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Corporate social responsibility and organisational performance in the tourism sector

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Abstract

This study tests the bidirectional connections between corporate social responsibility performance and the financial performance of firms within the tourism sector and related industries based on the instrumental stakeholder and slack resources theories. Disaggregated measures of firms' corporate social responsibility practices and corporate financial performance were considered to avoid compensation effects. This choice also allows for testing of whether separated dimensions of corporate social responsibility have different linkages with corporate financial performance measures. Static and dynamic panel data regression models were implemented for robustness. With a few exceptions, the study found a neutral impact of corporate environmental, social, and governance performance on firms' financial success. This study therefore recommends that managers of tourism firms should engage in corporate social responsibility practices, which can contribute to different sustainable development goals without sacrificing financial performance. Contradictory to the slack resources theory, with a few exceptions, the higher the financial performance of tourism firms, the lower their commitment to corporate social responsibility issues. Furthermore, tourism firms must communicate their corporate social responsibility initiatives to develop public awareness of their environmental, social, and governance efforts.

Keywords: Corporate social responsibility; corporate financial performance; tourism firms; stakeholder theory; slack resources theory.

Introduction

Tourism has grown steadily over the past few decades, and is expected to do so even in the future, with international arrivals anticipated to reach 1.8 billion by 2030 (World Tourism Organisation (UNWTO) and United Nations Development Programme (UNDP), 2017). Considering the strong link between growth and environmental and social impacts (Lenzen et al., 2018), there is a need to implement initiatives at the international, national, industry, and firm levels to mitigate possible negative externalities. At the firm level, corporate social responsibility (CSR) involves a strategic approach that influences the decision-making and operations of a firm in response to the demands of its stakeholders (Henriques and Sadorsky, 1999). The rationale behind these responses can result in different approaches, from normative to instrumental.

This study adopts the instrumental stakeholder approach under which attending to stakeholders' concerns has an instrumental value for the firm's success in the market and provides better returns to shareholders. Competitiveness and profitability are major drivers of sustainability in tourism-related industries; furthermore, there are factors constraining CSR strategy adoption, such as a short-term orientation, pressure regarding profit maximisation, lack of financial resources, and lack of awareness of the economic benefits of CSR practices (UNWTO and UNDP, 2017).

Although much empirical evidence has been provided on the CSR–corporate financial performance (CFP) relationship in tourism firms, the results are contradictory and vexing. Thus, the CSR–CFP connection in tourism firms needs a refined methodological approach that can overcome certain major shortcomings in the existing literature (Lu et al., 2014), such as aggregating studies on several tourism-related industries that disregard industry-specific interactions (Lynes and Andrachuk, 2008).

This study contributes to the existing literature in several ways. First, it captures the linkages between different dimensions (environmental, social, and governance) of a firm's CSR strategy and CFP in different tourism-related industries to avoid possible compensation effects (Lee and Heo, 2009; Inoue and Lee, 2011). Second, it uses a large unbalanced international panel dataset of 134 firms from 2004 to 2017. Using this sample overcomes the limitations identified by Inoue and Lee (2011), who attributed the limited evidence from the studies in this field to external validity problems arising from the use of restricted samples. Third, we respond to a call from Lee et al. (2018) on the need for using static and dynamic panel data regression models to properly investigate the influence of tourism firms' CSR performance on CFP. Finally, we analyse whether the lack of financial resources is a limiting factor in tourism firms' investment in CSR initiatives.

The up-to-date findings from this study can be used to untangle dimensions within CSR that positively impact tourism-related industries' CFP, while also raising awareness of their economics benefits and to what extent the lack of resources is a limiting barrier. Extended analysis on these dimensions can provide insights on the specific context of each industry, including sustainability strategies that could be adopted across the industry, provided they benefit all stakeholders.

This paper is structured as follows. It begins by introducing the notions that support the working hypotheses. Following this we review the previous research in the field and presents the working hypotheses. Then, we describe the sample and models' features. In the next section we present and discuss the results obtained. Finally, the conclusions, research limitations, and further research opportunities are provided.

Theoretical foundations

Instrumental stakeholder theory

Stakeholder theory aims to conceptualise the relationship of a firm with those who have vested interests in the firm (Freeman, 1984). Under the instrumental stakeholder theory (IST) approach (Jones, 1995), stakeholder management is conceptualised as being intentionally pragmatic. Attention to stakeholders does not result from their intrinsic or moral value, but from their ability to influence the achievement of the firm's goals, in terms of both its general purpose and financial metrics. An instrumental stakeholder approach suggests that managers consider stakeholders as market segments by identifying more salient stakeholders and attending to their priorities first, such as by implementing CSR practices that are valuable to them, while ensuring that the practices are economically viable for the firm. Thus, a CSR action may not be part of the firm strategy, but rather, a fairness and arms-length approach to stakeholder management that can lead to sustained value creation (Bridoux & Stoelhorst, 2014).

In this context, self-interested stakeholders make judgements on the degree to which a firm's performance meets their expectations (Jones, 1995), and firms' managers struggle to increase visibility regarding their CSR practices, thereby motivating and attracting stakeholders. This theoretical approach, combined with empirical data, is used to test the relationship between stakeholder management and firms' objectives (Donaldson and Preston, 1995).

The present study applies this approach to the tourism sector, considering that stakeholder orientation is often a deliberate firm strategy. Thus, the study captures the CFP of tourism firms, considering that greater attention to CSR issues could create value for all stakeholders and achieve higher CFP, thereby refuting the idea that ethical issues can be separated from business (Horisch et al., 2014).

In the tourism industry, the natural, social, and cultural capital of a destination is the basis of the tourism product. This conditions not only tourists' choice but also the viability of operations. Thus, CSR practices adopted by tourism firms are conceived as a response to the broader societal embeddedness of firms (Horisch et al., 2014), and to stakeholders' demands for responsible practices. They are aimed at achieving firms' purpose in terms of avoiding the degradation of the destinations in which they operate. There is a small body of literature on the CSR–CFP relationship in the tourism sector; however, these studies usually find a positive link between CSR and CFP based on the legitimisation approach (Font et al., 2016). Thus, CSR strategies can provide tourism firms with financial rewards, for example, through the efficient use of critical resources such as water, and by helping the firms secure a licence to operate by contributing to the promotion and safeguard of social and cultural assets.

