Effects of different dimensions of corporate social responsibility on corporate financial performance in tourism-related industries

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ABSTRACT

Although the stakeholder framework proposes the multidimensionality of corporate social responsibility (CSR) (Clarkson, 1995), previous research has yet to investigate the relationship between certain dimensions of CSR and corporate financial performance (CFP) in tourism-related industries. The purpose of this study was to disaggregate CSR into five dimensions based on corporate voluntary activities for five primary stakeholder issues: (1) employee relations, (2) product quality, (3) community relations, (4) environmental issues, and (5) diversity issues, and examine how each dimension would affect financial performance among firms within four tourism-related industries (airline, casino, hotel, and restaurant). While all CSR dimensions were proposed to have positive financial effects, results revealed that each dimension had a differential effect on both short-term and future profitability and that such financial impacts varied across the four industries. The findings can provide tourism managers with insights into which dimensions of CSR activities would improve their companies' financial performance.

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1. Introduction

The modern era of corporate social responsibility (CSR) started from 1953 with Bowen's publication (Bowen, 1953), "Social Responsibilities of Businessman," according to Carroll (1979). Such CSR issues carried to tourism as a form of sustainability and have been investigated in the literature for the past several decades (Holden, 2000). In recent years, the significance of CSR for tourism-related industries has further increased (Kang, Lee, & Huh, 2010). Today, these industries face challenging tasks to satisfy more socially-conscious travelers who are concerned with CSR issues (ETN, 2009) and consequently have adopted various socially responsible activities to respond to their customers' demands (Bremner, 2009). From a profit-seeking firm's perspective, implications and benefits of investments in socially responsible activities are important matters to be considered, in particular, in the form of financial performance. This is because if the CSR investment does not enhance a firm's bottom line, such investment may not be considered sustainable in a long run.

Given this, a handful of research has investigated the effect of CSR on firm performance in tourism-related industries (e.g., Kang et al., 2010; Lee & Park, 2009) and in general (e.g., Brammer & Millington, 2008; McWilliams & Siegel, 2000). The fundamental question addressed in the literature is whether or not firms, actively involved in CSR initiatives, outperform other companies that do not demonstrate the same degree of social involvement (Lee & Park, 2009; McWilliams & Siegel, 2001). Critics of CSR argue that "the responsibility [of businesses] is to conduct the business in accordance with their desires, which generally will be to make as much money as possible" (Friedman, 1970, p. 1). Accordingly, firm investments in CSR could be regarded as the indication of agency problems in that managers make use of corporate resources to pursue their own interests, rather than maximizing shareholders' wealth (Brammer & Millington, 2008). Alternatively, several scholars have proposed that CSR can be a source of competitive advantages (e.g., Porter & Kramer, 2006) and have demonstrated that CSR positively affects various aspects of firm performance, such as firm reputation (Brammer & Millington, 2005; Turban & Greening, 1996), consumer satisfaction (Luo & Bhattacharya, 2006), attractiveness of a firm as an employer (Backhaus, Stone, & Heiner, 2002; Turban & Greening, 1996), and organizational commitment among employees (Peterson, 2004).

Despite of this ample empirical evidence indicating positive relationships between CSR and several aspects of firm performance, the positive effects of CSR on corporate financial performance (CFP) remain inconclusive (Godfrey & Hatch, 2007; Margolis & Walsh, 2003; McWilliams & Siegel, 2000). CFP has been operationalized

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in terms of a company's market value or short-term profitability (Schuler & Cording, 2006). To date, over a hundred studies have investigated the link between CSR and CFP (Margolis & Walsh, 2003). However, the literature has yielded mixed sets of results, including positive, negative, or neutral relationships, and thereby demonstrates no agreement on whether or not high CSR activity leads to improved CFP (Margolis & Walsh, 2003; McWilliams & Siegel, 2000).

To explain these inconclusive results, several meta-analytic reviews have attempted to identify methodological issues in the extant CSR–CFP studies (Godfrey & Hatch, 2007; Griffin & Mahon, 1997; Margolis & Walsh, 2003; McWilliams & Siegel, 2000). In particular, Godfrey and Hatch (2007) pointed out three key issues that remain unresolved: the use of multi-industry samples, cross-sectional observations, and the aggregation of different CSR dimensions (e.g., natural environment, employee relations, and community involvement). Given these issues, Godfrey and Hatch further suggested that future research should investigate a long-term relationship between CSR and CFP within a single industry using disaggregated CSR measures. Such investigations are important because "industries exhibit special uniqueness in that the internal competencies or external pressures inherent in the industry create a 'specialization' of social interests" (Griffin & Mahon, 1997, p. 10). That is, since each industry faces unique social interests and issues based on internal and external environments, financial returns that a firm gains from a certain dimension of CSR activity may differ depending on the specific industry (Godfrey & Hatch, 2007; Griffin & Mahon, 1997). Consequently, a need exists to ascertain how a company's involvement in different CSR dimensions may affect its financial performance on an industry basis.

Tourism-related companies currently engage in various CSR activities (e.g., Holcomb, Upchurch, & Okumus, 2007; Holden, 2000, 2003; Robson & Robson, 1996). Some examples of these activities include community involvement, environmental management, customer relations, and employee relations (Holcomb et al., 2007). However, extant research has failed to investigate the relationship between certain dimensions of CSR activities and CFP within these firms. For example, Lee and Park (2009) used an aggregate CSR measure that combined different aspects of CSR to investigate the CSR–CFP relationship among hotel and casino companies. Furthermore, although Kang et al. (2010) separately examined the effects of positive and negative CSR activities on CFP for tourism-related industries (airline, casino, hotel, and restaurant), they did not examine how CSR effects would differ by corporate attention to specific dimensions.

The purpose of this study is, therefore, to examine how different CSR dimensions would affect financial performance among firms within four tourism-related industries (airline, casino, hotel, and restaurant industries).[2] More specifically, building upon the stakeholder framework proposed by Clarkson (1995), this study proposes that CSR can be divided into five different dimensions based on types of primary stakeholder issues: (1) employee

relations, (2) product quality (proxy for consumer relations), (3) community relations, (4) environmental issues, and (5) diversity issues (proxy for minorities/women and suppliers). On the basis of the resource-based view (Barney, 1991) and neo-classical economic view (McWilliams & Siegel, 2000), the study further investigates whether each of the five CSR dimensions positively influence both short-term and future profitability.

The current research contributes to the body of the literature by addressing all three key issues identified by Godfrey and Hatch (2007) discussed above through a long-term, industry-specific investigation using multidimensional CSR measures. Furthermore, this study provides tourism managers with clear insight into which CSR activity areas would improve their companies' financial performance. The following section presents theoretical frameworks regarding the multidimensional structure of CSR and the link between the five CSR dimensions and CFP. Subsequently, the paper explains the methodology used in the study and provides its empirical results. This study concludes by offering practical and theoretical implications.

2. Theoretical framework

2.1. Multidimensionality of CSR

CSR refers to a company's voluntary activities "that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2001, p. 117). Examples include the adoption of advanced human resource management programs, the reduction of environmentally hazardous substances, philanthropic activities, the production of products integrating social attributes, and support for local businesses (Barnett, 2007; McWilliams & Siegel, 2001). While previous empirical research often operationalized CSR using a unidimensional measure that aggregates these activities, several scholars suggest that CSR consists of multiple dimensions, each of which is represented by a group of different voluntary activities (e.g., Clarkson, 1995; Godfrey & Hatch, 2007; Waddock & Graves, 1997). As the first to propose the multidimensionality of CSR, Carroll (1979, 1999) noted that a firm's voluntary activities can be divided into two dimensions: ethical and philanthropic responsibilities. Ethical responsibility refers to a firm's activities that are not required by law but that society expects business to achieve, whereas philanthropic responsibility includes its discretionary actions, exceeding societal expectations (Carroll, 1979, 1999).

Although Carroll's distinction has been frequently referred in the literature (e.g., Igalens & Gond, 2005; Wartick & Cochran, 1985; Wood, 1991), its empirical application has been limited due to the ambiguous boundary between the two dimensions and difficulties in operationalizing them (Clarkson, 1995; Schwartz & Carroll, 2003). Carroll (1991) himself also acknowledged that his conceptualization of CSR has an inherent problem in that "the word 'social' in CSR has always been vague and lacking in specific direction as to whom the corporation is responsible" (p. 43).

