, 2011; Porter & Kramer, 2006). Through responsible entrepreneurship, new ventures can improve

their human capital capability (Rupp et al., 2006; Sen et al., 2006), customer loyalty (Bhattacharya & Sen, 2004), and attract investment (Valor et al., 2009). Although several scholars still agree with the assertion that “the social responsibility of business is to increase its profits” (Friedman, 1970, p. 6), it is clear nowadays that businesses have several responsibilities toward the society in which they operate (O’riordan & Fairbrass, 2008; Tran & Adomako, 2021). For example, entrepreneurs have adopted an alternative business philosophy that

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reflects socially responsible values, ethical, and sustainable practices. This approach to entrepreneurship considers being responsible to society while simultaneously achieving economic, environmental, and social goals (Elkington, 1994). Instructively, responsible entrepreneurship captures entrepreneurial activities, reflecting the recognition, development, or exploitation of opportunities through sustainable innovation with aims to obtain economic, social, or ecological gains to improve sustainable development (Cohen & Winn, 2007; Xie & Wu, 2022). Thus, responsible entrepreneurs build profitable ventures while contributing to the greater good of society.

While responsible corporate practices have been investigated in the business and management literature (e.g., Azmat & Samaratunge, 2009; Derchi et al., 2021), we still do not know enough about how corporate social responsibility (CSR) legitimacy corresponds with responsible entrepreneurship. Moreover, research on responsible business practices remains largely limited to large organizations, and only recently has the focus moved to new ventures (see Xie & Wu, 2022; Yang & Rivers, 2009). In addition, drivers of responsible entrepreneurship in developing countries have received little attention. Given the important role of new ventures in developing countries such as the creation of employment, boosting economic growth, and reducing poverty (Acs & Audretsch, 1988; Bruton et al., 2015; Si et al., 2020), drivers of their responsible practices deserve attention but remains severely understudied. Thus, our study draws insights from the legitimacy theory and CSR literature to highlight the effects of CSR legitimacy on responsible entrepreneurship by addressing the following questions: can CSR legitimacy promote responsible entrepreneurship, and if so, how and under what conditions?

The current study contributes to the CSR and responsible entrepreneurship literature in two ways. First, it contributes to the understanding of the determinant factors of responsible entrepreneurship. In particular, our study revealed that CSR legitimacy predicts responsible entrepreneurship. This is an important extension of the responsible entrepreneurship literature because previous research only highlights the features of responsible entrepreneurship (Choi & Gray, 2008; Xie & Wu, 2022). Thus, we extend the responsible entrepreneurship literature by developing a conceptual framework and hypotheses around responsible entrepreneurship and its antecedent in a developing country context. Second, we tease out the conditions under which CSR legitimacy—responsible entrepreneurship is manifest among new ventures. The relative importance of new ventures in terms of economic development has long been established (Acs & Audretsch, 1988), particularly in regard to the factors that new ventures' responsible behaviors (Payne & Joyner, 2006; Ye & Li, 2020). In spite of this scholarly attention, there remain significant gaps in relation to conditions under which legitimacy theory may improve new ventures' responsible behaviors. Thus, our study highlights two conditions (i.e., local embeddedness, and CSR commitment) as theoretically meaningful factors that may facilitate the translation of CSR legitimacy into responsible entrepreneurship in new ventures.

The rest of the article is structured as followed. Following the introduction, we present the theoretical underpinning and hypotheses of the study. Next, we present the methodology and highlight the sample and data collection procedure. Subsequently, we present the

findings of the study. We then discuss the findings and the contributions in terms of theory and practice. Finally, we discuss the limitations of the study and offer directions for future research.

## 2 | THEORETICAL BACKGROUND AND HYPOTHESES

### 2.1 | Legitimacy theory and CSR

This study employs the legitimacy theory to explain how CSR legitimacy influences responsible entrepreneurship in a developing country context. Several studies have utilized the legitimacy theory as the main theoretical milieu to explain CSR strategies of organizations (e.g., Deegan, 2002; Perks et al., 2013; Pittroff, 2014). Legitimacy theory assumes that an organization has an implicit social contract with the society in which it operates. This suggests that an organization functions within the boundaries and norms of society (Brown & Deegan, 1998). The implicit social contract motivates organizational managers to go beyond institutional compliance by implementing adequate structures and processes to mitigate their impacts on society (Fernando & Lawrence, 2014). Given that social contact is inherent in an organization's long-term success and survival, it is important that managers meet society's expectations through optimal behaviors of an organization (Sawyer et al., 2010). However, societal expectations, such as values, are dynamic, especially with regard to CSR (Deegan, 2002; Velte, 2021). Therefore, an organization's legitimacy requires a continuous process that should be supported by top management teams.