Slack resources theory

Sustainability initiatives require rearranging the use of resources to develop new ways to provide products and services that satisfy stakeholders' demands. Thus, voluntary social and environmental policies may be especially sensitive to the availability of slack resources, which can increase managers' flexibility and strategic options (Shahzad et al., 2016). Slack resources theory predicts that higher CFP results in the availability of slack financial resources that provide firms with the opportunity to invest in CSR issues (Waddock and Graves, 1997) and protection from uncertainties. On the contrary, firms with lower levels of CFP will allocate their resources to short-term projects (e.g. some green technologies have longer payback periods and maintenance costs).

Following this reasoning, some studies revealed that CFP either precedes or is contemporaneous with firms' CSR practices (Kraft and Hage, 1990). Similarly, Orlitzky

et al. (2003) indicated that financially successful firms spend more on CSR-related issues because they can afford it, which also suggests the possible existence of a virtuous cycle in the relationship between CFP and firms' CSR practices. Seifert et al. (2004) concluded that slack resources have a positive impact on firms' cash donations and CSR performance.

The impact of corporate environmental performance on financial performance

Some tourism industries, such as airlines, are among the largest polluters in terms of carbon-dioxide (CO_2) emissions and fuel consumption and have a highly negative impact on the environment. Under the IST, environmental practices must respond to stakeholder pressures to identify ways to improve CFP. Owing to growing stakeholder and institutional pressures, airlines implement fuel conservation programmes to reduce their environmental impact (IATA, 2015). However, climate change is not among the first key factors influencing airlines CSR strategy. It is ranked behind brand image and operational performance (Chang et al., 2015) and not among the most commonly issues labelled as material in airlines CSR reports (Karagiannis, 2018). Except for large firms' customers that demand a certain level of corporate environmental performance (CEP) (Lynes and Dredge, 2006), it is still doubtful the role that green attributes play in flight choice and only a few travellers are willing to pay a premium for it (Hagmann et al., 2015; Niu et al, 2016).

The previous research on the relationship between airline firms' CEP and CFP is limited. Lee et al. (2013a) and Inoue and Lee (2011) concluded that CEP does not affect airlines' CFP. Seo et al. (2015) obtained similar results. Nevertheless, the previous research highlights the need to analyse the bidirectional linkages between airlines' CEP and CFP, as well as the variables that may mediate their relationship (Singal, 2014).

Investment in the greening of the hospitality industry could reduce the cost of energy, water, and waste (Chan et al, 2018). A growing number of people are willing to purchase environment-friendly products, and tour operators are requesting CEP practices in their supply chain and are willing to cater to the needs of green-sensitive consumers, for instance, by offering them the choice to stay in 'green' hotels (e.g. Trip Advisor Green Leaders). Additionally, environment-friendly hotels are positively influencing green-sensitive consumers' intention to stay, making the hotel a preferred employer and supplier (Heikkurinen, 2010). However, previous research provides mixed and often contradictory results on the CEP–CFP link in this industry. Some studies adopt a win–win perspective (Leonidou et al., 2013; Pereira-Moliner et al., 2012); others argue for a negative relationship (Claver-Cortés et al., 2007; López-Gamero et al., 2011). Accordingly, there is a need for additional research to clarify the above-mentioned relationship.

Research on this issue in restaurants is also limited. Kim et al. (2015) found that restaurants engage in green practices to save energy and waste, which some consumers may be aware of, depending on their demographic and food-related lifestyles. Again, contradictory results appear in this industry. While Lee and Heo (2009) found a neutral impact of restaurants' CEP on CFP, Kang et al. (2010) found a positive effect. Inoue and Lee (2011) found a non-significant effect of CEP on CFP on restaurants and casinos. Based on the previous analysis, the following hypothesis is proposed for testing:

H1: The higher the tourism firms' corporate environmental performance, the higher their financial performance.

The impact of corporate social performance on financial performance

Very few studies have addressed the impact of tourism firms' corporate social performance (CSP) on CFP. This is because of the inherent difficulty in measuring firms'

CSP and the lack of commitment from some industries towards social issues because of the limited relevance of social eco-savings. However, the positive and negative impacts of tourism on society are unquestionable. In some ways, tourism alters the cultural and economic structure of a destination, conditioning the quality of the touristic product (Bohdanowicz and Zientara, 2008).

Airlines consider social concerns on the top of material issues in their policies and reports, mainly concerned with operational aspects related with customers such as health, safety and satisfaction, and with employee wellbeing and contribution to society (Karagiannis, 2018). Their social practices are mostly based on less tangible motivations such as firm image and legitimisation. Previous research in the travel industry reveals that the most relevant CSP efforts in the community involve charity (Sheldon and Park, 2011).

Grosbois (2012) emphasised that skill enhancement through learning and development programmes, and community wellbeing through improvements in the quality of life in local communities, where the mainstream CSP initiatives implemented by large hotels. Hotel chains develop community-oriented CSP practices (Boley and Ayscue, 2016), which respond to the creation of business cases associated with a brand image, which can enhance consumer appreciation (Sheldon and Park, 2011; McGhee et al., 2009). Kucukusta et al. (2013) revealed that community and workforce conditions had little or negative influence on guests' preference to stay, willingness to pay, perception of service quality, or brand image, which are key issues for the competitiveness of hotels. CSP practices, which address human resource aspects, are relevant to hotels, which are demanding work places that experience higher turnovers. Wang (2014) found a positive effect of ethical practices on hotels' performance, based on their impact on employees' affective firm commitment, innovation, and customer

loyalty. Further research reveals that employees value how their firms manage other stakeholders by improving their work life quality and engagement (Zientara et al., 2015).

Lee et al. (2013a) observed how airlines' involvement in issues relating to human rights, the community, and diversity did not affect their CFP. However, Inoue and Lee (2011) concluded that social issues related to employees and products positively influenced CFP and showed a positive relationship between hotels' community-development initiatives and CFP. Considering this contradiction, further research must be undertaken on other sectors such as restaurants, casinos, and other leisure activities (Garay and Font, 2012). Therefore, the following hypothesis will be tested:

H2: The higher the tourism firms' corporate social performance, the higher their financial performance.