Alternatively, a longitudinal analysis of firms' CSR activities by Clarkson (1995) demonstrated that the multidimensionality of CSR can be better assessed by a stakeholder framework — a framework that evaluates how companies manage their relationships with primary stakeholders. Primary stakeholders refer to individuals, groups, and/or institutions "without whose continuing participation the corporation cannot survive as a going concern" (Clarkson, 1995, p. 106). Typical primary stakeholders include shareholders/owners, employees, suppliers, customers, and public stakeholders such as community and the natural environment (Clarkson, 1995; Hillman & Keim, 2001). Given each of these primary stakeholders has different rights and interests in a firm (Clarkson, 1995), the firm

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[2] According to Lelper (1979), the tourism industry includes "all those firms, organization and facilities which are intended to serve the specific needs and wants of tourists" (p. 400), and can be divided into six different industry segments: tourist carriers (e.g., airlines), tourist accommodation (e.g., hotels), tourist attractions (e.g., casinos), miscellaneous tourist services (e.g., restaurants), tourist marketing (e.g., national/regional tourism bodies), and tourism regulation (e.g., governmental bodies). Among them, the first four segments are thought to be more relevant to CSR issues given they mainly consist of private sectors. This study therefore examines the CSR–CFP relationship within these four segments by collecting data from airline, hotel, casino, and restaurant industries, each of which represents either one of the four segments.

is required to implement different activities and policies that meet the diverse need of each stakeholder to achieve superior financial performance (Peloza & Papania, 2008). It is thus suggested that the firm's voluntary activities to different primary stakeholders represent distinct dimensions of CSR (Clarkson, 1995; Peloza & Papania, 2008).

Building upon Clarkson's (1995) stakeholder framework, subsequent studies measured CSR using the Kinder, Lydenburg, Domini (KLD) data that reflects corporate attention to different stakeholder issues (e.g., Berman, Wicks, &, Jones, 1999; Hillman & Keim, 2001; Johnson & Greening, 1999; Kacperczyk, 2009). In particular, the following five categories of the KLD data have been commonly used: (1) employee relations, (2) product quality, (3) community relations, (4) environmental issues, and (5) diversity issues. First, the KLD rates the employee relations scores based on a company's level of involvement in employee related issues, such as the ensuring of employees' health and safety, the provision of retirement benefits, and favorable union relations (KLD, n.d.). Second, the product quality scores are evaluated in terms of how a company is concerned with consumer relations by offering quality and/or innovative products as well as by ensuring the safety of its products. Third, the community relations scores take into account whether a company supports communities through the implementation of charitable giving, educational initiatives, and volunteer programs. Fourth, the environment scores represent the level of corporate support for the natural environment, such as the use of clean energy, the provision of environmentally friendly products and services, and the implementation of recycling programs. Finally, the diversity scores are rated on the extent to which a company integrates diversity into its management and operations through the appointment of women and minority executives, the promotion of women and minority employees, and contracting with women and minority suppliers (KLD, n.d.).

As the above descriptions suggest, the first four categories clearly correspond to primary stakeholders identified by Clarkson (1995), in that a firm's voluntary activities for employees can be measured by the employee relations scores; consumers by the product quality scores; community by the community relations scores; and the natural environment by the environment scores (Hillman & Keim, 2001). In addition, although excluded by Clarkson, corporate attention to women and minorities, represented by the diversity scores, can be seen as another primary stakeholder issue, given their significant influences on the management and performance of corporations (e.g., Carroll & Buchholtz, 2008; Tsui & Gutek, 1999; Wright, Ferris, Hiller, & Kroll, 1995). One acknowledged limitation of the KLD data, however, is that it does not contain a comprehensive measure of corporate activities for suppliers (Hillman & Keim, 2001). Consequently, extant research used diversity scores as a partial proxy for the supplier dimension since they takes into account a firm's support for women and minority-owned suppliers (Hillman & Keim, 2001).

While the literature agrees that the five KLD categories identified above can be used to represent multiple dimensions of CSR, significant disagreement exists in whether some categories should be grouped into one dimension or each category reflects a unique dimension (Berman et al., 1999; Johnson & Greening, 1999; Kacperczyk, 2009). The former view is supported by Johnson and Greening (1999). The researchers provided the results of a confirmatory factor analysis indicating that the five categories can be classified into two dimensions: the people dimension (community, diversity, and employees) and the product quality dimension (environment and product). However, this conceptualization is theoretically weak because Johnson and Greening did not provide theoretical justifications for how they developed these dimensions. The empirical finding of this study can also be viewed as suspect

since it was based solely on the results of randomly selected cross-sectional sample data (Johnson & Greening, 1999).

Conversely, other empirical studies have treated each of the five categories as an independent dimension of CSR, and have found that each has a different effect on other corporate outcomes (Backhaus et al., 2002; Berman et al., 1999; Kacperczyk, 2009). For example, by examining the link between each KLD category and accounting-based financial performance, Berman et al. (1999) showed that only employee relation and product categories led to improved profitability. Backhaus et al. (2002) demonstrated that high corporate involvement in the areas of environmental issues, diversity, and community relations had greater effects on college students' perceptions of employer attractiveness than the other two categories. Hillman and Keim (2001) showed that only the community category had a positive effect on shareholder value. More recently, empirical work by Kacperczyk (2009) indicated that corporate attention to the environment, diversity and community positively influenced long-term shareholder values, but attention to employee relations and product did not. Collectively, these findings suggest that the specification of each category as a unique dimension of CSR may provide better insight into CSR research.

The importance of the five stakeholder issues identified above has also been acknowledged in tourism (e.g., Byrd, Bosley, & Dronberger, 2009; Holden, 2000, 2003; Robson & Robson, 1996). McGehee, Wattanakamolchai, Perdue, and Calvert (2009) found that the U.S. lodging industry has greatly engaged in voluntary activities aimed at communities, such as charitable contributions. Byrd et al. (2009) specified tourists (or consumers) and local communities (i.e., local residents and governments) as primary tourism stakeholders. Holden (2000) noted that "the environment has been placed on the agenda as a prime consideration of how tourism is to be developed in the future" (p. 104). The growing significance of minorities (Klemm, 2002) and women (Pritchard & Morgan, 2000) has also been acknowledged in the tourism literature. In a more comprehensive manner, Robinson and Robson (1996) and Sautter and Leisen (1999) identified several primary stakeholders for tourism-related industries, including employees, tourists, local business suppliers, community residents and governments, and the environment. Consistent with this line of literature, we propose that CSR in tourism-related industries can be divided into the following five dimensions using the KLD data: (1) employee relations, (2) product quality (proxy for consumer relations), (3) community relations, (4) environmental issues, and (5) diversity issues (proxy for minorities/women and suppliers).

2.2. Multidimensionality of CFP

Along with the multidimensionality of CSR, the literature also suggested that CFP consists of multiple dimensions (Griffin & Mahon, 1997). In particular, extant studies have commonly used two types of financial performance measures (accounting-based measures and market-based measures) to reflect two dimensions of CFP: short-term profitability and market evaluation of future profitability (Cochran & Wood, 1984; Luo & Bhattacharya, 2006; McGuire, Sundgren, & Schneeweis, 1988). Accounting-based performance measures, such as return on assets (ROA), represent the firm's short-term profitability or management efficiency, and provide direct information on how certain resource allocations lead to the firm's current profits (Cochran & Wood, 1984; Hull & Rothenberg, 2008). In contrast, market-based measures, such as Tobin's q, reveal how investors evaluate the firm's capability to create future profits (Luo & Bhattacharya, 2006; McGuire et al., 1988).

One notable finding in previous research is that the degree of linkage between CSR and CFP may differ depending on the

measurement of specific dimensions of CFP (Griffin & Mahon, 1997; McGuire et al., 1988). For instance, McGuire et al. (1988) found a stronger effect of CSR on a firm's short-term profitability (i.e., accounting-based measures) than its effect on market evaluation of a firm's future profitability (i.e., market-based measures). Hillman and Keim (2001) noted that a composite of the five KLD scores discussed above had a positive effect on market evaluation, but did not have any significant effects on accounting-based financial variables (e.g., ROA). In a study that examined a long-term CSR–CFP relationship among companies in the Malaysian market, Saleh, Zulkifli, and Muhamad (2008) demonstrated that CSR did not influence future ROA, but positively affected future market evaluation, measured by stock market return. In the tourism literature, Park and Lee (2009) found that CSR showed an inverted U-shaped relationship with the accounting measure, but no relationship with the market-based measure. Given this, this study individually examines the effects of the five CSR dimensions on each CFP dimension.

2.3. Effects of CSR dimensions on financial performance

2.3.1. Effects on short-term profitability

As noted, Berman et al. (1999) provided results indicating that some CSR dimensions may differently affect short-term profitability. These scholars found positive effects from employee relations and product quality dimensions, but insignificant effects from the other three CSR dimensions (Berman et al., 1999). However, they did not offer a sufficient theoretical justification for these differential effects and partially attributed these results to the use of multiple industry datasets (Berman et al., 1999). Thus, drawing from the neo-classical economic view, a dominant theoretical argument in recent years, each of the five CSR dimensions (i.e., employee relations, product quality, community relations, environmental issues, and diversity issue) is proposed to have a positive effect on short-term profitability (Brammer & Millington, 2008; McWilliams & Siegel, 2000). This view suggests that high CSR involvement enables firms to improve short-term profitability through reduced operational costs and/or increased revenues (Brammer & Millington, 2008).

