

# Corporate Citizenship Effects on Antecedent of Innovation Network

Eko Surya Lesmana<sup>1\*</sup>, Adi Zakaria Afiff<sup>1</sup>, Setyo Hari Wijanto<sup>1</sup>, Rahmatina Awaliah Kasri<sup>2</sup>

<sup>1</sup>Department of Management, Faculty of Economics and Business, University of Indonesia, Depok, Indonesia

<sup>2</sup>Department of Economics, Faculty of Economics and Business, University of Indonesia, Depok, Indonesia and Islamic Economics and Business Center, Faculty of Economics and Business, University of Indonesia, Depok, Indonesia

\*Corresponding author: [ekosuryalesmana@gmail.com](mailto:ekosuryalesmana@gmail.com)

## ARTICLE INFO

Received: 18 Dec 2024

Revised: 08 Feb 2025

Accepted: 21 Feb 2025

## ABSTRACT

This research aims to examine the relationship between corporate citizenship and the antecedents of innovation network orchestration theory, which include knowledge mobility, innovation appropriability management and network stability. The research used 81 samples of members of the Hajj financial ecosystem in Indonesia and then processed them using the PLS-SEM method. This research shows corporate citizenship positively and significantly impacts the three Innovation Network Orchestration Theory antecedents. This shows that implementing the corporate citizenship concept can strengthen the factors needed to produce a value proposition in an ecosystem that aims to be non-profit. This research provides empirical evidence of the impact of implementing corporate citizenship on the antecedents of the innovation network orchestration model. This is the first time the relationship between the two has been investigated, and it can be the start of research to understand the impact on non-profit-oriented ecosystems like the Hajj pilgrim's fund management. This research received no specific grants from any funding agency in the public, commercial, or not-for-profit sectors.

**Keywords:** corporate citizenship, innovation network

## INTRODUCTION

Corporate Citizenship is a concept that unites the many contributions of private sectors to a country and societies (Burren, 2001; Maignan et al., 1999) into an applied concept for orchestrating the non-economic ecosystem (Tian, 2016). A study conducted in this research is focused on the ecosystem formed by the Indonesian government to manage the Hajj pilgrims' fund. Hajj is the fifth pillar of Islam, and every capable Muslim must do so. Indonesia is the most predominant Muslim country globally, with a population of 245.97 million; of those total, 282.47 million or 87.08% are Muslims. The Hajj pilgrimage requires careful financial planning, therefore the Indonesian Government formed a state institution called the Hajj Financial Management Agency or Badan Pengelola Keuangan Haji (BPKH). This institution was formed based on Regulation No. 14, 2014, and was tasked to collect and manage the Hajj funds. Collecting funds for Hajj is carried out by collecting down payments paid by Muslims who will depart. Then, when they leave, the Indonesian Government will announce the settlement fees that Hajj pilgrims must pay. Once the settlement is covered, BPKH has prepared the developed funds so that Hajj pilgrims do not fully pay the fees; instead, it has been subsidised from the results of fund management carried out by BPKH. The nature of the BPKH institution is that it is a non-profit organisation that orchestrates private financial institutions in Indonesia through banks that run their business based on Sharia principles, investment managers and Amil Zakat institutions. The Sharia Bank collects funds itself. However, the Sharia Bank does not enjoy the results from the collection of funds because BPKH then invests them in securities and direct investments related to the pilgrimage. The concept of corporate citizenship is relevant to be applied in the ecosystem managed by BPKH in connection with Sharia Banks, Investment Managers and Amil Zakat Institutions, which have a relationship with BPKH not in the form of a relationship that pursues profit alone but rather a relationship that is based more on the principle of service to the state, religion and society. Several previous studies, such as those conducted by Walters and Chadwick (2009) and Maignan and Ferrell (2001), show that the application of the concept of corporate citizenship to business organisations has a positive effect on company development, especially in terms of increasing customer satisfaction, employee loyalty and company growth. However, very few studies have been conducted to see how corporate citizenship is implemented in an ecosystem that is not profit-oriented while the perpetrators are profit-oriented organisations. This opens up opportunities for this research to investigate how corporate citizenship can encourage the non-profit ecosystem to perform well. Dhanaraj and Parkhe (2006) introduced network orchestration theory, which prioritises non-economic motivation and aims to produce value proposition innovation. This theory has three supporting variables to produce a value proposition: Network Stability, Innovation Appropriability Management, and Knowledge Mobility. Renewing the value proposition needs to be carried out continuously and is important for both profit-oriented and non-profit-oriented organisations (Kicova & Ponisciakova, 2021; Antonelli, 2003; Akingbola, 2006).