The impact of corporate governance performance on financial performance

Corporate governance performance (CGP) is related to investor protection, thereby ensuring sustainable long-term CFP (Salo, 2008). Best practices in corporate governance ensure effective monitoring by the board, and improve the range of firms' key strategic policies that address their stakeholders' requirements. This may provide firms with the ability to strengthen links with their stakeholders and increase efficiency (Freeman and Evan, 1990). Under the stakeholder theory, firms with greater CGP are more likely to develop strategic policies that address a wider range of their key stakeholders' needs and claims (Donaldson and Preston, 1995). Stakeholder theory (Freeman and Evan, 1990) predicts some benefits for firms exhibiting superior CGP levels, including: i) legitimising firms activities; ii) safeguarding the interests of firms' stakeholders; iii) ensuring that the concerns of stakeholders are considered in firms' decision-making; and, iv) increasing brand loyalty by building customer trust.

However, CGP is by far the least addressed CSR dimension in the research of tourism firms. Turner (2013) explained why tourism firms' governance structures may differ from those in other industries. For example, the separation between ownership and control through hotel management has become a widespread practice, allowing owners to retain buildings and equipment while an operator handles the hotel's day-to-day operations (Melissen et al., 2016). Guillet and Mattila (2010) revealed that hospitality firms are sensitive to political and economic changes, and therefore, shareholders may be interested in greater capacity to monitor managers. An alternative approach suggests that the higher the managerial power, the higher their knowledge of the firm environment (Huse, 2007), an issue that will enable quick decision-making (Guillet and Mattila, 2010). Nevertheless, hotels and casinos tend to have high leverage (Tsay and Gu, 2007), which suggests that the governance structure will be affected by a reduction in shareholder rights (Guillet and Mattila, 2010).

Previous research provides limited evidence for the CGP–CFP link in tourism firms. Guillet and Mattila (2010) revealed that US hospitality firms provide weaker shareholder rights than restaurants and casinos do. This enhances their return on equity (ROE), but not their return on assets (ROA). Wang (2015) focused on Taiwanese tourism firms and concluded that some CGP practices positively influence the effect of intellectual capital on their CFP, while others decrease this effect. Jarboui et al. (2015) revealed that Tunisian hotels' CFP is improved by some components of CGP (e.g. board and CEO characteristics and ownership structure). Lu et al. (2012) concluded that some components of CGP, such as board size, average age of directors, and holdings by executive officers positively influence US airlines' CFP, while the number of committees and CEO duality negatively influences their CFP.

Based on the discussion above, the following hypothesis is proposed for testing:

H3: The higher the tourism firms' corporate governance performance, the higher their financial performance.

Swimming against the tide: testing the impact of corporate financial success on corporate social responsibility

Several studies have highlighted that financial factors are crucial in explaining the adoption of CSR practices (Jackson et al., 2015; McGhee et al., 2009). In the tourism industry, this stream of research is limited and mostly focused on the hotel industry and the environmental dimension (López-Gamero et al., 2011); however, greater insight on the relationship between financial success and CSR can help understand whether CFP is a main barrier or key driver of CSR. In the hotel industry, implementation and maintenance costs of environmental initiatives have traditionally been considered as a main barrier—although with decreasing predominance, this finding is still applicable (Chan et al., 2020)—which hinders the degree of investment in voluntary CSR practices. Lee et al. (2013a) found that environmental and community programmes are cut back when economic conditions are unfavourable. Alvarez-Gil et al. (2001) argued that a CFP threshold is needed to engage in CEP, as green initiatives require further investments. Garay and Font (2012) argued for a possible bidirectional relationship between some CSR practices and CFP in tourism firms. Pereira-Moliner et al. (2012) revealed how hotels with better financial achievements are more environmentally proactive. Singal (2014) concluded that financially well-performing firms scored higher on CEP. Choi and Lee (2018) found a positive effect of CFP on CSP in restaurants. Accordingly, the following hypothesis is proposed for testing:

H4: The higher the tourism firms' corporate financial performance, the higher their corporate social responsibility performance.

Methodology

Sample and variables measurement

The sample is based on firms in the tourism sector from 24 countries, obtained from the Thomson Reuters® Datastream database (see Table A.1 in the Appendix). This dataset comprises the world largest firms quoting in a wide range of stock indexes such as the STOXX600, MSCI Europe, MSCI World, ASX 300, NASDAQ 100 and MSCI Emerging Markets. Due to their market capitalization coverage, these firms are representative of the world business network. The key industries comprising the tourism sector are: a) hotels, motels, and cruise lines; b) restaurants; c) casinos and gaming; d) leisure and recreation; and e) airlines (see Table A.2 in the Appendix). The first dataset search yielded a total of 142 firms. After removing eight firms that did not have CSR and CFP data for at least two consecutive years, the dataset comprises 134 firms monitored from 2004 to 2017. This sample is wider and more representative than that in the previous literature. The considered timespan will help create an updated picture of tourism firms' CSR–CFP connections.

Although some existing research uses aggregate measures of CSR (Lee and Park, 2010), recent research highlights the benefits of using disaggregate measures of CSR (Lee et al., 2013a; Lee et al., 2013b; Singal, 2014). In fact, the relevance of addressing CEP lies in the considerable impacts of tourist decision-making processes on the environment and global climate, given that tourism accounts for 8% of greenhouse gas (GHG) emissions (Lenzen et al., 2018), in addition to the impact of climate change on the length and quality of tourism seasons. Although CSP has traditionally received less attention than CEP, its relevance in tourism is unquestionable because society is a part of the tourism product. Recognising the significance of different ownership arrangements in the

hospitality industry, among which owners and operators can be exposed to different risk levels, separate consideration for CGP is recommended.

Following previous research (Lee and Heo, 2009; Inoue and Lee, 2011), CEP, CSP, and CGP data are measured through the environmental, social, and governance (ESG) indexes of the ASSET4 database of Thomson Reuters®. CSP measures a firm's ability to develop trust and loyalty within its workforce, customers, and society through its use of best management practices. CEP measures a firm's impact on living and non-living natural systems, which include air, land, and water, as well as complete ecosystems. It reflects the extent to which a firm uses best management practices to avoid environmental risks and capitalises on environmental opportunities. Finally, CGP measures a firm's systems and processes to ensure its board members and executives act in the best interests of its long-term shareholders. It reflects a firm's ability, through its use of best management practices, to direct and control its rights and responsibilities through the creation of incentives. These CSR disaggregate measures take values from 0 to 100; thus, the higher the score, the higher their level of CSP, CEP, or CGP.