In addition, the institutional theory indicates that an organization's legitimacy is important for firm survival because it enables organizations to continuously acquire external resources and support from various stakeholders (Scott, 2005; Suchman, 1995). Arguably, CSR strategies adopted by organizations tend to improve organizations' access to resources and improve their image and stakeholders' relationships. Such legitimization strategies improve an organization's competitive position. If social members feel that irresponsible entrepreneurial activities are happening, such as corruption, lack of transparency, and unethical trading, and being environmentally unfriendly, their legitimacy suffers (Aguilera & Rupp, 2007). For example, CSR reporting represents an important route to gain the legitimacy of the main stakeholder groups. As such, organizations tend to give balanced attention to different external stakeholders in communicating CSR strategies. Thus, many entrepreneurial firms have started to include economic, social, and environmental value-creation targets in their activities (DiVito & Bohnsack, 2017; Xie & Wu, 2022).

Based on the foregoing discussion, we argue that CSR legitimacy is an important enabler of responsible entrepreneurship. This is because the pursuit of CSR legitimacy could help the organization to adhere to societal norms and expectations. In addition, we conceptualize local embeddedness and CSR commitment as important boundary conditions. In the section that follows, we conceptually tailor the independent variable used in this study to establish its relevance and importance for responsible entrepreneurship.



## 2.2 | CSR legitimacy and responsible entrepreneurship

Given the increasing pressure related to social responsibility, new ventures are increasingly adopting responsible entrepreneurship as an important signal of integrating economic, social, and environmental concerns into their business practices (Azmat & Samaratunge, 2009; Tiba et al., 2018). Accordingly, responsible entrepreneurship has become crucial for entrepreneurs to alleviate the increasing pressures from external stakeholders (customers, partners, and non-government organizations) and internal stakeholders (employees) (Davies, 2003; Zheng et al., 2015). In Vietnam, for example, entrepreneurs pay attention to social responsibility, suggesting that balanced attention is given to different external stakeholders. Relatedly, many entrepreneurs have cultivated a value-creation culture that reflects social, economic, and environmental issues (DiVito & Bohnsack, 2017; Husted et al., 2015).

To obtain and maintain their social legitimacy in society, entrepreneurs tend to pursue certain practices that are desirable or appropriate within society. The rationale is that social legitimacy opens several doors for entrepreneurs to acquire critical resources from independent actors in the social domain (Aldrich & Fiol, 1994; Kawai & Kazumi, 2021). Suchman (1995) defined legitimacy as “a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions” (p. 574). Thus, there are reasonable arguments to suggest that new ventures' CSR legitimacy will foster responsible innovation.

First, legitimacy helps firms to access scarce resources from stakeholders. For example, gaining greater external legitimacy is likely to help firms improve the quality of their linkages with outsider stakeholders (Wang & Qian, 2011; Zheng et al., 2015). In addition, increasing internal legitimacy may translate into greater employee satisfaction and dedication. As a result, new ventures cannot afford to lose the dedication and quality of relationships arising from internal and external legitimacy. Thus, it is likely that new ventures with greater CSR legitimacy will pursue responsible entrepreneurship in order to maintain their legitimacy. Second, CSR legitimacy improves new ventures' credibility and reputation directly and indirectly, both of which can sustain their survival (Aldrich & Fiol, 1994). By gaining CSR legitimacy among stakeholders, new ventures are likely to hold onto their social license by pursuing responsible entrepreneurial practices that are considered to the firm's reputation for social responsibility (Prno & Slocombe, 2012; Prno & Slocombe, 2014). This is likely to help new ventures differentiate themselves from their competitors and improve their performance. Third, gaining CSR legitimacy from stakeholders is likely to inspire entrepreneurs' confidence in experimenting with responsible entrepreneurial activities. This is because low levels of social approval may send wrong signals that new ventures are not being responsible in society. This can adversely affect ventures' access to funding (Iakovleva & Kickul, 2011; Kawai & Kazumi, 2021). Overall, we argue that:

**H1.** CSR legitimacy is positively related to responsible entrepreneurship.

## 2.3 | Moderating role of local embeddedness

Local embeddedness refers to the ability of firms to “create competitive advantage based on a deep understanding of and integration with the local environment” (London & Hart, 2004, p. 364). Given the importance for new ventures to assimilate to the local networks and create a new source of knowledge, firms are embedded into the local networks to focus on individual relationships to create business opportunities (Adomako & Tran, 2022a, 2022b; Ernst et al., 2015). For example, knowledge from community leaders, customers, and suppliers, competitors can serve as a source of knowledge. Such local embeddedness is particularly important for new ventures in developing and emerging countries given the heightened institutional voids (London & Hart, 2004). To achieve legitimacy in the business environment, firms tend to adopt CSR initiatives to improve the appropriateness of their actions in society. By improving their legitimacy, firms focus on achieving the approval of their local networks and stakeholders, which may translate into socially responsible behaviors (Tiba et al., 2018). Provided that new ventures may be unfamiliar with the local business conditions, local embeddedness is likely to mitigate the local risk and the likelihood of new product failure. Thus, local embeddedness is considered an important condition for translating CSR legitimacy into responsible behaviors. First, local embeddedness improves new ventures' understanding of the local market peculiarities, which is likely to enhance the firm's effort in achieving legitimacy. Second, local embeddedness could potentially improve entrepreneurs' knowledge about institutions in the local business environment. This knowledge is required for launching new products in developing countries. New ventures, therefore, employ different strategic responses to institutional voids (Adomako et al., 2019; Oliver, 1991). Third, local embeddedness is likely to improve the relationship between CSR legitimacy and responsible entrepreneurship. This is because knowledge from community leaders, customers, and suppliers, competitors may pave the way for firms to improve the quality of their relationships with their stakeholders (Wang & Qian, 2011). Overall, the level of local embeddedness is likely to be an important facilitating factor in the relationship between CSR legitimacy and responsible entrepreneurship. Thus, we posit that:

**H2.** Local embeddedness positively moderates the relationship between CSR legitimacy and responsible entrepreneurship, such that the relationship is amplified at high levels of local embeddedness.

## 2.4 | Moderating role of CSR commitment

Further to H2, we argue that the moderation of local embeddedness in the relationship between CSR legitimacy and responsible

entrepreneurship is moderated by CSR commitment. It is crucial for firms to show high levels of comment on CSR activities at all levels (Adomako & Tran, 2022a, 2022b; Zheng et al., 2015). Relatedly, firms that commit to CSR practices with the aim to achieve legitimacy are likely to embed in society through networking activities with stakeholders (Fiss & Zajac, 2006). Though achieving CSR commitment is challenging for new ventures, it is critical for social construction where firms attain legitimacy and engage in responsible behaviors. Based on this argument, we suggest that CSR commitment will facilitate the moderation of local embeddedness in the relationship between CSR legitimacy and responsible entrepreneurship. We contend that CSR initiatives are related to modifications of a firm's value creation processes (Vargas et al., 2018; Zheng et al., 2015). Thus, we expect that higher CSR commitment will be useful for attracting greater networks necessary for local embeddedness which will ultimately strengthen the influence of CSR legitimacy on the implementation of responsible entrepreneurship. For example, it has been established that greater commitment to CSR by top management teams tends to usher ethical practices into the firm's activities (Weaver et al., 1999). Therefore, we expect that higher CSR commitment by firms will augment their readiness to acquire knowledge from community leaders, customers, and suppliers, and adopt CSR initiatives in response to stakeholder CSR pressures and in pursuit of higher CSR legitimacy. Thus, we suggest that:

**H3.** The moderating effect of local embeddedness on the relationship between CSR legitimacy and responsible entrepreneurship is stronger when CSR commitment is high compared to when it is low.

### 3 | METHOD

#### 3.1 | Sample and data collection

To test our hypotheses, we randomly selected a sample of entrepreneurs from the Vietnam Business Directory. These businesses were non-subsidiaries, for-profit, privately owned, and employed not more than 250 full-time employees. Additionally, the businesses were founded in 2012 or later. Data were collected in two waves. First, in January 2022, entrepreneurs of 1079 firms were contacted and the founder was invited to participate in the study through the Tailored Design Method (Dillman, 2011). Data on CSR legitimacy, local embeddedness, CSR commitment and all control variables were measured in wave 1. After sending two reminders, we received 319 responses. Second, 3 months after wave 1, a senior manager in each firm was contacted to respond to the responsible entrepreneurship questions. Several responses were incomplete resulting in 282, reflecting a 26.13% effective response rate. The respondents were on average 47 years old, and the firms on average employed 36 full-time employees. The final sample contained firms with a mean age of 6.23 (s.d. = 2.68) years. Women accounted for 46% of the entrepreneurs in the sample.

We assessed nonresponse bias by comparing the age, firm size, and industry type with those of the sampling frame of Vietnam Business Directory entrepreneurs in the country. Since we did not find any statistically significant differences between the two groups, we concluded that nonresponse bias may be less of a concern with our sample.