Dhanaraj and Parkhe (2006) explain that knowledge mobility is a key factor in innovation value proposition. When knowledge becomes very dispersed, and each ecosystem actor keeps their knowledge within the boundaries of their organisation, the innovation value proposition becomes less than optimal. Thus, good knowledge mobility will also increase the innovation value proposition.

The second antecedent Dhanaraj and Parkhe (2006) introduced is innovation appropriability management. Innovation appropriability management is a variable that allows companies to protect intellectual rights. Suppose the suitability of the innovation is not carried out well. In that case, there is a risk that the innovation will be leaked to competitors so that the value of the innovation decreases. Innovation appropriability management is about managing innovation well so that every actor in the ecosystem feels the results of their innovation. For this reason, it is necessary to create a collaborative environment so that each member feels comfortable sharing ideas and resources without fear of losing their share of innovation.

The third antecedent Dhanaraj and Parkhe (2006) mentioned is network stability. A stable network will motivate ecosystem players to feel safer investing in research and knowledge without fear of losing the benefits of their innovation. Stability also allows companies to build long-term partnerships that open the possibility of developing superior and highly competitive products or services.

Previous research has not formulated what can strengthen the three antecedents Dhanaraj and Parkhe (2006) mentioned. Companies that apply the concept of corporate citizenship are bound by the principle that to be a good citizen; they must contribute to the country. In "Start With Why", Simon Sinek emphasises the importance of common goals in a bond rather than just seeking profit (Sinek, 2009). Several previous studies in Psychology also show that bonds formed by shared goals and ideals are more potent than bonds formed by short-term goals such as pursuing profits (Aglioti & Candidi, 2015; Gore et al., 2018; Park et al., 2022). The "Why" of Hajj financial ecosystem actors is to play a role in contributing as much as possible to the state and religion so that it is estimated that it can strengthen the antecedents of ecosystem orchestration as introduced by Dhanaraj and Parkhe (2006). With the encouragement to contribute to the state and religion, it is hoped that "barriers" in mobilising knowledge, managing the appropriability of innovation and maintaining network stability can disappear.

### ***Hypotheses development***

#### ***Corporate Citizenship and Knowledge Mobility***

Corporate citizenship in this study is related to the same goals of contributing to the country, religion and society. One of the characteristics of corporate citizenship related to this is its philanthropic nature. According to Maignan et al. (1999), philanthropic traits can include education for employees to improve their skills and help them carry out their duties more effectively, as well as supporting employees in achieving a better quality of life (Reikosky, 2023; Preuss & Córdoba-Pachón, 2009). It has had positive impacts not only on the organization's comprehensiveness but also on the upgrades of employees' technical capacity required in recent work. Furthermore, the multifunctional corporating sense develops more concerns about the importance of sharing ideas. When employees feel more connected to their colleagues and the organisation, they may be more inclined to share knowledge and expertise, creating a positive feedback cycle that improves organizational performance (Preuss & Córdoba-Pachón, 2009).

Another characteristic of corporate citizenship is that it emphasizes ethical business practices; it can also facilitate knowledge sharing within an organization. Several studies conducted previously found that leaders who demonstrate authenticity and integrity can inspire employees to be more involved in forming "knowledge-sharing" behavior since there is a sense of mutual trust and more significant commitment to the organization (Ariza et al., 2023; Kipkosgei et al., 2020). Thus, corporate citizenship can have a positive effect on knowledge mobility activities.

H1: Corporate Citizenship positively influences knowledge mobility.