Previous research has not reached a consensus on the most appropriate measurement of CFP (i.e. accounting-based versus market-based CFP measures). Hence, we consider two measures: a) Tobin's q, which is a market-based measure of CFP; and, b) ROA, which is an accounting-based measure. Finally, we include two controls for other influences. First, firm size is measured using the natural logarithm of firms' total assets. Second, firm risk is measured using firms' leverage, defined as the ratio of total debt to total assets.

Econometric approach

Both static and dynamic panel data regression models are estimated to test the hypotheses. Both fixed (FE) and random (RE) effects models are estimated. While the FE model involves the estimation of a parameter for each firm (i.e. cross-sectional unit), the RE approach is based on how a firm's specific terms are randomly distributed. A Hausman test is conducted to select the most appropriate model (i.e. fixed effects or random effects). The static models are investigated for the absence of residuals' autocorrelation. If this requirement is not satisfied, a dynamic effects models (DEF) (Arellano and Bond, 1991) is estimated through the generalised method of moments (GMM) approach.

Estimating the DEF seems to be particularly relevant in studies that examine the relationship between CSR and CFP. This is because investment in CSR activities often leads to several initial costs in the short term, while gains in terms of financial performance may take place in the long term. The GMM approach involves the transformation of the equations into first differences and then using the lagged values of the endogenous variables as factors, the number of factors being different in each period. GMM estimates will not be consistent in the absence of serial correlation. Specifically, first order serial correlation is required (in the differenced estimates); however, no second order correlation is required. To address this problem, a diagnostic test of the second order serial correlation in the first differenced model is implemented. However, the additional lagged values of the endogenous variables are further included in the models if the aforementioned condition is not achieved. This methodology is implemented sequentially to select the optimal model. For brevity, this paper only shows the estimates of the optimal model. However, the results of the disregarded models are available upon request to the corresponding author.

The above-mentioned models were applied first to the entire sample of firms. Next, the models were estimated for samples of firms grouped in the five tourism-related industries: a) hotels, motels, and cruise lines; b) restaurants; c) casinos and gaming; d) leisure and recreation; and, e) airlines. This process captures possible differences in the firms' CSR–CFP interactions across the different tourism industries. Although the panel dataset is unbalanced in nature (with 11.4 mean observations per group of a maximum of 14, with 10.6 mean observations per group when the firms' Tobin's q is taken as a proxy of CFP and 12.2 observations per group when the firms' ROA is treated as the proxy), a sensitivity analysis is undertaken to ensure the results' robustness. This robustness check is implemented by estimating the above-mentioned models using a smaller part of the dataset that only includes a balanced sample. This procedure is repeated for the five tourism industries. The results of the estimations based on the balanced samples are similar to those from the unbalanced samples, thereby indicating the absence of methodological biases.

Results and discussion

Descriptive analysis of the data

The descriptive statistics and the pairwise-correlations of the variables are presented in Table 1. When considering the tourism sector, the firms' mean CGP is higher than their CSP and CEP scores. The mean values of both proxies of CFP remain positive, and their maximum and minimum values reveal a high diversity in the tourism firms' CFP. There is a positive correlation between CEP, CSP, and CGP, and the highest correlation is found between CEP and CSP. Tobin's q and ROA are positively correlated, and these two variables are negatively related to the firms' CSR performance.

When focusing on industry-specific data, airlines have the highest mean value of CEP, while casinos and the gaming industry have the lowest. The restaurants exhibit the highest CSP levels, followed by airlines, while the casinos and the gaming industry are again the worst performers. The restaurant industry exhibits the best performance on CGP, with the leisure and recreation industry being the worst performers.

The casinos and gaming industry have the highest mean Tobin's q, followed by the restaurant industry, the hotels, motels, and cruise lines industry, the leisure and recreation industry, and finally, the airlines. The casinos and gaming firms had a higher mean ROA than the other four. Regarding the two controls, the airlines are larger and higher leveraged firms in terms of the mean values.

[Insert Table 1 about here]

For hotels, motels, and cruise lines, ROA has no significant correlations with the three CSR dimensions. However, Tobin's q is negatively correlated with CEP. No significant correlations are found between restaurants' CFP and CSR performance. For the casinos and gaming industry, CFP is negatively correlated with CEP and CGP. For the leisure and recreation industry, Tobin's q and ROA are negatively related to both CEP and CSP. Finally, both the proxies of the airlines' CFP are negatively correlated with CEP, CSP, and CGP.

Regression results

The influence of tourism firms' CSR performance on CFP

Results shown in Table 2 enable the testing of the first three hypotheses. To test the fourth hypothesis, the focus is on the estimates included in Table 3. The first hypothesis argues for the existence of a positive effect of tourism firms' CEP on CFP. The results

consistently show that CEP does not influence the two CFP measures across all tourism-related industries. This finding is not in line with the view that firms' focus on environmental-related challenges may create intangible resources (Brammer and Millington, 2005) that will result in better CFP (Moneva and Ortas, 2010). However, our results are in line with the previous research on tourism firms (Inoue and Lee, 2011). Accordingly, **H1** hypothesis is rejected for the tourism sector and for the tourism-related industries. Thus, this finding encourages tourism firms to first develop more sustainable CEP approaches because of its neutral impact on their profitability. This finding also suggests that tourism firms can engage with their key stakeholders without simultaneously sacrificing financial performance. This is important if firms are aware that some environmental scandals have led to governments and independent institutions recommending principles and codes of conduct to encourage firms' management to develop more environmental-friendly firm behaviours. Furthermore, the growing awareness of society about firms acting as good environmental citizens may encourage tourism firms to increase their CEP levels.

These results are especially relevant in the airline industry. The results not only show the airline industry as one of the largest contributors to GHG emissions, but also that there is no effect of CEP on CFP. This is consistent with the results from Lee et al. (2018), who examined the effect of material issues such as environmental footprint and fuel consumption, and immaterial sustainability issues on CFP. Fuel consumption and emissions are considered material to the airline industry, but while socioeconomic and policy measures put pressure on airlines' fuel efficiency, jurisdictional issues do not help. The CEP practices of the airlines are subject to regulatory efforts to bring CO_2 emissions under control. Aviation fuel is untaxed and although the industry is self-imposing climate targets, attempts by states to regulate international emissions have not been successful,

and without agreements on the mechanisms to discourage emissions, markets do not reward efforts to improve CEP.