#### 3.2 | Measures

Unless otherwise stated, we measured all the constructs with a seven-point Likert scale with anchors ranging from 1 being "strongly disagree" to 7 being "strongly agree". Table 1 provides details of the measures.

##### 3.2.1 | CSR legitimacy

This construct entails external legitimacy and internal legitimacy. External legitimacy was measured with four items from Zheng et al. (2015) that capture a firm's image in society and the potential for improving its relationships with stakeholders, such as customers, suppliers, and non-governmental organizations. Internal legitimacy was measured with three items from Zheng et al. (2015), which evaluated corporate internal cohesion, employee satisfaction, and operational efficiency.

##### 3.2.2 | Local embeddedness

We used four items from Ernst et al. (2015) to measure local embeddedness.

##### 3.2.3 | CSR commitment

Three items from Zheng et al. (2015) were used to measure perceived CSR commitment.

##### 3.2.4 | Responsible entrepreneurship

We used the five-item scale developed by Xie and Wu (2022) to measure responsible entrepreneurship. The scale entails socially responsible practices (i.e., economic, social, and ecological gains), which reflect a firm's responsibility toward shareholders, employees, customers, local communities, and the environment.

##### 3.2.5 | Control variables

We controlled several variables that could potentially influence our research model. These were firm age, firm size, industry type, and

TABLE 1 Measures, and results of validity tests

Description of items	Factor loadings
<i>Internal legitimacy: <math>\alpha = 0.84</math>; CR = 0.84; AVE = 0.64</i>	
CSR activities strengthen the internal cohesion in our company	0.78
CSR activities increase employee satisfaction in our company	0.80
CSR activities improve operational efficiency in our company	0.82
<i>External legitimacy: <math>\alpha = 0.93</math>; CR = 0.94; AVE = 0.81</i>	
CSR activities help our company win social recognition and praise	0.88
CSR activities help our company establish good relationships with non-governmental organizations	0.89
CSR activities help our company strengthen its relationships with suppliers	0.91
CSR activities help our company strengthen its relationships with customers	0.93
<i>Local embeddedness: <math>\alpha = 0.88</math>; CR = 0.88; AVE = 0.65</i>	
We focus on utilizing local social networks in design and producing our products	0.77
We focus on strengthening ties with local communities in product designs	0.80
We work with nongovernmental organizations (NGOs) in our product design	0.82
We work with unorthodox partners, such as locally influential community members or small entrepreneurs in our product design process	0.84
<i>CSR commitment: <math>\alpha = 0.85</math>; CR = 0.85; AVE = 0.67</i>	
Our company always attaches great importance from top to bottom to the establishment of CSR in corporate culture and organizational system	0.80
Our company strictly implements from top to bottom the regulations and code of conduct on CSR	0.76
Our top managers take the lead in the implementation of CSR activities	0.89
<i>Environmental dynamism <math>\alpha = 0.86</math>; CR = 0.87; AVE = 0.70</i>	
Competitors are constantly trying out new competitive strategies	0.78
Customer needs and demands are changing rapidly in our industry	0.84
New markets are emerging for products and services in our industry	0.89
<i>Responsible entrepreneurship: <math>\alpha = 0.93</math>; CR = 0.94; AVE = 0.76</i>	
Our company adopts a long-term perspective in decision making to guarantee a persistent superior return to shareholders/owners	0.77
Our company provides excellent pay, benefits and working conditions for your employees compared with similar enterprises	0.80
Our company provides good products/services at a good price, and demonstrates a willingness to add value to customers' wellbeing	0.89
Our company is actively engaged in social welfare activities, such as education, housing, and job creation	0.90
Our company has launched and implemented resource conservation and environmental protection strategies	0.91

environmental dynamism. Firm age was measured as the logarithm transformation of the number of age of the firm since the firm was established. Firm size was captured as the logarithm transformation number of full-time employees of the firm. Industry type was measured as follows: 0 = high-technology industry and 1 = low-technology industry. We used three items from Miller and Friesen (1982) to capture environmental dynamism.

### 3.3 | Common method bias, validity, and reliability assessment

Due to the sensitive nature of the research topic, several procedural and statistical techniques were used to attenuate potential social desirability bias (Ballard, 1992) and common method variance (Podsakoff et al., 2003). First, the questionnaire was crafted to avoid

any direct linkages to the societal consequences of responsible entrepreneurship. Second, to minimize response bias, all respondents were promised confidentiality. Third, data were collected from two senior managers in each firm.