#### ***Corporate Citizenship and Innovation Appropriability Management***

Corporate citizenship includes philanthropic traits to overcome social and environmental problems. Problem-solving is also an action that encourages the discovery of new ways and is a form of innovation. Thus, organizations that take a corporate citizenship approach have the potential to promote innovation capacity in terms of solving problems in the social environment. Problem-solving carried out in the social environment benefits not only the surrounding community but also the organization itself by becoming "smarter" than its competitors.

Previous studies on the relationship between philanthropic behavior and innovation produced positive findings, including research conducted by Mendes et al. (2021) and Hlioui and Yousfi (2020), showing that companies that integrate philanthropic activities into their core strategy can encourage innovation.

With several previous findings showing that philanthropic activities can encourage companies to innovate, companies that apply the concept of corporate citizenship can also positively influence innovation.

H2: Corporate Citizenship positively influences the Innovation Appropriability Management

#### ***Corporate Citizenship and Network Stability***

The concept of corporate citizenship is fundamentally based on social contract theory. In social contract theory, companies act like good citizens. This view shows that companies that apply the concept of corporate citizenship have

the same goal: to advance the country and its social environment. This responsibility means that companies must maintain the stability of their network, just as countries have responsibilities to their citizens (Yuan, 2022).

This differentiates companies that apply the concept of corporate citizenship from companies that focus on profit-oriented, which tend to prioritise short-term economic interests. Companies that apply the concept of corporate citizenship tend to take a more holistic approach, which includes responsibility for complying with laws, ethics and philanthropy (Balqiah et al., 2017). Hurmelinna-Laukkanen and Natti (2008) conducted research whose results showed that a shared "image" and "vision" in the ecosystem can provide long-term collaboration benefits and increase ties between actors so that if the concept of corporate citizenship is aligned with the shared "image" and "vision", then corporate citizenship can contribute positively to strengthening overall network stability. (Hopkins, 2003) (Im et al., 2023).

H3: Corporate citizenship positively influences the Network Stability.

## MATERIALS AND METHODS

### Data

This research took primary data from 81 respondents, including decision-makers at Sharia Banks, Investment Managers, and Amil Zakat Institutions in Indonesia. The respondents constitute the Top Management Team, including commissioners, directors, heads of sharia units, and senior management. Respondents collected the results from 50 Sharia Banks (61.73%), 19 Investment Managers (23.46%), and 12 Zakat Institutions (14.81%). Since the number of samples is smaller than the number of samples required for the CB-SEM method, which usually involves between 100 and 200 samples, the PLS-SEM method is used. The PLS-SEM method is suitable for modeling relationships between variables that use small samples (Esposito et al, 2010).

### Method

The data processing method uses PLS-SEM by carrying out a series of procedures to test validity and reliability. The validity test uses the Standardized Factor Loading (SFL). If the indicator has an SFL value of less than 0.50, it is declared invalid and dropped. The validity test then examines the Average Variance Extracted (AVE) value. The variable is declared invalid if the value is less than 0.7.

The reliability test was conducted by looking at each research variable's Cronbach Alpha and Composite Reliability (CR) values. Research variables with Cronbach Alpha and Composite Reliability values of less than 0.60 are declared unreliable.

This research has four variables: Corporate Citizenship, Knowledge Mobility, Innovation Appropriability Management and Network Stability. Corporate Citizenship has four dimensions, but Knowledge Mobility, Innovation Appropriability Management and Network Stability do not have dimensions. The four dimensions of corporate citizenship are Economic, Legal, Ethical and Philanthropic, respectively, with 23 indicators, 15 declared valid and eight invalid. The Knowledge Mobility variable has six indicators, all of which are valid. The Innovation Appropriability Management variable has six indicators; 5 are valid, while one is invalid. Lastly, the Network Stability variable has five indicators, all of which are valid.