The second hypothesis predicted a positive relationship between CSP and CFP. As shown in Table 2, the general identified trend is a neutral impact of the tourism firms' CSP on CFP; thus, hypothesis **H2** is rejected for both the tourism sector and its related industries. However, two exceptions emerge: i) a negative impact of firms' CSP on the firms' Tobin's q in the hotel, motel, and cruise line industry; and, ii) a negative impact of the firms' CSP on firms' ROA in restaurants. These findings are not in line with the instrumental stakeholder theory, which predicts that financial benefits will be derived by following CSP practices (e.g. engaging with local communities, enhancing human rights, addressing diversity, and providing higher employment quality). Moreover, these results are not in line with previous research (Inoue and Lee, 2011), which found a positive effect of firms attention to community on hotels' and restaurants' CFP. However, this contradiction may be explained by differences in the methodological approach adopted, as community is only a component of the CSR dimension, and compensation effects may appear among different components of the CSP construct. Managers in hotels, motels, and cruise lines need to be aware of investors' responses to social practices. Although markets do not reward social practices in the restaurant industry and cannot be used to improve CFP, they do not punish stock returns, and managers can still work to improve them in the long term through a stakeholder engagement process that aims to align social expectations with restaurant practices which—although unexplored—focus on local sources, healthy menus, and philanthropic actions. This social fit is especially required in this industry as general eating behaviours are heavily affected by sociodemographic factors. Research shows that visit intentions are increased by perceived CSR (Lee et al., 2016), and that higher knowledge about sustainability in the industry implies higher

willingness to pay an extra premium (Kim et al., 2015). Thus, knowledge of the current level of consumers' awareness on sustainable foods will help firms make strategic decisions. As the business case for social issues is related to brand image, stakeholder management and communications practices can increase visibility, help attract customers and reduce negative effects in the short-term.

H3 stated that tourism firms' commitment to CGP issues will generate CFP improvements. The results show a negative impact of CGP on ROA for the whole sample. This finding confirms that firms' efforts to improve firm governance mechanisms would have a negative influence on firm performance (Shukeri et al., 2012). This is not in line with Inoue and Lee (2011), who found a positive effect of a specific sub-dimension of CGP—called diversity—specifically for women and minority communities on hotels' Tobin's q. However, Inoue and Lee (2011) called for further empirical examinations to ascertain that connection. Our results reveal that CGP and CFP in the hotel industry are independent of each other. However, a negative effect of casinos and gaming firms' CGP on their Tobin's q was found. The previous research suggests independence between the implementation of sustainable governance practices and casinos' market profitability. Thus, the results indicate that customers may neither visit casinos nor gamble less money because they manage CGP issues such as considering women and minorities more carefully (Kang et al., 2010). In essence, the negative effect in this industry can also be explained by the fact that investors may not be alerted for the newly committed CSR investment by casinos that is included in their portfolios, because such investment will not have a specific impact on the casinos' short-term and long-term profitability (Inoue and Lee, 2011). Our findings extend these conclusions by indicating that investors and analysts may expect a negative influence of casinos and gaming firms' CGP activities on their CFP. This can be explained by the fact that gambling has historically been

recognised as an activity that is not in line with CSR practices and has often been included in negative environmental and social screening models, such as the one provided by the Dow Jones Sustainability Indexes (DJSI) and other socially responsible financial products (e.g. ethical mutual funds). This reasoning may be based on the fact that CSR as a concept is opposed to practices that can be developed by casinos and gaming firms. Our findings clearly indicate that investment portfolios that comprise firms in the casinos and gaming industry may experience a value reduction if they decide to invest in CGP practices such as sustainable compensation policies or support the promotion of women and minority employees. Accordingly, **H3** hypothesis is rejected.

[Insert Table 2 about here]

The influence of tourism firms' CFP on CSR performance

The estimates shown in Table 3 reveal that the effects of CFP on CSR performance do not follow a global trend in the tourism-related industries. This finding confirms the existence of idiosyncratic industry characteristics that result in different financial slack resources assignment models to invest in CSR. This is because firms within different industries must address distinct forms of CSR.

H4 predicted that tourism firms achieving higher financial slack resources will reach superior levels of CSR performance. Our results reveal that the proposals of the slack resources theory do not apply to the tourism sector, because firms' willingness to engage in CSR practices is not determined by their current CFP. However, this finding does not pertain to each of the tourism-related industries, and thus it supports the evidence for the presence of compensation effects among these industries. In most tourism industries, the results show that the greater the firms' financial success, the lesser their CSR performance. This negative effect differs in magnitude across different tourism

industries. It is worth noting that there are still a few positive connections between tourism firms' CFP and CSR: i) the positive influence of ROA on CGP/CEP of hotel, motel, and cruise line/restaurant firms; and, ii) the positive effect of Tobin's q on CEP in the leisure and recreation firms. Although the first mentioned effect is only significant at the 10% level, the last connection is more robust (significant at 1% level). In the latter case, the findings reveal that the higher the leisure and recreation firms' market CFP, the higher their CEP levels.

[Insert Table 3 about here]

Although **H4** cannot be rejected for this specific case, following the main trend identified in the tourism sector and through four of the five related industries, **H4** cannot be accepted, either. Therefore, further research on factors that can mediate this relationship is needed.

Some authors consider cash flows as a better measure for identifying the existence of uncommitted resources (Seifert et al., 2004). Some firms with higher CFP expect to maintain financial gains without incorporating responsibility initiatives that says little in favour of the normative issues that can support the adoption of CSR practices.

Conclusions, limitations, and further research opportunities

This study tests the bidirectional linkages between firm CSR and CFP within the tourism sector and related industries using the instrumental stakeholder and slack resources theories.

The results reveal a neutral impact of CEP and CSP on CFP. This shows that the hypotheses regarding IST are not accepted; however, it also represents an incentive for tourism firms to work towards the sustainable development goals (SDGs) without

sacrificing CFP. Specifically, tourism firms' CEP-oriented practices should focus on reductions in fuel consumption and GHG emissions to contribute to the following SDGs: i) responsible consumption and production (goal 12); ii) climate action (goal 13); and iii) life on land and oceans (goals 14 and 15), while CSP-oriented practices should focus on equality and inclusive economic growth (goals 5 and 8).