Statistically, potential common method variance (CMV) was tested using the marker variable method (Lindell & Whitney, 2001). Accordingly, a marker variable that was unrelated to any of the variables in our theoretical model was used. The marker variable was "I like the color red". The results showed that the correlation between the marker variable and the variables in the model ranged from  $r = -0.01$  to 0.02. The results indicated that none of the significant correlations became non-significant after adjusting for CMV. Thus, CMV is not a serious concern in this study.

Subsequently, a confirmatory factor analysis (CFA) was performed using structural equation modeling to assess construct validity. The results are presented in Table 1. Following an accepted practice



(e.g., Bentler, 1990), we used approximate fit heuristics in assessing the fit of the models. The results of the CFA demonstrate a satisfactory fit for the overall ( $\chi^2(127) = 292.21, p < 0.001$ ; GFI = 0.92; IFI = 0.96, TLI = 0.95, CFI = 0.95, RMSEA = 0.05). We found that all the indicated loaded significantly on the respective constructs ( $p < 0.001$ ), reflecting convergent validity and discriminant validity. The average extracted variance and composite reliability exceeded 0.50 and 0.70 threshold values respectively (Fornell & Larcker, 1981). These results provide adequate convergent validity and reliability for the constructs.

Additionally, two approaches were utilized to evaluate discriminant validity. First, pair-wise Chi-square was conducted to assess all latent variables to establish whether the constrained and unconstrained models differed significantly. The results show that the unconstrained model produced a better fit and the chi-square difference tests were significant ( $p < 0.001$ ). This provides support for discriminant validity. Second, the results show that the square roots of all AVE values were greater than the correlations for any pair of latent variables, indicating further support for discriminant validity (Fornell & Larcker, 1981). Thus, these results show adequate support for convergent and discriminant validity.

## 4 | RESULTS

We used stepwise regression analysis to estimate the research model. Prior to testing the hypotheses, we calculated the variance inflation factors (VIF) for all the regression models to test for multicollinearity. The results in Table 3 show that all VIF values were below 3.0, which is lower than the suggested cut-off value of 10 (Aiken & West, 1991). This suggests that no concerns regarding multicollinearity influence our findings. In addition, we used mean-centered variables for all controls and independent variables to attenuate potential multicollinearity concerns.

Table 2 presents the descriptive statistics and correlations of the variables. Table 3 depicts the regression models (Models 1–4) and 2SLS for endogeneity tests are estimated in Models 5 and 6. Model 1 contains only the control variables. Model 2 includes all the direct effect variables. The results in Model 2 demonstrate a significant and positive relationship between CSR legitimacy and responsible entrepreneurship ( $\beta = 0.22, p < 0.01$ ), and this provides support for H1.

**TABLE 2** Descriptive statistics and correlations

Variables	Mean	s.d.	1	2	3	4	5	6	7
1. Firm age (log)	1.25	0.59							
2. Firm size (log)	1.62	0.64	0.06						
3. Industry type	0.47	0.55	−0.05	−0.05					
4. Environmental dynamism	4.12	1.79	−0.09	−0.11	−0.08				
5. Local embeddedness	5.45	1.19	−0.09	−0.04	−0.09	0.07			
6. CSR legitimacy	5.20	1.25	0.19**	−0.09	−0.05	−0.11	0.20**		
7. CSR commitment	5.34	1.33	0.05	0.20**	−0.08	0.07	0.19**	0.22**	
8. Responsible entrepreneurship	4.18	1.61	0.14*	0.04	0.05	0.06	0.14*	0.33**	0.29**

Note:  $N = 282$ ; \* =  $p < 0.05$ ; \*\* =  $p < 0.01$  (2-tailed test); s.d. = Standard Deviation.

Model 3 estimates Hypothesis 2, which argued that the positive effect of CSR legitimacy on responsible entrepreneurship is moderated by local embeddedness, such that the relationship is amplified when local embeddedness is high than when it is low. We find support for H2 ( $\beta = 0.32, p < 0.01$ ), as the positive coefficient of the interaction term is exacerbated when local embeddedness is high. A simple slope test was conducted using the approach suggested by Aiken and West (1991). The results of the simple slope test show that the relationship between CSR legitimacy and responsible entrepreneurship is positive when local embeddedness is high ( $b = 0.22, t = 2.93, p < 0.05$ ), whereas there is no significant effect of CSR legitimacy on responsible entrepreneurship when local embeddedness is low ( $b = 0.03, t = 0.36, p > 0.10$ ). The findings further provide support for H2.