Berman et al. (1999), for example, indicated that corporate activity enhancing employee relations has a positive effect on firm efficiency. This is because the implementation of advanced human resource practices allows firms to achieve high productivity, low turnover, decreased absenteeism, and/or increased organizational commitment among employees (Berman et al., 1999). As for the product dimension, positive consumer perceptions of product quality likely enable firms to achieve increased sales, eventually improving firm profitability (Waddock & Graves, 1997). In contrast, failure to maintain high product quality through irresponsible corporate activities leads to decreased patronage or increased lawsuits, and could decrease firm profitability (Berman et al., 1999). In terms of the environment dimension, environmentally proactive firms are expected to enjoy greater profitability due to reduced costs for compliance to environmental regulations and improvement of operational efficiencies (Russo & Fouts, 1997). Consequently, Russo and Fouts (1997) found that high corporate environmental performance positively associated with firm profitability as measured by ROA. Finally, with respect to the other two dimensions, corporate attention to community relations may lead to favorable tax legislation or reduced local regulations, allowing firms to decrease their operational costs (Waddock & Graves, 1997), while corporate support for women and minorities would contribute to profitability through the expansion of its market, enhanced productivity, and increased cost savings (Robinson & Dechant, 1997).

2.3.2. Effects on market evaluation of future profitability

Hillman and Keim (2001) and Kacperczyk (2009) showed that each CSR dimension may differently influence future profitability. Yet, their findings are inconclusive in that while Kacperczyk (2009) found that three of the five dimensions (i.e., the natural environment, diversity and community relations) positively affected future profitability, Hillman and Keim (2001) identified a positive effect only from community relations. Alternatively, other scholars have explained the positive relationship between each CSR dimension and market-based financial performance on the basis of the resource-based view (Hull & Rothenberg, 2008; McWilliams & Siegel, 2001; McWilliams, Siegel, & Wright, 2006). The resource-based view assumes that heterogeneous and immobile firm resources are the key to creating a sustained competitive advantage (Barney, 1991). Studies found that CSR initiatives, in particular those aimed at each of the five dimensions, contribute to creating heterogeneous and immobile resources, such as highly qualified job seekers (Backhaus et al., 2002), firm reputation (Brammer & Millington, 2005), and consumers' positive evaluations of firms (Sen & Bhattacharya, 2001). In turn, the creation of these intangible resources leads to investors' high expectations for a firm's future profitability, resulting in high market value (Luo & Bhattacharya, 2006).

This notion that each CSR dimension increases market value through the creation of intangible resources has found some support in the literature (e.g., Becker & Gerhart, 1996; Brammer & Millington, 2008), For example, Becker and Gerhart (1996) reported that previous studies provided consistent evidence for the positive impact of advanced human resource management practices on market-based financial performance. Berman et al. (1999) suggested that the positive evaluation of product quality by consumers influences investors' reactions to a firm's market value. Brammer and Millington (2008) demonstrated that high community involvement led to greater market value. As discussed above, Kacperczyk (2009) indicated that corporate initiatives in the areas of the natural environment, diversity, and community relations had positive effects on long-term market-based financial performance. Based on the resource-based view, this study posits that each of the five CSR dimensions individually contributes to their future profitability.

Incorporating the aforementioned arguments, the current study investigates positive effects of the five CSR dimensions on tourism-related firms' short-term and future profitability (see Fig. 1).

3. Methodology

3.1. Variables

3.1.1. Corporate social responsibility

The five proposed dimensions of CSR are measured using the KLD STATS database which evaluates firms based on their degrees of corporate attention to several stakeholder issues, such as employee relations, product quality, the natural environment, diversity, community relations, corporate governance, human rights, and other controversial business issues. Among these categories, this study focuses on the five categories that represent the level of corporate voluntary activities for primary stakeholders (Clarkson, 1995) and that have been frequently used by the previous empirical research (e.g., Berman et al., 1999; Hillman & Keim, 2001; Kacperczyk, 2009). These categories include employee relations (Employee), product quality (Product), environmental issues (Environment), diversity issues (Diversity), and community relations (Community).

The KLD rates corporate voluntary involvement in each of these five categories based on given strength and concern areas for each
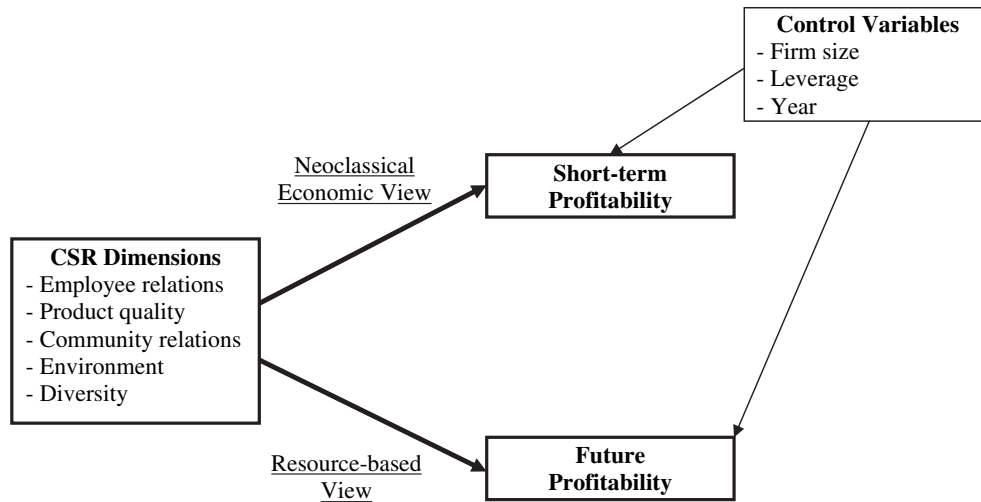
Fig. 1. Graphical representation of the theoretical model.

category (see Appendix A for the description of each strength/concern area). A firm receives a score ranging from 0 (no strength) to 2 (strong strength) in a strength area, depending on whether it actively implements activities that are aimed at improving the area. A concern area also has a score ranging from 0 (no concern) to 2 (strong concern), and its score is determined by the level of negative impacts that a firm's operations may have on the area. Since each strength/concern area is independently rated for a given category, we first computed summed scores for both the strength and concern areas for each of the five KLD categories used. Consistent with Turban and Greening (1996), a composite of the two summed scores for each dimension was constructed by subtracting the summed concern scores from the summed strength scores. The resulting composites for the give categories were used as the independent variables of this study.

3.1.2. Corporate financial performance

Two different measures, ROA and Tobin's q, are used to capture the two dimensions of CFP: short-term profitability and the market's evaluation of future profitability. First, ROA is an accounting-based measure that represents a firm's efficiency of using its assets during a given fiscal year, capturing short-term profitability of the firm. This measure is computed as the proportion of operating income before interest expense, depreciation and amortization (OBIDA) over total assets. The use of ROA is consistent with extant CSR–CFP studies (e.g., Berman et al., 1999; Hull & Rothenberg, 2008; Kang et al., 2010). Second, to measure the market evaluation of firm future profitability, this study uses Tobin's q,[3] which represents investors' perceptions of a firm's market value relative to its book value. Tobin's q is a firm value perceived by the market. This perception is forward-looking, risk-adjusted, and more robust in accommodating changes in accounting practices (Montgomery & Wernerfelt, 1988). This measure has also been widely accepted among previous CSR–CFP

studies (e.g., Kang et al., 2010; Lee & Park, 2009; Luo & Bhattacharya, 2006).

The examination of histograms for the distributions of ROA and Tobin's q revealed that both variables had positively skewed distributions. We thus conducted natural logarithmic transformation for the two variables, which greatly improved the normality of both distributions.[4] Consequently, the natural logarithmic values of ROA and Tobin's q were used as the dependent variables for this study.

3.1.3. Control variables

The regression analyses include three variables to control for their possible effects on the CSR–CFP link: SIZE, LEVERAGE, and YEAR DUMMIES. First, SIZE may have a significant effect on the relationship between CSR and CFP, since large firms are more likely to engage in CSR initiatives than small firms (Luo & Bhattacharya, 2006; McWilliams & Siegel, 2001; Waddock & Graves, 1997). Substantial research has also demonstrated that firm size significantly influences CFP measures although there appears to be no agreement in the direction of its effects (e.g., Hillman & Keim, 2001; Kang et al., 2010; Waddock & Graves, 1997). Consistent with the previous literature (e.g., Hillman & Keim, 2001; Lee & Park, 2009; Waddock & Graves, 1997), we operationalize SIZE as the natural log of annual sales. Second, in order to control for the effect of firm-specific capital structure on the CSR–CFP link, LEVERAGE, estimated as a firm's total debt divided by its total assets, is introduced to the models (McWilliams & Siegel, 2000; Waddock & Graves, 1997). LEVERAGE presumably affects this link because high risk tolerant firms (firms with high leverage) may behave differently than low risk tolerant firms in terms of CSR investment because of different levels of risks involved in CSR investment (Waddock & Graves, 1997). In addition, a meta-analysis of extant financial performance research by Capon, Farley, and Hoening (1990) reveals that high levels of debt, which result in high leverage values, have a negative effect on CFP. In line with this result, Waddock and Graves (1997) showed that the negative financial effect of high LEVERAGE still appeared when entered into a regression with CSR. Finally, since the degree of linkage between CSR and CFP may

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[3] Given the complexity of the original formula proposed by Tobin (1969), we obtained approximate Tobin's q values by using a simplified formula developed and validated by Chung and Pruitt (1994). The formula is expressed as: Tobin's $q = (MVE + PS + DEBT)/TA$, where MVE is obtained by a firm's stock price multiplied by the number of its common stocks outstanding; PS is the liquidating value of a firm's outstanding preferred stock; DEBT is the value of short-term liabilities net of a firm's short-term assets plus the book value of its long-term assets; and TA is the book value of a firm's total assets.