Further analysis of these results using the IST approach will help identify the underlying mechanisms and the instrumental logic that current CSP actions respond to. Incorporating a stakeholder orientation into a CSR strategy requires strategic engagement with salient stakeholders to identify issues relevant to them and to be responsive to them in terms of providing evidence of social change, to allow them to interpret the firm's actions and act accordingly (Barnett, 2007). Otherwise, when stakeholders are indifferent towards CSR actions, CFP improvement can only be driven by cost savings (Peloza and Papania, 2008). Thus, although the neutral impact of CSP on CFP in the tourism sector may have implications similar to that of CEP, CSP is a dimension that must be carefully considered. For example, an effective communication programme to inform stakeholders about firms' exploitation and reinforcement of resources and capabilities related to employees would benefit all stakeholders, as employees are usually part of the local community (Boley and Ayscue, 2016).

However, recent research on tourism firms has revealed difficulties in addressing components of this process. In terms of elucidating their stakeholder engagement process, firms fail to define and be transparent about the criteria applied to identify and engage with their legitimate stakeholders (Guix et al., 2018). Additionally, the visibility of CSR actions is important to make the business case for sustainability. Environmental image can be independent of environmental performance (Peeters et al., 2019). Stakeholders'

perceptions can be affected by sociocultural factors, among others; however, we know that customers are more likely to respond positively to communication regarding sustainability practices they can experience (Chan, 2013) and that some businesses choose not to market their responses to environmental and societal challenges (Font et al., 2017).

There is little empirical attention on how firms' ethical motivations guide both the priority given to stakeholders and the operationalisation of CSR activities. This is relevant where the instrumental approach is linked to a normative value; however, firms recognise their difficulties in prioritising stakeholders and their conflicting interests, to identify which issues are material and respond to them accordingly (Guix et al., 2019). Some managers, for example, do not prioritise economic performance over social objectives when implementing CSR (Peloza and Papania, 2008); they select CSR practices to implement based on how these practices align with the expressive logic of the firm's identity and to reinforce a self-concept, but these practices can harm CFP if they are not integrated within a strategic framework (Bundy et al., 2013).

In general, the negative influence of tourism firms' CGP on ROA may discourage investments in CGP practices. However, there is a neutral association when CGP is related with the market-based measure of CFP (i.e. Tobin's q). This finding reveals that engagement with CGP programmes will not only enhance stakeholders' value but also their rights, with non-negative effects on firms' market value. Finally, the results suggest, with very few exceptions, that the higher the tourism firms' CFP, the lower their commitment to CSR activities. CSP is not conditioned by the availability of resources. As the sample is mostly focused on international tourism firms, there is a risk of these firms being perceived as not committed to sustainability issues. However, it seems that

firms with higher CFP do not find it necessary to legitimate their actions through further adoption of CSR practices. Additionally, firms with higher CFP are not generally willing to use their privileged position to advocate for the environment or local communities. It is pertinent to highlight the need for research and investments in technological developments to reduce emissions, especially in industries such as aviation.

These findings, however, should be interpreted with some caution as this research does not consider certain moderators and/or mediators that can modify the bidirectional linkage patterns between firms' CSR–CFP. Although the empirical analysis focuses on a wider sample as demanded by the previous research (Inoue and Lee, 2011), some minor external validity problems may appear due to the inherent sampling process, company mergers, and some construct validity problems due to the weighing models that are used to obtain the CEP, CSP and CGP measures. Future research should study each tourism industry in detail to identify, as explained above, to what extent CSP practices respond to stakeholders' demands and how firms make these practices visible so that stakeholders can evaluate and respond to firms' outcomes. An additional challenge is identifying the motivations of managers from different tourism firms, as there are different reasons behind instrumental approaches, and not all managers respond to the same incentives. This would be an appropriate subject for future research.

Appendix

Table A.1: Sample breakdown by country

Country	Frequency	Percentage	Country	Frequency	Percentage
Australia	16	11.94%	Singapore	3	2.24%
Canada	3	2.24%	South Africa	6	4.48%
Chile	2	1.49%	South Korea	3	2.24%
China	3	2.24%	Spain	2	1.49%
France	4	2.99%	Sri Lanka	1	0.75%
Germany	3	2.24%	Sweden	1	0.75%
Hong Kong	12	8.96%	Switzerland	1	0.75%
Italy	3	2.24%	Taiwan	2	1.49%
Japan	7	5.22%	Thailand	1	0.75%
Malaysia	7	5.22%	Turkey	1	0.75%
New Zealand	2	1.49%	United Kingdom	18	13.43%
Philippines	2	1.49%	United States	31	23.13%
Total				**134**	**100%**

Table A.2: Sample breakdown by tourism industry

Industry	Frequency	Percentage
Hotels, motels and cruise lines	18	13.43%
Restaurants	31	23.13%
Casinos and gaming	35	26.12%
Leisure and recreation	22	16.42%
Airlines	28	20.90%
Total	**134**	**100%**

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Table 1. Variables' descriptive statistics and pairwise correlations.