Model 4 tests H3, which stated that CSR commitment moderates the moderation of local embeddedness in the relationship between CSR legitimacy and responsible entrepreneurship. The three-way interaction term was calculated by multiplying the mean-centered CSR legitimacy, local embeddedness, and CSR commitment scores for each firm. The result of the three-way interaction is significant ( $\beta = 0.52, p < 0.01$ ). This finding suggests that the moderation of local embeddedness in the relationship between CSR legitimacy and responsible entrepreneurship is generally influenced by CSR commitment (Aiken & West, 1991).

To facilitate the interpretation of the interaction, we followed the procedure advanced by Cohen et al. (2003) and created plots of the interactions at  $\pm 1$  s.d. As shown in Figure 1, at higher levels of local embeddedness, the effect of CSR legitimacy on responsible entrepreneurship is greater than when local embeddedness is low. In addition, Figure 2 plots the three-way interaction, again following the procedure outlined by Cohen et al. (2003). As shown in Figure 2, the relationship between CSR legitimacy and responsible entrepreneurship was higher when local embeddedness and CSR commitment were greater. These findings further provide support for H2 and H3.

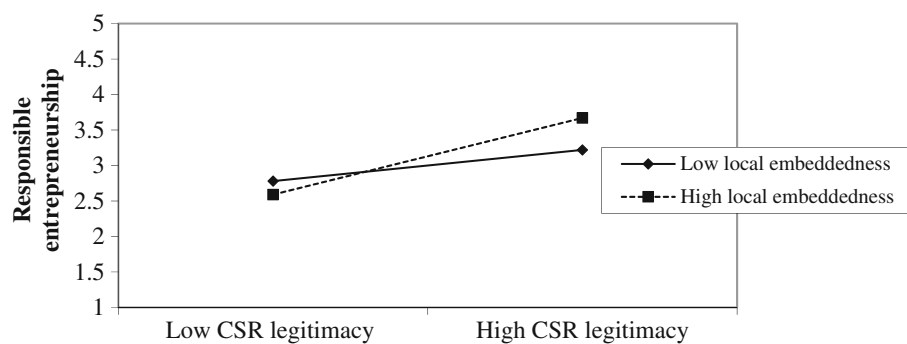
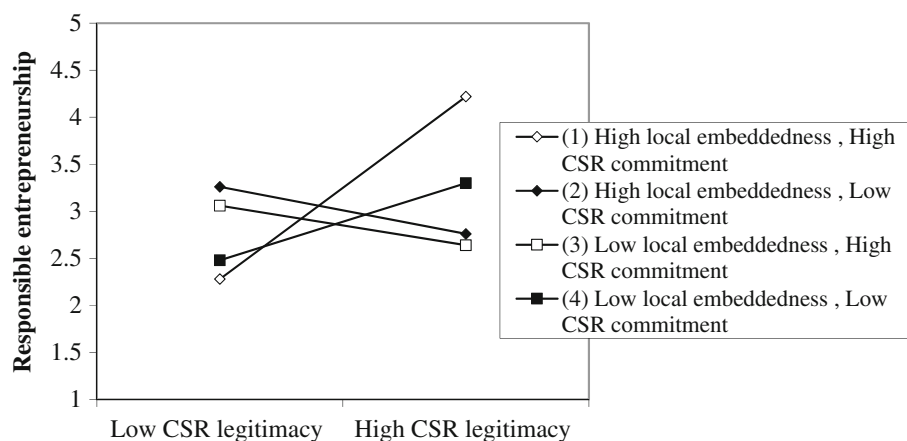
### 4.1 | Robustness analyses

In addition to the hypotheses testing, we ran two additional tests to assess the robustness of our conceptual model. First, we extended

**TABLE 3** Results of stepwise regression with responsible entrepreneurship as the dependent variable

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
<b>Controls</b>						
Firm size (log)	0.13*	0.13*	0.12	0.12	0.09	0.08
Firm age (log)	0.06	0.05	0.04	0.04	0.03	0.03
Industry type	0.04	0.05	0.04	0.04	0.02	0.02
Environmental dynamism	0.05	0.02	0.02	0.02	0.01	0.02
<b>Main effects</b>						
H1: CSR legitimacy		0.22**	0.20**	0.20**	0.18**	0.17**
Local embeddedness (LE)		0.13*	0.11	0.09	0.13*	0.13*
CSR commitment		0.05	0.04	0.04	0.02	0.02
<b>Two-way interaction effects</b>						
H2: CSR legitimacy × local embeddedness			0.32**	0.29**	0.29**	0.25**
CSR commitment × local embeddedness			0.15*	0.13*	0.13*	0.11
<b>Three-way interaction effect</b>						
H3: CSR legitimacy × LE × CSR commitment				0.52**	0.48**	0.44**
<b>Model fit statistics</b>						
F-ratio	2.93	3.89	4.99	6.20	6.99	7.48
R-Square	0.12	0.16	0.21	0.27	0.30	0.32
Change in R-square		0.04	0.05	0.06	0.03	0.02
Largest VIF	2.01	2.56	2.59	2.67	1.22	1.35

Note:  $N = 282$ ; \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; standardized coefficients are shown. Models 1–4 are estimated via stepwise regression whereas models 5 and 6 are estimated through 2SLS.