[4] Since ROA had several negative values, we added 1 to each value before conducting natural logarithmic transformation. ROA was thus calculated as ln $(1 + ROA)$.

fluctuate on a yearly basis (Brammer & Millington, 2008), this study includes a set of year dummy variables (YEAR DUMMIES) to control for any year-specific effects. For this variable, an observation has the code, 1, for a focal year, and 0 for the other years. Year 1991 is the specified reference year.

3.2. Data

The study collected the data from two main sources: 1) KLD STATS, and 2) COMPUSTAT. The sample data for CSR measures relies on the KLD STATS database. KLD is an investment research company that specializes in the evaluation of companies in terms of their social, environmental, and governance performance (KLD, n.d.). KLD rates companies in a given issue area based on information from various sources, including the media, NGOs, governments, public documents, and annual reports of the companies. The KLD database is considered the most comprehensive multidimensional CSR measures available to the public (Johnson & Greening, 1999), and has common use among prior CSR–CFP empirical studies (e.g., Johnson & Greening, 1999; Kacperczyk, 2009; Turban & Greening, 1996). The KLD database contains annual ratings of approximately 3600 publicly traded U.S. companies in the S&P 500 and Russell 3000 indexes. We identified companies within four tourism-related industries (airline, casino, hotel, and restaurant) and collected their CSR data for the period between 1991 and 2007. We further merged these CSR data with all financial data from the COMPUSTAT database, and created the complete datasets. As described in Table 1, the number of initial firm-year observations included in the datasets is 74 for the airline industry, 59 for the casino industry, 51 for the hotel industry, and 183 for the restaurant industry.

3.3. Model

The current study performs a multiple regression analysis to test the effects of five individual CSR dimensions − (1) employee relations, (2) product quality (proxy for consumer relations), (3) community relations, (4) environmental issues, and (5) diversity issues (proxy for minorities/women and suppliers) − on both short-term profitability, measured by ROA, and the market's evaluation of future profitability, measured by Tobin's q. Firm size, leverage, and a set of year dummies are additionally added to control for their effects on the dependent variables. The full empirical model is:

$$\text{ROA (Tobin's } q) = \alpha_0 + \alpha_1 \text{Community} + \alpha_2 \text{Diversity} + \alpha_3 \text{Employee} + \alpha_4 \text{Environment} + \alpha_5 \text{Product} + \alpha_6 \text{SIZE} + \alpha_7 \text{LEVERAGE} + \alpha_{8-23} \text{YEAR DUMMIES}_{1-16} + \varepsilon,$$

where Community is measured by the community relations scores in the KLD STATS, and represents the level of corporate voluntary activities for communities; Diversity is measured by the diversity scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for women/minorities and suppliers;

Employee is measured by the employee relations scores in the KLD STATS, and represents the level of corporate voluntary activities for employees; Environment is measured by the environment scores in the KLD STATS, and represents the level of corporate voluntary activities for the natural environment; Product is measured by the product quality scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for consumer relations; ROA represents return on asset measured by ln $(1 + \text{OBIDA}$ [i.e., operating income before interest expense, depreciation and amortization]/total asset); Tobin's q is measured by ln (market value/book value); SIZE represents a firm size measured by ln (sales); LEVERAGE represents a firm's capital structure measured by debt-to-asset ratio; and YEAR DUMMIES represents a set of 16 dummy variables that control for year-specific effects from 1992 to 2007 (1991 is the reference level).

3.4. Analysis

3.4.1. Preliminary analysis and assumption check

Before the main analysis, we examined the distribution of each dependent variable to check its normality. From this procedure, both ROA and Tobin's q were found to have a positively skewed distribution. To correct these distributions, we conducted the natural logarithm transformation, and successfully confirmed the improvement of the normality of both variables. Outliers were subsequently detected by obtaining studentized residuals. For each regression model, an observation was deleted if the absolute value of its studentized residual was greater than 3.29 (i.e., an observation outside a 99.9% confidence interval), following the recommendation of Tabachnick and Fidell (2006).

After the deletion of outliers, we checked the assumptions of linear regression, including normality, linearity, homoscedasticity, and independence of errors (Tabachnick & Fidell, 2006). The first two assumptions were assessed by examining appropriate plots for each assumption: residual histograms for normality, and residual plots and scatter plots between observed and predicted dependent variable scores for linearity. This procedure confirmed that all regression models met the two assumptions.

To check the assumption of homoscedasticity, we conducted the Breusch–Pagan Lagrange Multiplier test (Breusch & Pagan, 1979). This test indicates the presence of homoscedasticity if an associated chi-square value yields a significant result. In the current analysis, four models (i.e., casino model with Tobin's q, hotel models with both ROA and Tobin's, and restaurant model with ROA) were found to have a significant chi-square value, leading to the violation of homoscedasticity. The independence of errors was further tested using the Durbin–Watson statistics (Tabachnick & Fidell, 2006). It was then revealed that some models had low Durbin–Watson statistics values, suggesting the potential presence of positive autocorrelation (Gujarati, 2003).

3.4.2. Newey–West procedure

To address the violation of homoscedasticity and the independence of errors, we employed the ordinary least squares (OLS) method with the Newey–West procedure for the main

Table 1
Number of initial observations by year.[a]

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
Airline	3	3	3	4	4	4	4	3	3	3	3	3	6	5	5	5	13	**74**
Casino	0	0	0	1	2	1	1	1	1	1	3	3	6	9	6	10	14	**59**
Hotel	1	1	2	1	2	2	2	2	2	2	3	3	6	4	5	6	7	**51**
Restaurant	3	3	3	3	4	5	5	4	5	4	4	5	21	27	27	27	30	**183**

[a] Companies in the S&P index have been rated in KLD STATS since 1991. KLD has included Russell 1000 companies since 2001, Russell 2000 companies since 2003, and Russell 3000 companies since 2007 in the database.

analysis. The Newey–West procedure is designed to handle both autocorrelation and heteroscedasticity by calculating the corrected standard errors, named HAC (heteroscedasticity- and autocorrelation-consistent) standard errors (Gujarati, 2003; Newey & West, 1987). The use of HAC standard errors has been shown to control the inflation of t-values attributed to heteroscedasticity and/or autocorrelation, and to provide unbiased results for OLS estimates when these two issues are present (Gujarati, 2003). The Newey–West procedure thus has allowed us to obtain robust estimates of the effects of CSR variables on the dependent variables regardless of the violation of the two regression assumptions.

4. Results

4.1. Descriptive statistics

Table 2 illustrates a descriptive summary of the variables. Regarding the Community scores, the restaurant industry had the highest mean of .14; the airline had the lowest of −.04; and the hotel had a mean of .04. On the other hand, a mean and standard deviation of 0 in the casino industry indicates that firms in this industry had no ratings in both strength and concern areas. In terms of corporate activities for diversity issues, the hotel industry, on average, exhibited the highest involvement with a mean Diversity score of 1.31, followed by restaurant (.60), airline (.52), and the casino industry (.18). As for the Employee scores, the airline industry had a positive mean (.21) ranging from −4 to 4, while the other three industries had negative mean scores (casino = −.22; hotel = −.17; restaurant = −.53). Furthermore, the airline ($M = .12$) and restaurant ($M = .14$) industries showed positive attention to the natural environment whereas the casino and hotel industries had no ratings for both strength and concern areas (i.e., $M = 0$; SD = 0). Finally, all four industries had negative mean Product scores: −.26 for the airline industry, −.14 (casino), −.02 (hotel), and −.09 for the restaurant industry.

With regard to the two dependent variables, the restaurant industry had the highest mean ROA of .17, ranging from .02 to .28. This was followed by the casino industry with a mean of .11, the airline industry with .10, and the hotel industry with -2.09. The restaurant industry also had a higher mean Tobin's q (.56) than the other three industries (hotel = .48; casino = .40; airline = −.15). Regarding the two control variables, the airline industry had the largest mean SIZE (8.28), and the casino industry had the highest LEVERAGE (.54).

Table 3 shows the results of correlation analyses. For the airline industry, ROA had no significant correlations with the five CSR dimensions at the .05 significance level. Tobin's q, in contrast, had a significant positive correlation with the Employee and Product dimensions. The results also indicated no significant correlations between ROA and CSR dimensions for the casino industry, but a significant negative correlation between Tobin's q and Diversity. For the hotel industry, ROA had a significant positive correlation with Community, but was negatively correlated with Diversity. The positive correlation between Tobin's q and Community was also apparent for this industry. For the restaurant industry, ROA had a significant positive correlation with Community and Diversity whereas Tobin's q had a negative correlation with Employee.