**Table 1. Validity Test Results Indicator**

Variable	Dimension	Indicator	Valid	Not Valid
Corporate Citizenship	Economic	5	2	3
	Legal	6	4	2
	Ethical	6	5	1
	Philanthropy	6	4	2
Knowledge Mobility	-	6	6	0
Innovation Appropriability Management	-	6	5	1
Network Stability	-	4	4	0
<b>Total</b>		<b>39</b>	<b>18</b>	<b>21</b>

Source: Author

Note: p-values significant at  $t=1,96$  and  $\alpha=5\%$

**Table 2. Variable Validity and Reliability Test Results**

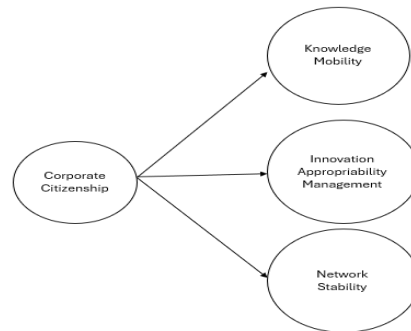
Variable	Cronbach's alpha	Composite reliability	AVE
Corporate Citizenship	0.96	0.961	0.731
Knowledge Mobility	0.926	0.938	0.754
Innovation Appropriability Management	0.891	0.912	0.694
Network Stability	0.895	0.897	0.761

Source: Author

Note: p-values significant at  $t=1,96$  and  $\alpha=5\%$

The reliability and validity tests on the research variables show that all variables are valid and reliable, with Cronbach Alpha and Composite Reliability values above 0.6 and AVE values above 0.7.

#### Appendix 1. Research Model



### RESULTS

**Table 3. Hypothesis Testing**

Hypothesis	Path	Original sample (O)	T statistics ( O/STDEV )	P values	Conclusion
H1	CC to KM	0.694	10.217	0.00	Significant
H2	CC to MI	0.597	6.054	0.00	Significant
H3	CC to NS	0.55	6.185	0.00	Significant

Source: Author

Note: p-values significant at  $t=1,96$  and  $\alpha=5\%$

The results of hypothesis testing show that all paths are positive and significant. This shows that corporate citizenship can strengthen the three antecedents in innovation networks theory: knowledge mobility, innovation appropriability management, and network stability.

### DISCUSSION

The results of testing the first hypothesis, namely the influence of corporate citizenship on knowledge mobility, are positive and significant. This shows that the concept of corporate citizenship is a factor that encourages the desire to share knowledge among ecosystem players. As argued by Maignan et al. (1999), corporate citizenship is philanthropic; this characteristic incentivizes individuals within the company to contribute to the country and its social environment. One of the characteristics of this contribution is knowledge sharing, therefore these results are consistent with previous research, including Reikosky (2023) and Preuss and Córdoba-Pachón (2009). Another side of implementing corporate citizenship is ethical leadership. Ethical leadership, according to research conducted by Ariza et al. (2023) and Kipkosgei et al. (2020), can inspire employees to be more involved in forming "knowledge-sharing" behavior because there is a sense of mutual trust and more outstanding commitment to the organization. The results of this study are consistent with those studies.

The relationship between corporate citizenship and innovation suitability management also shows positive and significant results. The philanthropic nature that drives behavior to solve social problems also encourages behavior to innovate. This behavior makes the organisation "smarter" than its competitors, so the benefits of this behaviour not only have an impact on the environment around the organization but also on the organization itself. Thus, these findings are consistent with research findings by Mendes et al (2021) and Hlioui and Yousfi (2020).

The third hypothesis shows a positive and significant relationship between corporate citizenship and network stability. This again confirms that the nature of corporate citizenship is to behave ethically and philanthropically and comply with applicable regulations, which fosters a sense of mutual trust between fellow network members. The bonds built are more than just seeking economic gain; they are stronger. This is consistent with Hopkins's (2003) and Im et al, (2023) research.

### CONCLUSIONS

The research conducted in this study shows that corporate citizenship has a positive and significant influence on the antecedents of the Innovation Network theory proposed by Dhanaraj and Parkhe (2006). The impact of corporate citizenship on knowledge mobility, innovation appropriability management, and network stability is positive and significant. Therefore, a network that applies to corporate citizenship can also work on a network built not for economic purposes. If further investigation is conducted correctly, the implication of this study can open the possibility that corporate citizenship can indeed improve how any country manages its Hajj pilgrim funds. Suppose

corporate citizenship can be applied to the not-for-profit ecosystem network. In that case, the BPKH model of Hajj financial management can be the role model for any Hajj financial management anywhere in the world.

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