**FIGURE 1** Interaction of CSR legitimacy and local embeddedness on responsible entrepreneurship**FIGURE 2** Interaction of CSR legitimacy, local embeddedness, and CSR commitment on responsible entrepreneurship.



our analysis beyond the usually examined mean-centering where VIF values were used as proxies for detecting multicollinearity by including all two interaction terms concurrently in the regression equation. The results are in the direction of hypothesized specifications. Prior research suggests that when interaction terms with common variables are concurrently included in a model, they can conceal the detection of the true moderating variables as a result of multicollinearity (e.g., De Clercq et al., 2016; Zahra & Hayton, 2008). However, the interaction terms in the main model and interaction term models show consistency. This provides support for the robustness of our regression models (Covin et al., 2006).

Second, we used the approach suggested by Zaefarian et al. (2017) and applied a two-stage least squares (2SLS) estimation to address endogeneity concerns. First, we regressed CSR legitimacy on responsible entrepreneurship and saved the unstandardized residuals. Second, we used the residuals as the independent variable relative to responsible entrepreneurship. Our results (see Table 3, Models 5 and 6) indicate that influence of CSR legitimacy<sub>residual</sub> on responsible entrepreneurship is not significantly different from the results reported in Models 1–4 in Table 3. This suggests that endogeneity between CSR legitimacy and responsible entrepreneurship is not a major concern (Hamilton & Nickerson, 2003). In addition, the measurement of CSR legitimacy (independent variable) and responsible entrepreneurship was time-lagged for 3 months. This helps to mitigate issues related to reverse causality between CSR legitimacy and responsible entrepreneurship (Antonakis et al., 2010).

## 5 | DISCUSSION AND IMPLICATIONS

Our study derives insight from the legitimacy theory and the CSR literature to highlight the role of CSR legitimacy in responsible entrepreneurship in a developing country context. Additionally, we explored the conditions under which CSR legitimacy effectively drives responsible entrepreneurship. Legitimacy theory has gained substantial attention as a theory that explains firm behaviors in several fields (Deegan, 2002; Perks et al., 2013; Pittroff, 2014). Consequently, our major aim was to use the legitimacy theory to explain firm behaviors. The findings showed a strong positive influence of CSR legitimacy on responsible entrepreneurship. Besides, the findings revealed that increases in CSR legitimacy and higher local embeddedness are associated with increases in responsible entrepreneurship. Further, we find that the moderation of local embeddedness is amplified when CSR commitment is greater. These results allow us to make three important contributions to entrepreneurship literature.

### 5.1 | Theoretical implications

Our study makes several theoretical contributions to the responsible entrepreneurship literature (e.g., Azmat & Samarantunge, 2009; Davies, 2003; Xie & Wu, 2022). First, this study demonstrates that CSR legitimacy positively influences responsible entrepreneurship. In

doing so, we enrich the responsible entrepreneurship literature by connecting legitimacy literature and responsible practices. Thus, we answer the question of what role CSR legitimacy has in promoting responsible entrepreneurship.

Second, our results show that the effect of CSR legitimacy on responsible entrepreneurship is contingent on local embeddedness. A major contribution is the study's empirical validation of the theoretical argument that a firm's CSR legitimacy–responsible entrepreneurship relationship is moderated by local embeddedness. Consequently, this paper contributes to the emerging stream of research that examines how the influence of CSR legitimacy may depend on firm-level conditions (Zhao, 2012; Zheng et al., 2015). Further, by introducing local embeddedness as a moderating factor in the relationship between CSR legitimacy and responsible entrepreneurship, this paper extends the CSR legitimacy literature beyond the developed markets. More specifically, this paper draws on the contextual idiosyncrasies of developing countries to explain how CSR legitimacy affects levels of responsible entrepreneurship under conditions of local embeddedness. This contribution implies that when new ventures pay attention to legitimacy issues, they stand to be responsible in terms of their entrepreneurial activities when the local embeddedness is greater.