4.2. Regression results

4.2.1. Airline industry

Table 4 shows the results of OLS regressions with Newey–West standard errors for the airline industry. The analysis reveals that the independent variables significantly explain a large portion of the

Table 2
Summary of descriptive statistics.[a]

Variable	N	Mean	SD	Minimum	Maximum
Panel I: airline industry					
Community	73	−.04	.200	−1	0
Diversity	73	.52	1.069	−2	3
Employee	73	.21	1.699	−4	4
Environment	73	.12	.439	−2	1
Product	73	−.26	.986	−2	1
ROA	70	.10	.063	−.05	.24
Tobin's q	73	−.15	.420	−.98	1.00
SIZE	73	8.28	1.007	5.89	9.85
LEVERAGE	73	.34	.168	.09	.69
Panel II: casino industry					
Community	51	0	0	0	0
Diversity	51	.18	1.053	−1	2
Employee	51	−.22	.541	−2	1
Environment	51	0	0	0	0
Product	51	−.14	.348	−1	0
ROA	50	.11	.055	−.03	.27
Tobin's q	51	.40	.435	−.69	1.61
SIZE	51	6.98	2.136	−1.64	9.29
LEVERAGE	51	.54	.173	0.00	.93
Panel III: hotel industry					
Community	48	.04	.355	−1	1
Diversity	48	1.31	1.573	−1	5
Employee	48	−.17	.859	−2	1
Environment	48	0	0	0	0
Product	48	−.02	.601	−1	1
ROA	48	−2.09	.561	−2.81	−.53
Tobin's q	48	.48	.610	−.26	2.44
SIZE	48	7.92	1.281	5.63	9.47
LEVERAGE	48	.44	.235	.15	1.25
Panel IV: restaurant industry					
Community	183	.14	.515	0	3
Diversity	183	.60	1.548	−2	5
Employee	183	−.53	.931	−3	1
Environment	183	.14	.417	−1	2
Product	183	−.09	.388	−2	1
ROA	175	.17	.042	.02	.28
Tobin's q	183	.56	.464	−.56	1.88
SIZE	183	7.23	1.257	4.56	10.03
LEVERAGE	183	.28	.334	0.00	3.64

[a] Community is measured by the community relations scores in the KLD STATS, and represents the level of corporate voluntary activities for communities; Diversity is measured by the diversity scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for women/minorities and suppliers; Employee is measured by the employee relations scores in the KLD STATS, and represents the level of corporate voluntary activities for employees; Environment is measured by the environment scores in the KLD STATS, and represents the level of corporate voluntary activities for the natural environment; Product is measured by the product quality scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for consumer relations; ROA represents return on asset measured by ln (1 + OIBDA [i.e., operational income before depreciation and amortization]/total asset); Tobin's q is measured by ln (market value/book value); SIZE represents a firm size measured by ln (sales); LEVERAGE represents a firm's capital structure measured by debt-to-asset ratio, and YEAR DUMMIES represents a set of 16 dummy variables that control for year-specific effects from 1992 to 2007 (1991 is the reference level).

variation of ROA (Adj. $R^2 = .71$). Specifically, the two control variables, SIZE (t-value = −5.48) and LEVERAGE (t-value = −2.80), have significant negative effects on the outcome variable. Among the five individual CSR dimensions, however, only Community (t-value = −2.75) has a significant negative effect on ROA, and the rest fails to show positive CSR effects on short-term profitability. As shown in Panel II, the model substantially explains the variance of Tobin's q with a large adjusted R-squares value of .53. The results further indicate that Employee (t-value = 3.44) and Product (t-value = 5.95) have significant positive effects on Tobin's q, while the other three have insignificant effects on future profitability for airline firms.

Table 3
Summary of correlation coefficients.[a]

Variable	Community	Diversity	Employee	Environment	Product	ROA	Tobin's q	SIZE	LEVERAGE
Panel I: airline industry									
Community	1	−.159	.271*	.059	−.055	−.077	.081	−.038	.062
Diversity		1	.269*	.098	.328**	−.081	.176	.208	−.313**
Employee			1	.266	.529**	.125	.476**	.006	−.369**
Environment				1	.203	.063	.182	−.147	−.224
Product					1	−.036	.520**	−.007	−.023
ROA						1	.417**	−.404**	−.280*
Tobin's q							1	−.271*	−.158
SIZE								1	−.121
LEVERAGE									1
Panel II: casino industry									
Community	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Diversity		1	.138	n/a	−.206	.026	−.291*	.393**	.139
Employee			1	n/a	−.161	−.085	−.105	.036	−.139
Environment				1	n/a	n/a	n/a	n/a	n/a
Product					1	−.060	.198	−.241	−.140
ROA						1	.170	.350*	−.067
Tobin's q							1	−.234	−.173
SIZE								1	.449**
LEVERAGE									1
Panel III: hotel industry									
Community	1	−.138	−.047	n/a	.104	.399**	.329*	−.029	.056
Diversity		1	.291*	n/a	.390**	−.286*	−.210	.776**	−.595**
Employee			1	n/a	.282	.086	.103	.250	−.046
Environment				1	n/a	n/a	n/a	n/a	n/a
Product					1	.049	.083	.236	−.412**
ROA						1	.958**	−.429**	.666**
Tobin's q							1	−.401**	.640**
SIZE								1	−.638**
LEVERAGE									1
Panel IV: restaurant industry									
Community	1	.286**	.387**	.344**	−.044	.181*	.004	.268**	−.120
Diversity		1	.190*	.487**	−.374**	.203**	−.058	.544**	−.016
Employee			1	.330**	.258**	.009	−.212**	.034	−.108
Environment				1	−.363**	.096	−.007	.425**	.016
Product					1	−.045	−.139	−.503**	−.080
ROA						1	.542**	.381**	.364**
Tobin's q							1	.444**	.400**
SIZE								1	.132
LEVERAGE									1

* and ** represent significance level of 0.05 and 0.01 respectively.

[a] Community is measured by the community relations scores in the KLD STATS, and represents the level of corporate voluntary activities for communities; Diversity is measured by the diversity scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for women/minorities and suppliers; Employee is measured by the employee relations scores in the KLD STATS, and represents the level of corporate voluntary activities for employees; Environment is measured by the environment scores in the KLD STATS, and represents the level of corporate voluntary activities for the natural environment; Product is measured by the product quality scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for consumer relations; ROA represents return on asset measured by ln (1 + OIBDA [i.e., operational income before depreciation and amortization]/total asset); Tobin's q is measured by ln (market value/book value); SIZE represents a firm size measured by ln (sales); LEVERAGE represents a firm's capital structure measured by debt-to-asset ratio, and YEAR DUMMIES represents a set of 16 dummy variables that control for year-specific effects from 1992 to 2007 (1991 is the reference level).

4.2.2. Casino industry

The results for the casino industry appear in Table 5. Community and Environment were omitted from the models because all observations had the constant value of 0. The results reveal that both models do not have significant overall effects on the outcome variables. In particular, although the significant positive effect of SIZE (*t*-value = 4.02) and negative effect of LEVERAGE (*t*-value = −2.15) are identified, none of the CSR dimensions has significant effects on ROA. Furthermore, all independent variables do not display significant effects on Tobin's *q*. Consequently, the positive effects of the CSR dimensions on both short-term profitability and future profitability are not supported.

4.2.3. Hotel industry

Table 6 offers the regression results for the hotel industry. Environment was excluded from the models because all observations had the constant of 0. Panel I shows that the model has a significant overall effect on ROA (Adj. R^2 = .48). In terms of the individual effects of the independent variables, Community (*t*-value = 2.13), Product (*t*-value = 3.01) and LEVERAGE (*t*-value = 6.40) show significant positive effects on short-term profitability. Panel II presents that Tobin's *q* is significantly explained by the independence variables (Adj. R^2 = .62). Specifically, all CSR dimensions but Employee are found to have significant positive effects on Tobin's *q*, indicating that corporate attention to the areas of community relations, diversity issues, and consumer relations positively affect future profitability for hotel firms.