	Mean	S.D.	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Tourism sector (n=134, obs=1,876)											
CEP (1)	47.34	29.23	8.83	98.84	1						
CSP (2)	53.22	28.93	3.69	98.49	0.79***	1					
CGP (3)	59.81	28.46	1.34	98.21	0.32***	0.42***	1				
Tobin's q (4)	2.32	1.82	0.38	26.23	-0.23***	-0.19***	-0.02	1			
ROA (5)	11.54	12.65	-104.18	185.33	-0.23***	-0.13***	-0.04	0.55***	1		
Size (6)	15.39	2.23	5.243	24.61	0.38***	0.26***	-0.28***	-0.29***	-0.25***	1	
Leverage (7)	46.89	55.52	-406.46	1338.92	0.15***	0.19***	0.15***	-0.03	0.07**	0.03	1
Hotels, motels and cruise lines (n=18, obs=252)											
CEP (1)	54.03	31.41	9.04	95.32	1						
CSP (2)	56.43	28.74	5.48	98.89	0.63***	1					
CGP (3)	64.57	30.05	1.60	95.92	0.47***	0.48***	1				
Tobin's q (4)	2.31	2.10	0.33	12.04	-0.22**	-0.03	0.05	1			
ROA (5)	10.23	9.93	-10.49	44.99	-0.11	-0.02	0.13	0.81***	1		
Size (6)	15.02	1.56	10.25	17.69	0.31***	0.07	0.22**	-0.30***	-0.34***	1	
Leverage (7)	51.90	48.72	2.01	280.57	-0.05	0.11	0.22**	0.56***	0.53***	-0.26***	1
Restaurants (n=31, obs=434)											
CEP (1)	49.82	29.31	9.83	98.72	1						
CSP (2)	61.42	29.38	6.71	98.84	0.85***	1					
CGP (3)	68.56	24.85	1.45	97.75	0.45***	0.50***	1				
Tobin's q (4)	2.33	1.57	0.54	8.54	-0.03	-0.05	0.03	1			
ROA (5)	12.34	8.93	-20.3	45.73	-0.03	-0.02	0.05	0.69***	1		
Size (6)	14.72	1.99	8.02	20.29	0.29***	0.33***	-0.01	-0.05	-0.27***	1	
Leverage (7)	38.78	26.92	0	105.47	0.30***	0.45***	0.28***	-0.39***	-0.30***	-0.11**	1
Casinos and gaming (n=35, obs=490)											
CEP (1)	26.93	19.23	8.88	92.43	1						
CSP (2)	37.02	25.29	4.05	95.32	0.66***	1					
CGP (3)	53.83	26.38	1.37	96.23	0.13*	0.28***	1				
Tobin's q (4)	2.52	2.23	0.43	27.85	-0.12*	-0.02	-0.11	1			
ROA (5)	13.43	20.91	-49.95	185.33	-0.03	0.01	-0.23***	0.67***	1		
Size (6)	14.99	2.96	5.25	22.21	0.15**	0.05	-0.54***	-0.08	-0.04	1	
Leverage (7)	47.93	47.62	-4.12	610.62	0.07	0.21***	0.25***	-0.16**	0.36***	-0.21***	1
Leisure and recreation (n=22, obs=308)											
CEP (1)	41.51	31.43	8.43	97.47	1						
CSP (2)	40.83	33.57	3.69	97.28	0.92***	1					
CGP (3)	44.56	30.26	1.54	91.21	0.56***	0.54***	1				
Tobin's q (4)	2.26	2.02	0.55	13.89	-0.47***	-0.39***	0.04	1			
ROA (5)	9.89	10.95	-39.69	64.95	-0.44***	-0.45***	-0.03	0.60***	1		
Size (6)	15.52	2.72	6.33	19.94	0.36***	0.36***	-0.26***	-0.45***	-0.44***	1	
Leverage (7)	26.04	20.48	0	91.99	0.37***	0.36***	-0.02	-0.43***	-0.36***	0.51***	1
Airlines (n=28, obs=392)											
CEP (1)	59.54	26.39	11.03	97.65	1						
CSP (2)	60.38	25.82	11.15	97.93	0.77***	1					
CGP (3)	53.76	26.44	2.66	94.38	0.03	0.27***	1				
Tobin's q (4)	1.29	0.56	0.65	7.47	-0.31***	-0.32***	-0.26***	1			
ROA (5)	3.89	12.08	-104.18	105.67	-0.29***	-0.23**	-0.20**	0.23***	1		
Size (6)	16.45	2.56	12.88	24.51	0.60***	0.39***	-0.56***	-0.07	-0.10*	1	
Leverage (7)	64.52	99.42	-406.46	1394.28	0.06	0.10	0.09	-0.05	0.03	0.01	1

This table presents the main descriptive statistics of the models' variables and their pairwise correlations for the whole tourism sector and related industries. *** Significant at 1%, ** Significant at 5%, * Significant at 10%.

Table 2. Impact of tourism firms' CSR performance on CFP

	Tourism sector		*Hotels, motels and cruise lines*		*Restaurants*	
	Tobin's q	ROA	Tobin's q	ROA	Tobin's q	ROA
Dependent Lag 1	0.3932***	0.4388***	0.1991*		0.3255***	0.0934
	(0.0465)	(0.0444)	(0.1148)		(0.0233)	(0.0746)
Dependent Lag 2	-0.1571***	-0.2351***	-0.1972*		-0.1682***	-0.4266***
	(0.0284)	(0.0273)	(0.1093)		(0.0286)	(0.0623)
Dependent Lag 3	0.0872***	0.1032***				
	(0.0218)	(0.0257)				
Constant				22.3485		
				(15.3923)		
Lag CEP	0.0014	-0.0043	0.0012	-0.0354	0.0009	0.0206
	(0.0029)	(0.0403)	(0.0037)	(0.0323)	(0.0042)	(0.0349)
Lag CSP	-0.0011	-0.0184	-0.0072**	-0.0278	0.0034	-0.0873**
	(0.0031)	(0.0412)	(0.0035)	(0.0397)	(0.0056)	(0.0401)
Lag CGP	-0.0035	-0.0623***	-0.0027	0.0143	-0.0046	0.0094
	(0.0038)	(0.0107)	(0.0074)	(0.0398)	(0.0036)	(0.0352)
Lag size	0.0896	-1.5122***	0.0394	-1.0088	-0.2628**	-17.0257***
	(0.0884)	(0.3301)	(0.1099)	(0.8155)	(0.1226)	(1.6714)
Lag leverage	-0.0003	0.0045	0.0023	0.0934***	-0.0253***	0.1256***
	(0.0004)	(0.0080)	(0.0029)	(0.0288)	(0.0051)	(0.0364)
Additional model data						
Number of groups (n)	134	134	18	18	31	31
Number of observations	1,420	1,635	185	225	313	394
Obs. per group						
Min	1	1	1	1	1	1
Avg	10.6	12,2	10.3	12.5	10.1	12.7
Max	14	14	14	14	14	14