Third, our study finds that the moderation effect of local embeddedness is further improved when CSR commitment is greater. Thus, CSR commitment constitutes a boundary condition for local embeddedness, as only when there is a specific degree of CSR commitment does local embeddedness have substantial value in CSR legitimacy's conversion into responsible entrepreneurship. This finding contributes to the CSR literature (Kuzey et al., 2021; Mishra, 2017) by showing that commitment to CSR implementation is considered a boundary condition for the moderation of local embeddedness in the relationship between CSR commitment and responsible entrepreneurship.

### 5.2 | Practical implications

Our study has some practical implications as well. This study reveals that high levels of CSR legitimacy are particularly beneficial for new ventures to pursue responsible entrepreneurship. In addition, the influence of CSR legitimacy on levels of responsible entrepreneurship is stronger under conditions of higher local embeddedness. More importantly, the findings show that the moderation of local embeddedness is improved when CSR commitment is greater. These insights are crucial for three types of real-life conditions. First, entrepreneurs should be encouraged to pay attention to achieving CSR legitimacy. This is because focusing on CSR legitimacy can be a source of opportunity for responsible entrepreneurship. Second, entrepreneurs are advised to establish networks to help them understand the benefits of embeddedness in relationships with local customers, suppliers, and other partners. This is because our results show that local embeddedness can help firms to implement CSR to improve responsible entrepreneurship. This insight is particularly important for new ventures.

Third, the findings of the paper have implications for developing countries' new ventures in terms of responsible entrepreneurship. In

particular, understanding the consequences of CSR legitimacy in a developing country like Vietnam can guide new ventures operating in similar environments to devise a managerial strategy for success. Overall, the importance of the research topic and context suggests that this study can extend our theoretical understanding and guide managerial implications as well across other transforming economies.

## 6 | LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This paper has important findings that theoretically and practically contribute to the CSR and responsible entrepreneurship literature concerning how CSR legitimacy improves responsible entrepreneurship in a developing country's economy. However, despite the important contributions, the study has several limitations that suggest avenues for future research. Our recommendations for future studies have been divided into three distinct but related trajectories, namely: theory, contexts, and methodology.

Despite these interesting findings, our study is limited because we did not control the effects of other contextual variables that may influence our results. For example, economic adversity and financial resource adversity are two important factors that may affect the relationship between CSR legitimacy and responsible entrepreneurship. We encourage future studies to control for environmental factors (e.g., dynamic vs. stable environments) and institutional factors (e.g., regulatory, cognitive, and normative environments) that could potentially impact CSR legitimacy.

Additionally, this study was conducted in the context of a developing economy, Vietnam, so the findings from the study should be evaluated in the context of a developing Asian economy. Although the Vietnamese context shares similar characteristics with many developing economies, other developing and emerging markets may possess some varied contextual elements that may show additional insights for theory development and practice. This is because, despite the significant progress in political and institutional reforms in developing economies during the last decade, several developing economies still lag behind in terms of democratic institutional reforms (Bruton et al., 2013). In addition, this study did not capture possible culture-specific factors. In emerging countries, entrepreneurs' perceptions, responses, and actions are shaped by local cultures, customs, and traditions. These make it difficult to assess the replicability of our study. Thus, future research which explores the influence of such national cultural factors on entrepreneurial processes across emerging and developed markets can help provide a more nuanced understanding of the key drivers of venture growth. More importantly, future research may investigate possible culture-specific interactions that can succinctly explain differences in other emerging economies. This is likely to improve our understanding of the impact of cultural differences on responsible entrepreneurship. More importantly, future studies should explain the effect of CSR legitimacy on responsible entrepreneurship in developed nations, such as those found in Western Europe, and North America. This is critical because firms found in

developed countries typically have larger resources, and this may have a significant impact on responsible entrepreneurship.

In terms of methodology, the cross-sectional nature of the sample did not allow for causal claims. Though our hypotheses were derived based on extant literature, future studies should use a longitudinal design and collect data over a different point in time. Moreover, a small sample size of 282 new ventures from a single country limits the generalizability of the results. We encourage future research to address this by utilizing a multi-nation sample design. This will help to uncover whether the unique culture, social and political settings of the cross-country sample may differ from the current results. Finally, our study relied on surviving ventures and failed to account for survivorship bias. We do not believe that survivorship bias influences our results given that there is a good variation between the dependent and independent variables. We encourage future researchers to address this limitation.

Despite the foregoing limitations, the results reported in this research show that high levels of CSR legitimacy positively improve responsible entrepreneurship in a new venture and that this relationship is moderated by local embeddedness and CSR commitment. Overall, the outcomes from this study extend the responsible entrepreneurship literature in several ways. In the main, the study contributes to theory development by providing a clearer illustration of the specific conditions in which CSR legitimacy impacts responsible entrepreneurship in a developing country context.

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