4.2.4. Restaurant industry

The results of regression analyses for the restaurant industry appear in Table 7. Both models have significant overall effects on the outcomes with adjusted *R*-squares of .16 for ROA and .29 for Tobin's *q*. Among the five CSR dimensions, Community (*t*-value = 3.12) and Product (*t*-value = 3.02) demonstrate positive effects on ROA. The

Table 4
Summary of OLS regression analysis with Newey–West standard errors for airline industry.[a]

Panel I: ROA	ROA $= \alpha_0 + \alpha_1$Community $+ \alpha_2$Diversity $+ \alpha_3$Emploee $+ \alpha_4$Environemnt $+ \alpha_5$Product $+ \alpha_6$SIZE $+ \alpha_7$LEVERAGE $+ \alpha_{8-23}$YEAR DUMMIES$_{1-16} + \varepsilon$						
	Community	Diversity	Employee	Environment	Product	SIZE	LEVERAGE
Coefficient	−.063	−.004	.007	−.007	−.001	−.025	−.112
t-Value	−2.75**	−.78	1.88	−.77	−.12	−5.48***	−2.80**
VIF	1.496	2.834	2.351	2.069	2.468	1.160	2.317
N	70						
Adj-Rq	.706						
F-value	8.209***						
Panel II: Tobin's q	Tobin's q $= \alpha_0 + \alpha_1$Community $+ \alpha_2$Diversity $+ \alpha_3$Employee $+ \alpha_4$Environemnt $+ \alpha_5$Product $+ \alpha_6$SIZE $+ \alpha_7$LEVERAGE $+ \alpha_{8-23}$YEAR DUMMIES$_{1-16} + \varepsilon$						
	Community	Diversity	Employee	Environment	Product	SIZE	LEVERAGE
Coefficient	−.163	−.085	.075	.035	.226	−.156	−.061
t-Value	−.88	−1.53	3.44**	.33	5.95***	−3.20**	−.20
VIF	1.470	2.609	2.355	2.050	2.443	1.161	2.362
N	73						
Adj-Rq	.529						
F-value	4.510***						

** and *** represent significance level of 0.01 and 0.001 respectively.

[a] Community is measured by the community relations scores in the KLD STATS, and represents the level of corporate voluntary activities for communities; Diversity is measured by the diversity scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for women/minorities and suppliers; Employee is measured by the employee relations scores in the KLD STATS, and represents the level of corporate voluntary activities for employees; Environment is measured by the environment scores in the KLD STATS, and represents the level of corporate voluntary activities for the natural environment; Product is measured by the product quality scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for consumer relations; ROA represents return on asset measured by ln (1 + OIBDA [i.e., operational income before depreciation and amortization]/total asset); Tobin's q is measured by ln (market value/book value); SIZE represents a firm size measured by ln (sales); LEVERAGE represents a firm's capital structure measured by debt-to-asset ratio, and YEAR DUMMIES represents a set of 16 dummy variables that control for year-specific effects from 1992 to 2007 (1991 is the reference level).

positive effect from Community (t-value = 7.70) is also identified in the Tobin's q model. The other four dimensions, however, have no significant effects on the outcome. It is thus found that corporate attention to the dimension of community relations increases both short-term and future profitability, and attention to the dimension of product quality improves only short-term profitability for restaurant companies.

4.3. Additional analysis

In order to test the robustness of our results, we conducted three additional analyses. First, although our operationalization of SIZE as the natural logarithm of annual sales is consistent with the previous literature (e.g., Hillman & Keim, 2001; Lee & Park, 2009; Waddock & Graves, 1997), some researchers have measured firm size using the natural logarithm of total assets (e.g., Brammer & Millington, 2008). Given this, we re-ran all regression models by replacing SIZE with the natural log of assets, and examined if the effects of the CSR dimensions would change. The results indicated that the significance of the coefficients of all CSR variables was consistent with our original results for the airline, casino, and restaurant models. The hotel models, however, yielded different results in that the significant positive effects of community and product became insignificant for both ROA and Tobin's q. This finding may indicate the sensitivity of the coefficients of the two CSR variables to the use of different size measures. We therefore suggest that the results of the hotel models be interpreted with some caution.

Second, several studies have used return on equity (ROE) as another measure of short-term profitability (Griffin & Mahon, 1997). To take into account this, we performed an additional regression analysis with the dependent variable as ROE for each industry, using the same regression procedure adopted in the main analysis (i.e., outlier identification, the use of the same independent variables, and the use of Newey–West standard errors). As presented in Appendix B, the models with ROE provide different results, when compared to those with ROA. In particular,

only three coefficients for CSR variables (two for the casino model and one for restaurant) have significant results, with all three turning to negative. Based on this finding, it is suggested that CSR–CFP relationships may vary even among short-term

Table 5
Summary of OLS regression analysis with Newey–West standard errors for casino industry.[a]

Panel I: ROA	ROA $= \alpha_0 + \alpha_1$Diversity $+ \alpha_2$Employee $+ \alpha_3$Product $+ \alpha_4$SIZE $+ \alpha_5$LEVERAGE $+ a_{6-11}$YEAR DUMMIES$_{1-6} + \varepsilon$				
	Diversity	Employee	Product	SIZE	LEVERAGE
Coefficient	−.010	−.018	−.003	.016	−.177
t-Value	−1.25	−1.77	−.20	4.02***	−2.15**
VIF	1.266	1.182	1.137	1.571	1.261
N	50				
Adj-Rq	.180				
F-value	1.976				
Panel II: Tobin's q	Tobin's q $= \alpha_0 + \alpha_1$Diversity $+ \alpha_2$Employee $+ \alpha_3$Product $+ \alpha_4$SIZE $+ \alpha_5$LEVERAGE $+ a_{6-11}$YEAR DUMMIES$_{1-6} + \varepsilon$				
	Diversity	Employee	Product	SIZE	LEVERAGE
Coefficient	−.058	−.030	.115	−.012	−.102
t-Value	−.63	−.33	.91	−.52	−.21
VIF	1.292	1.184	1.663	1.367	1.289
N	51				
Adj-Rq	.005				
F-value	1.021				

** and *** represent significance level of 0.01 and 0.001 respectively.

[a] Diversity is measured by the diversity scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for women/minorities and suppliers; Employee is measured by the employee relations scores in the KLD STATS, and represents the level of corporate voluntary activities for employees; Product is measured by the product quality scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for consumer relations; ROA represents return on asset measured by ln (1 + OIBDA [i.e., operational income before depreciation and amortization]/total asset); Tobin's q is measured by ln (market value/book value); SIZE represents a firm size measured by ln (sales); LEVERAGE represents a firm's capital structure measured by debt-to-asset ratio, and YEAR DUMMIES represents a set of 16 dummy variables that control for year-specific effects from 1992 to 2007 (1991 is the reference level).

Table 6
Summary of OLS regression analysis with Newey–West standard errors for hotel industry.[a]

Panel I: ROA	ROA $= \alpha_0 + \alpha_1$Community $+ \alpha_2$Diversity $+ \alpha_3$Employee $+ \alpha_4$Product $+ \alpha_5$SIZE $+ \alpha_6$LEVERAGE $+ a_{7-19}$YEAR DUMMIES$_{1-13} + \varepsilon$					
	Community	Diversity	Employee	Product	SIZE	LEVERAGE
Coefficient	.566	.074	−.022	.375	−.025	2.094
t-Value	2.13*	.90	−.32	3.01**	−.40	6.40***
VIF	1.324	6.096	1.868	2.902	6.128	2.666
N	48					
Adj-Rq	.481					
F-value	3.288**					
Panel II: Tobin's q	Tobin's $q = \alpha_0 + \alpha_1$Community $+ \alpha_2$Diversity $+ \alpha_3$Employee $+ \alpha_4$Product $+ \alpha_5$SIZE $+ \alpha_6$LEVERAGE $+ a_{7-19}$YEAR DUMMIES$_{1-13} + \varepsilon$					
	Community	Diversity	Employee	Product	SIZE	LEVERAGE
Coefficient	.483	.215	.030	.402	−.135	2.379
t-Value	2.10*	3.56**	.43	3.73***	−1.81*	7.23***
VIF	1.324	6.096	1.868	2.902	6.128	2.666
N	48					
Adj-Rq	.616					
F-value	4.961***					

*, ** and *** represent significance level of 0.05, 0.01 and 0.001 respectively.

[a] Community is measured by the community relations scores in the KLD STATS, and represents the level of corporate voluntary activities for communities; Diversity is measured by the diversity scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for women/minorities and suppliers; Employee is measured by the employee relations scores in the KLD STATS, and represents the level of corporate voluntary activities for employees; Product is measured by the product quality scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for consumer relations; ROA represents return on asset measured by ln $(1 + $OIBDA [i.e., operational income before depreciation and amortization]/total asset); Tobin's q is measured by ln (market value/book value); SIZE represents a firm size measured by ln (sales); LEVERAGE represents a firm's capital structure measured by debt-to-asset ratio, and YEAR DUMMIES represents a set of 16 dummy variables that control for year-specific effects from 1992 to 2007 (1991 is the reference level).

profitability measures. However, these results are not a total surprise because although both ROA and ROE represent a firm's short-term profitability, they capture different financial aspects about profitability. While ROA represents a firm's profitability in terms of asset utilization, ROE represents its profitability with regard to how efficiently the firm utilizes shareholders' capital (Andrew, Damitio, & Schmidgall, 2007; Palepu & Healy, 2008). For example, there are several tourism studies that found different results between ROA and ROE because of this distinction (e.g., Kang et al., 2010; Lee & Park, 2009).