	Casinos and gaming		*Leisure and recreation*		*Airlines*	
	Tobin's q	ROA	Tobin's q	ROA	Tobin's q	ROA
Dependent Lag 1	0.6466***			0.0604	0.1231	0.0248
	(0.0879)			(0.1981)	(0.1266)	(0.0503)
Dependent Lag 2	0.0109			0.0514	-0.3234***	-0.2156***
	(0.0502)			(0.1476)	(0.0989)	(0.0456)
Dependent Lag 3						
Constant		20.2349	-0.5603			
		(27.148)	(6.4321)			
Lag CEP	0.0101	0.0212	0.0041	-0.0882	-0.00001	-0.0451
	(0.0089)	(0.0773)	(0.0116)	(0.1789)	(0.0022)	(0.0486)
Lag CSP	-0.0102	-0.0424	-0.0012	0.1023	-0.0016	-0.0050
	(0.0079)	(0.0589)	(0.0087)	(0.1099)	(0.0018)	(0.0412)
Lag CGP	-0.0215**	-0.0920	-0.0011	-0.0956	0.0024	0.0101
	(0.0083)	(0.0689)	(0.0086)	(0.1162)	(0.0027)	(0.0242)
Lag size	0.1237	-0.2001	0.1882	1.4344	0.3185***	-0.9937
	(0.1844)	(1.6523)	(0.4336)	(4.6432)	(0.1031)	(1.3925)
Lag leverage	-0.0341***	0.0222	-0.0366***	-0.0342	0.00001	0.0040
	(0.0053)	(0.0365)	(0.0082)	(0.1290)	(0.0001)	(0.0056)
Additional model data						
Number of groups (n)	35	35	22	22	28	28
Number of observations	382	417	216	286	291	347
Obs. per group						
min	1	1	1	1	1	1
Avg	10.9	12.5	9.8	13	10.4	12.4
max	14	14	14	14	14	14

Values in parentheses are robust standard errors to heteroscedasticity. *** Significant at 1%, ** Significant at 5%, * Significant at 10%.

Table 3. Impact of tourism firms' CFP on CSR performance.

	Tourism sector			*Hotels, motels and cruise lines*			*Restaurants*		
	CEP	CSP	CGP	CEP	CSP	CGP	CEP	CSP	CGP
Dependent Lag 1	0.4129***	0.4022***	0.4024***				-0.0845	0.1023	0.3894***
	(0.1097)	(0.1292)	(0.1323)				(0.1592)	(0.1466)	(0.1324)
Dependent Lag 2	0.0995**	0.0238	0.1288**				-0.0399	-0.0837	0.0610
	(0.0473)	(0.0401)	(0.0600)				(0.0876)	(0.0961)	(0.1254)
Dependent Lag 3	0.0103		0.0244**						
	(0.0101)		(0.0241)						
Constant				42.3331	123.5527***	73.8844**			
				(43.9467)	(42.841)	(31.4578)			
Lag Tobin's q	-0.2522	-0.2366	-0.00541	-3.5573	-7.1234**	-4.6999*	-8.4478***	1.4379	-0.9042
	(1.1439)	(1.1225)	(1.1022)	(3.9047)	(2.7631)	(2.4556)	(2.6382)	(2.9482)	(2.4369)
Lag ROA	-0.0301	0.0621	-0.1104	0.1369*	0.0422	0.2403*	0.4720*	0.1404	-0.5382**
	(0.1110)	(0.0977)	(0.1099)	(0.0812)	(0.1618)	(0.1299)	(0.2745)	(0.2603)	(0.2357)
Lag size	-0.3838	0.0283	-4.5921**	0.8305	-3.0025	-0.5822	-12.4421**	-4.4032	-20.4637***
	(2.2788)	(2.0805)	(2.1043)	(0.9993)	(3.6382)	(1.5523)	(7.5612)	(6.3441)	(5.3362)
Lag leverage	0.0207	0.1733***	0.00196	0.1744**	0.1699**	0.1238*	0.4528**	0.2406	-0.0992
	(0.0375)	(0.0449)	(0.0455)	(0.0822)	(0.0728)	(0.0669)	(0.2241)	(0.1842)	(0.1396)
Additional model data									
Number of groups (n)	134	134	134	18	18	18	31	31	31
Number of observations	1501	1487	1461	207	212	223	347	366	338
Obs. per group									
Min	1	1	1	1	1	1	1	1	1
Avg	11.2	11.1	10.9	11.5	11.8	12.4	11.2	11.8	10.9
Max	14	14	14	14	14	14	14	14	14

	Casinos and gaming			*Leisure and recreation*			*Airlines*		
	CEP	CSP	CGP	CEP	CSP	CGP	CEP	CSP	CGP
Dependent Lag 1	0.5784***			0.1288	-0.0099	0.0502	0.2894	0.1390	-0.1628
	(0.1823)			(0.1424)	(0.0192)	(0.1621)	(0.2793)	(0.2193)	(0.1599)
Dependent Lag 2	-0.0603			0.0194	-0.0834	0.1743	-0.0032	0.04781	-0.1691
	(0.1158)			(0.0943)	(0.1198)	(0.2044)	(0.0865)	(0.0932)	(0.1488)
Dependent Lag 3	0.0208								-0.0473
	(0.1044)								(0.1022)
Constant		18.2312	138.0227***						
		(20.4882)	(29.4449)						
Lag Tobin's q	-0.5833	-0.0399	-0.2804	3.4592***	2.2355	-1.6013	3.2349	1.5823	-22.6243**
	(1.0267)	(0.6786)	(0.6741)	(1.3219)	(2.4692)	(1.9491)	(13.1213)	(13.8472)	(10.8713)
Lag ROA	-0.3894***	-0.0491	-0.2305*	0.1319	0.2503	0.3207	-0.2632	-0.8403	0.3814
	(0.1206)	(0.1258)	(0.1222)	(0.1491)	(0.2599)	(0.3599)	(0.5588)	(0.7984)	(0.4932)
Lag size	-1.4841	0.8993	-7.3421***	12.9239**	0.6281	-5.2045	-13.9775	-14.2947	-7.7842
	(2.2300)	(1.4919)	(2.0353)	(5.9377)	(6.2138)	(6.0277)	(13.9922)	(12.8482)	(8.2349)
Lag leverage	0.0183	0.0589	0.1044*	0.5327***	0.3627*	0.2584	-0.2449	-0.1947	0.1672
	(0.0405)	(0.0634)	(0.0578)	(0.1482)	(0.2136)	(0.2966)	(0.2442)	(0.2094)	(0.1863)
Additional model data									
Number of groups (n)	35	35	35	22	22	22	28	28	28
Number of observations	403	413	417	249	253	238	328	339	347
Obs. per group									
Min	1	1	1	1	1	1	1	1	1
Avg	11.5	11.8	11.9	11.3	11.5	10.8	11.7	12.1	12.4
Max	14	14	14	14	14	14	14	14	14

Values in parentheses are robust standard errors. *** Significant at 1%, ** Significant at 5%, * Significant at 10%.