Finally, Waddock and Graves (1997) found a recursive relationship between CSR and CFP indicating increases in CFP may lead companies to engage in more CSR activities not vice versa. To examine this possible reverse causality, we conducted additional regression analyses that regressed each of the five CSR dimensions on the two CFP measures while keeping the other control variables the same.[5] The results did not identify any recursive relationships for the casino industry, but the rest of the three industries provided some significant effects of CFP measures on either of the five CSR dimensions as follows: the negative effect of ROA on Employee and the positive effect of Tobin's q on Employee and Product for the airline industry; the negative effect of ROA on Diversity and the positive effect of Tobin's q on Diversity and Product for the hotel industry; and the positive effect of ROA on Product and the positive effect of Tobin's q on Community and Diversity for the restaurant industry. Since these results partially support the reverse causality between CSR and CFP, we acknowledge this issue as one limitation of the study.

5. Discussion

5.1. Overall findings

This study attempts to disaggregate CSR into five dimensions (community, diversity, employees, the natural environment, and product) and examines the effects of each dimension on short-term profitability and market evaluations of future profitability for the four tourism-related industries. As shown in Table 8, corporate voluntary activity for community significantly decreases short-term profitability for the airline industry, but increases both short-term and future profitability for the hotel and restaurant industries. Corporate involvement in diversity issues positively affect future profitability for the hotel industry, but has no effect for the other three industries. The results also demonstrate that corporate activity for employees improves future profitability only for the airline industry. Furthermore, the product dimension is shown to have a positive effect on future profitability for the airline industry, short-term profitability for the restaurant industry, and both short-term and future profitability for the hotel industry. Finally, corporate attention to the natural environment did not improve either of the two financial outcomes for all industries.

Overall, the results of this study suggest that each of five CSR dimensions differently affects the two financial performance measures and that such financial impacts vary across the four tourism-related industries. These results are inconsistent with this study's original propositions, drawn from the resource-based view (Barney, 1991) and neo-classical economic view (McWilliams & Siegel, 2000), that all five dimensions would have positive effects on both short-term and future profitability. Nevertheless, this study's findings can be explained by the notion that firms could gain different degrees of financial benefits and competitive advantages by engaging in a specific primary stakeholder issue (Godfrey & Hatch, 2007; Griffin & Mahon, 1997; Peloza & Papania, 2008; Porter & Kramer, 2006). In particular, recent work by Peloza and Papania (2008) suggested that the financial effects of various CSR dimensions may be different for firms in different industries based on the level of importance assigned to each

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[5] While previous studies (e.g., Lee & Park, 2009) used a two-stage least square (2SLS) analysis to test the reverse causality between CSR and CFP, this study could not adopt the analysis because there are five CSR-related independent variables in our models. Consequently, the reverse approach would require the specification of those five variables as the dependent variables all together in the 2SLS method, which is not analytically feasible.

Table 7
Summary of OLS regression analysis with Newey−West standard errors for restaurant industry.[a]

Panel I: ROA	ROA $= \alpha_0 + \alpha_1$Community $+ \alpha_2$Diversity $+ \alpha_3$Emploee $+ \alpha_4$Environemnt $+ \alpha_5$Product $+ \alpha_6$SIZE $+ \alpha_7$LEVERAGE $+ \alpha_{8-23}$YEAR DUMMIES$_{1-16} + \varepsilon$						
	Community	Diversity	Employee	Environment	Product	SIZE	LEVERAGE
Coefficient	.016	.003	−.012	.002	.032	.014	−.020
t-Value	3.12***	1.14	−1.93	.35	3.02***	3.82***	−.76
VIF	1.551	1.702	2.523	1.955	2.313	2.006	1.218
N	175						
Adj-Rq	.157						
F-value	2.411**						
Panel II: Tobin's q	Tobin's q $= \alpha_0 + \alpha_1$Community $+ \alpha_2$Diversity $+ \alpha_3$Employee $+ \alpha_4$Environemnt $+ \alpha_5$Product $+ \alpha_6$SIZE $+ \alpha_7$LEVERAGE $+ \alpha_{8-23}$YEAR DUMMIES$_{1-16} + \varepsilon$						
	Community	Diversity	Employee	Environment	Product	SIZE	LEVERAGE
Coefficient	.482	.045	−.107	−.051	.095	.034	.203
t-Value	7.70***	1.74	−1.74	−.66	.89	.98	1.04
VIF	1.478	1.714	2.532	1.933	2.260	1.902	1.121
N	183						
Adj-Rq	.286						
F-value	4.164***						

*, ** and *** represent significance level of 0.05, 0.01 and 0.001 respectively.
[a] Community is measured by the community relations scores in the KLD STATS, and represents the level of corporate voluntary activities for communities; Diversity is measured by the diversity scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for women/minorities and suppliers; Employee is measured by the employee relations scores in the KLD STATS, and represents the level of corporate voluntary activities for employees; Environment is measured by the environment scores in the KLD STATS, and represents the level of corporate voluntary activities for the natural environment; Product is measured by the product quality scores in the KLD STATS, and is used as a proxy for the level of corporate voluntary activities for consumer relations; ROA represents return on asset measured by ln (1 + OIBDA [i.e., operational income before depreciation and amortization]/total asset); Tobin's q is measured by ln (market value/book value); SIZE represents a firm size measured by ln (sales); LEVERAGE represents a firm's capital structure measured by debt-to-asset ratio, and YEAR DUMMIES represents a set of 16 dummy variables that control for year-specific effects from 1992 to 2007 (1991 is the reference level).

primary stakeholder for the industry. Consequently, the current findings may indicate that the four tourism-related industries investigated (i.e., airline, casino, hotel, and restaurant industries) could improve their financial performance through each CSR dimension to a different degree. The findings about the effect of each dimension are further explained below.

5.2. Financial effects of individual CSR dimensions

5.2.1. Community

First, the finding that corporate attention to community has a negative effect on ROA for airline firms but positively affects both financial variables for hotel and restaurant firms may support Porter and Kramer's (2006) view. Porter and Kramer proposed that strategic implications of CSR depend on the degree of connectedness between a firm's business operation and a given social issue and classified CSR initiatives into strategic CSR and responsive CSR. More specifically, strategic CSR encompasses activities aimed at social issues closely connected to firm operational contexts, and enables firms to generate competitive advantages. Responsive CSR, in contrast, refers to corporate actions designed to improve indirectly-related social issues and are less likely to have a positive effect on firm performance (Porter & Kramer, 2006). Building on this account, hotel and restaurant companies may gain benefit through their community involvement due to great dependency between their operations and local communities in terms of the availability of human resources, local demands, and suppliers, and the attractiveness of the destination. Therefore, by implementing voluntary activities aimed at community relations, these companies would likely increase both operational efficiency and competitive advantages, which in turn lead to high short-term profitability and positive market evaluations of future profitability. Airline firms, on the other hand, tend to have only indirect relations with their local communities, so that their expected benefits from community involvement are possibly lower than the costs entailed for

executing community initiatives. Thus, the likelihood that airlines would increase their profits or improve their market evaluations by implementing such activity may be negligible.

5.2.2. Environment and diversity

With respect to corporate involvement in the environment and diversity dimensions, the results consistently indicated that both dimensions do not have positive effects on the two financial measures (except the positive effect of diversity on Tobin's q for the hotel industry). This finding may support the argument that these two stakeholders represent institutional stakeholders − type of stakeholders that can be included as primary stakeholders, but have relatively low direct resource exchanges with the firm (Kacperczyk, 2009; Mattingly & Berman, 2006). Consequently, firm engagement in these stakeholders tends to be motivated by the fulfillment of normative expectations rather than by the attainment of instrumental goals (Donaldson & Preston, 1995), and direct financial benefits associated with these activities are expectedly

Table 8
Summary of effect of each CSR dimension on CFP by industry.[a]

	Community	Diversity	Employee	Environment	Product
Airline					
ROA	−	0	0	0	0
Tobin's q	0	0	+	0	+
Casino					
ROA	n/a	0	0	n/a	0
Tobin's q	n/a	0	0	n/a	0
Hotel					
ROA	+	0	0	n/a	+
Tobin's q	+	+	0	n/a	+
Restaurant					
ROA	+	0	0	0	+
Tobin's q	+	0	0	0	0

[a] + Represents a significant positive effect at 0.05; − represents a significant negative effect at 0.05; 0 represents non-significant effect.

low (Kacperczyk, 2009). This view predicts the weak effect of the two dimensions on firm operational efficiency, resulting in non-positive influences on short-term profitability. Furthermore, since these dimensions have an ambiguous relationship with profitability, investors would less likely provide positive evaluations to firms implementing CSR initiatives in these two areas. Nevertheless, since corporate attention to the natural environment and diversity issues could create intangible resources, such as reputation and positive consumer evaluations (Backhaus et al., 2002; Brammer & Millington, 2005; Sen & Bhattacharya, 2001), firms may improve their market evaluations in the long run (Kacperczyk, 2009). Given this, the positive effect of Diversity on Tobin's q, observed for the hotel industry, is understandable. This is, however, an empirical question that requires further examinations.

5.2.3. Product

The product dimension was found to have positive effects on CFP for airline, hotel and restaurant industries. Most notably, this dimension positively influenced both two financial variables for the hotel industry, confirming previous studies indicating clear linkage among corporate involvement in this dimension and both short-term and future profitability (e.g., Berman et al., 1999; Kacperczyk, 2009). In addition, the findings regarding the financial effect of product for the other three industries are consistent with previous research that examined the CSR–CFP link in tourism. For example, Park and Lee (2009) found that CSR had a significant effect on accounting-based performance, but had no effect on market-based performance for the restaurant industry. Lee and Park (2009) also indicated that casino firms did not increase both accounting-based and market-based measures through their CSR involvement. Furthermore, Lee and Park (2010) showed a positive link between CSR and market-based performance but no relationship between CSR and accounting-based performance for the airline industry. Thus, the differential financial impact of the consumer dimension observed in this study may provide further evidence of industry-specific effects of CSR within the tourism-related industries.

5.2.4. Employee

This study found that corporate attention to employee relations had a positive effect solely on Tobin's q for the airline industry. This finding is surprising given that extant literature showed the positive effect of the employee dimension on accounting-based performance (e.g., Berman et al., 1999) and future profitability (e.g., Becker & Gerhart, 1996). These insignificant effects, however, can be explained from a view provided by Bhattacharya, Sen, and Korschun (2008). They proposed that although the positive effects of CSR initiatives on employees are expected, an ambiguity may exist for this relationship due to a lack of employees' awareness of these initiatives and/or failure to meet their needs. From this perspective, one speculation is that tourism firms currently fail to educate their employees regarding CSR engagement and/or to implement CSR programs that would satisfy employees' demands or morale. Alternatively, this finding may simply indicate that corporate attention to employee relations does not have any effects on improving productivity or generating positive market evaluation for tourism-related firms.

5.3. Practical implications

The findings of this study may assist several groups of people in the tourism field. Industry executives and managers may incorporate the findings into their strategic development of CSR investments. For example, hotel and restaurant executives and managers may develop their overall CSR investments around community and product related issues, rather than employee relations, to maximize benefits of such investments over both short- and long-terms.

Managers in the airline industry, in contrast, may focus their CSR initiatives on employee relations and product issues for the long-term, not the short-term. Consistent with Lee and Park (2009), the present results suggest that casino executives and managers may find a way to minimize their CSR investments in all dimensions because those investments do not appear to impact their firm's performance at all. However, caution should be exercised when practically implementing the suggestions. For instance, effects of CSR initiatives may be time variant, not stationary and in that case, consumers' perceptions or employees' education levels regarding CSR investment may change over time, as do the effects of various CSR dimensions.

The tourism investment community, including investors and analysts, may also use the information provided by this study. In particular, industry-specific effects of various CSR dimensions on a firm's performance should provide tourism investors and analysts with beneficial insight that may help evaluating their investment portfolios. Investors may not be alerted to newly committed CSR investment by casinos included in their portfolios because such investment will not have particular impacts on the casinos' short-term and long-term profitability. Some investors and analysts may adjust their portfolios if they feel the investment does not add value to the casino firm. On the other hand, hotel investors and analysts may be sensitive to CSR investment announcements or practices (especially, about community relations and product issues) because such CSR investments may increase value of their investment portfolios as suggested by the findings of this study.

6. Limitations and suggested future research

The current research entails several limitations. First, despite the wide use of extant CSR literature, KLD STATS database still suffers from limited construct validity. Although previous literature suggests that KLD STATS uses a comprehensive practice to measure CSR investment, especially when compared to other measures (for example, Fortune reputation rating), an inaccurate weight problem may still exist due to its evaluation practice of assigning a mostly binary value to each CSR activity. Furthermore, some indicators from the KLD database (e.g., R&D/innovation in product quality) may not accurately reflect the notion that CSR encompasses firms' voluntary activities beyond their interests (McWilliams & Siegel, 2001). Although this construct validity issue may not be solved in a short-term period, future research should attempt to explore potential solutions. Second, even though this study collected longitudinal data from 1991 to 2007, a small sample size is still apparent, especially for hotels and casinos. This results from the fact that KLD STATS include only companies from the S&P 500 and the Russell 3000 Indices. If a larger sample size becomes available in the future, a replication study may provide more robust findings or different results. With respect to the sample of this study, we also did not take into account potential effects caused by the mergers of sample companies during the study period. While the inclusion of SIZE partially controls for such effects, this issue should still be acknowledged as the limitation of the study. Moreover, some additional factors may be incorporated into the examination. For example, consumers' satisfaction levels or brand image perceptions may mediate the relationship between CSR activities (such as community, consumer relations, or the natural environment) and firm performance (Luo & Bhattacharya, 2006). The examination of such mediation effects may open another avenue for further investigation in the future. Finally, as shown in the additional analysis, we could not eliminate the possibility of the recursive relationship between CSR and CFP. Future research addressing this reverse causality may provide more accurate results regarding the relationship between CSR and CFP.

Appendix A

Strength and concern areas for five KLD categories.

KLD category	Strength areas	Concern areas
Employee relations	• Health and safety issues • Union relations • Retirement benefits • Employee involvement • Cash profit sharing	• Health and safety issues • Union relations • Retirement benefits • Work force reductions • Other concerns
Product quality	• Product quality • Benefits to economically disadvantaged consumers • R&D/innovation • Other strengths	• Controversial marketing/contracting practices • Product safety issues • Antitrust • Other concerns
Community relations	• Charitable giving • Non-US charitable giving • Innovative giving • Support for education • Support for housing • Volunteer programs • Other strengths	• Negative economic impact • Investment controversies • Tax disputes • Other concerns
Environmental issues	• Use of clean energy • Pollution prevention • Recycling • Sustainable management systems • Sustainable products and services	• Impact on climate change • Use of hazardous waste • Substantial emissions • Regulatory problems • Use of ozone depleting chemicals • Use of agricultural chemicals
Diversity issues	• Assignment of a woman or minority CEO • Assignment of women or minority board of directors • Employment of the disabled • Gay and lesbian policies • Work/life benefits • Promotion of women or minority employees • Other strengths	• Non-representation of women or minorities • Discrimination issues • Other concerns

Appendix B

Effects of CSR dimensions on ROE by industry.[a]

Panel I: airline	$ROE = \alpha_0 + \alpha_1 Community + \alpha_2 Diversity + \alpha_3 Emploee + \alpha_4 Environemnt + \alpha_5 Product + \alpha_6 SIZE + \alpha_7 LEVERAGE + \alpha_{8-23} YEAR\ DUMMIES_{8-23} + \varepsilon$						
	Community	Diversity	Employee	Environment	Product	SIZE	LEVERAGE
Coefficient	−.031	−.017	−.032	−.014	.030	.036	.663
t-Value	−.18	−.41	−.98	−.22	.56	1.26	2.59**
VIF	1.526	2.554	2.684	2.279	2.842	1.180	2.025
N	66						
Adj. R^2	.140						
F-value	1.460						

Panel II: casino	$ROE = \alpha_0 + \alpha_1 Diversity + \alpha_2 Employee + \alpha_3 Product + \alpha_4 SIZE + \alpha_5 LEVERAGE + a_{6-11} YEAR\ DUMMIES_{6-11} + \varepsilon$				
	Diversity	Employee	Product	SIZE	LEVERAGE
Coefficient	−.021	−.078	−.068	.042	.308
t-Value	−1.19	−3.20***	−2.06**	4.39***	1.36
VIF	1.310	1.263	1.140	1.686	1.498
N	50				
Adj. R^2	.476				
F-value	5.049***				

Panel III: hotel	$ROE = \alpha_0 + \alpha_1 Community + \alpha_2 Diversity + \alpha_3 Employee + \alpha_4 Product + \alpha_5 SIZE + \alpha_6 LEVERAGE + a_{7-19} YEAR\ DUMMIES_{7-19} + \varepsilon$				
	Community	Diversity	Employee	Product	SIZE	LEVERAGE
Coefficient	.284	.104	−.018	.234	.157	3.738
t-Value	.65	.63	−.19	1.00	.98	3.01***
VIF	1.743	8.028	2.027	4.156	5.462	4.616
N	43					
Adj. R^2	.460					
F-value	2.882***					(continued on next page)

Appendix B (continued)

Panel I: restaurant	$ROE = \alpha_0 + \alpha_1 Community + \alpha_2 Diversity + \alpha_3 Emploee + \alpha_4 Environemnt + \alpha_5 Product + \alpha_6 SIZE + \alpha_7 LEVERAGE + \alpha_{8-23} YEAR\ DUMMIES_{8-23} + \varepsilon$						
	Community	Diversity	Employee	Environment	Product	SIZE	LEVERAGE
Coefficient	.027	−.017	−.047	−.011	.083	.073	.271
t-Value	1.31	−1.08	−2.35*	−.38	1.92	4.46***	.002
VIF	1.808	1.817	2.723	1.937	2.422	2.093	1.323
N	173						
Adj. R^2	.418						
F-value	6.367***						

*, ** and *** represent significance level of 0.05, 0.01 and 0.001 respectively.
[a] ROE represents return on equity measured by ln (1 + OIBDA/total shareholder's equity).

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