

## A review of the business case for CSR in the hospitality industry

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### ABSTRACT

Despite prolific research on corporate social responsibility (CSR) in its various forms in the hospitality industry, there is no consensus regarding the business case for CSR initiatives. Using a stakeholder lens, we review the research on CSR and its rationale by analyzing its impact on the environment, employees, customers, community, and investors in the hospitality industry. Our review analyzes 170 articles published between 1990 and 2017 covering different conceptual frameworks, measures, and samples to evaluate the current state of the field, integrate findings, identify gaps, and suggest avenues for future research. Our review calls for a) more studies that examine hospitality-specific CSR initiatives to examine impact on firm performance, b) greater theory-driven research, and c) expansion of contexts both in terms of different sectors of the industry and geographical locations, than is covered by existing studies. Future research directions are provided.

### 1. Introduction

Although definitions of CSR differ, a generally accepted conceptualization that corporate activities confer responsibilities that extend towards stakeholders beyond owners, such as employees, customers, the government, and the community at large, exists (Carroll and Shabana, 2010). Along with their economic activities, large corporations commonly report their social and environmental activities and their impact in annual reports to shareholders. Within the hospitality industry, several CSR practices have become commonplace, such as green building, waste and pollution reduction, and employee development, as well as building community relations by providing help especially in times of need (e.g., Holcomb et al., 2007).

The wide range of CSR initiatives undertaken by hospitality companies has generated considerable research interest among scholars, and specifically whether there is a business case, that is, any bottom-line or profit potential for firms pursuing CSR activities (Ryan, 2015). We believe that examining this topic is particularly relevant in the hospitality context because hospitality operations incur costs to the environment in terms of energy and water consumption, a reduction of which can be beneficial to the bottom-line and have an environmental impact. In addition, inequities of low labor wages juxtaposed with luxury amenities of high-end hotels often lead to public criticism that may affect brand image (Kotler et al., 2006). Criticism also arises due to certain controversial sectors within the industry like casinos that

provide gambling opportunities, and fast food restaurants that offer food that causes obesity, highlighting the need for involvement in CSR activities to mitigate reputational costs. In sum, for a service industry that relies on consumer discretionary spending and low switching costs due to high substitutability of products and services (Singal, 2015), CSR activities that may enhance brand recognition and loyalty is particularly important in hospitality.

The relevance of CSR to hospitality operations justifies studying the business case for CSR in the hospitality context; however, research findings are inconclusive or contradictory at best (e.g., Kang et al., 2010; Kim and Kim, 2014; Lee and Heo, 2009; Theodoulidis et al., 2017). To integrate findings from previous research, to explore reasons for inconsistencies in results, and to suggest future avenues to advance research, we undertake a systematic review of past studies on the business case for CSR in hospitality, and identify publishing trends over the last 28 years (1990–2017) in terms of theories employed, topics studied, and geographical regions covered, as well as descriptions of research designs and data sources used.

Although a few review papers of CSR research have recently appeared in hospitality journals, they have focused on environmental issues (e.g., Aragon-Correa et al., 2015; Chan and Hsu, 2016; Jones et al., 2016; Kim et al., 2017c; Myung et al., 2012) and/or had a small section on the business case for CSR (e.g., Farrington et al., 2017; Serra-Cantalops et al., 2018). Serra-Cantalops et al. (2018) excluded some studies, focusing only on environmental issues even though green

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aspects have been the most salient dimension of CSR in hospitality companies as they heavily rely on natural resources and create a substantial carbon footprint (Singal, 2014a). On the other hand, our study is a comprehensive review of 170 articles relating all types of CSR to some particular form of organizational performance or benefit as an outcome, especially as there is support for the instrumental motive behind CSR activities – as opposed to the purely normative motive (Theodoulidis et al., 2017).

Our long sample time period during 1990–2017 allows us to trace the trajectory of the conceptualization of the CSR construct originating from seminal papers up to the contemporary studies. Moreover, search terms used in this review are more inclusive than previous reviews that used very concise search terms of Corporate Social Responsibility and CSR. As a result, our search finds industry specific topics for CSR, including responsible gaming strategies, food waste reduction, providing disaster relief, restaurant franchisors' responsibility, and uses of local food and non-GMO ingredients. Similarly, our inclusion of all sectors (hotels, casinos, restaurants, cruise, and airlines) in the hospitality industry allows us to report a broader perspective of CSR and its impact on stakeholders, including investors. Our findings, based on the industry as a whole, allow us to uncover gaps in the current body of knowledge and suggest future research directions.

In particular, our review finds that until 2000, the overwhelming focus of CSR was on environmental issues, which later expanded to include customers and employees. Although some studies used an aggregate measure of CSR, recent research has focused on specific components, like employment, philanthropy, or diversity, and its impact on performance. Varied operationalizations of the CSR construct, of sample periods and sizes, and of geographical and institutional contexts, impact the business case for CSR, often resulting in inconsistencies – for example, while Serrà-Cantalalops et al. (2018) found a predominance of consumer behavior studies in Chinese markets, our results indicate a predominance of such studies conducted in the US context along with the increasing interest in Asia. Our review then uncovers gaps in the literature such as exploring the effects of CSR on cost of capital, on attractiveness as a target for acquisition, as a risk-reduction strategy overall, and as an insurance for corporate irresponsible behavior- topics that we believe are relevant to the hospitality context.

## 2. The business case for CSR

Current thinking on CSR has evolved from the shareholder primacy perspective (Friedman, 1970), to the stakeholder perspective (Freeman, 1984), wherein CSR towards non-shareholding stakeholders, such as customers, employees, suppliers, community, and society at large, is seen as an investment that can be instrumental in achieving bottom-line financial performance (Jones, 1995). With this conceptual rationalization, it is common to find studies in the general management literature that have attempted to test the relationship between CSR and its impact on aspects of organizational performance such as (1) Financial: e.g., profitability; (2) Capital market: e.g., market return, cost of capital, (3) Product market: e.g., brand image, customer satisfaction and loyalty, (4) Employment market: e.g., organizational commitment, job satisfaction and performance, (5) Financial reporting quality: e.g., firms' earnings smoothing, loss avoidance behavior, and (6) Regulatory: e.g., avoidance of penalties induced by governments (Malik, 2015).

In a meta-analysis of 52 studies, Orlitzky et al. (2003) found positive impact of CSR on corporate financial performance (CFP), but noted that the strength of the relationship depended upon the measure of CSR and CFP. Margolis and Walsh (2003) reached a similar conclusion but found that the effect size was very small. Zhao and Murrell (2016) revisited the relationship between CSR and CFP by replicating the Waddock and Graves (1997) study, while the original study found a bi-directional relationship; the replication with a larger sample and longer time period found that only the relationship between prior CFP led to CSR

but not the reverse.

Reasons for the inconclusive findings and inconsistencies are attributed to a lack of accepted definition of CSR across studies, as well as the existence of underlying different mechanisms through which CSR influences financial performance. For example, Surroca et al. (2010) found no direct relationship between CSR and firm performance; however, the relationship was fully mediated via a firm's intangible resources. Other studies found contextual conditions that moderate the CSR-firm performance relationship, such as increased regulation (e.g., Chatterji and Toffel, 2010) and influences specific to certain industries (e.g., Chiu and Sharfman, 2011). As industry context plays a major role in the business case for CSR, it provides us a motivation to review in the hospitality industry.

## 3. Methodology

We collect CSR-related research published in leading hospitality journals, including International Journal of Hospitality Management, Journal of Hospitality and Tourism Research, Cornell Hospitality Quarterly, International Journal of Contemporary Hospitality Management, Journal of Hospitality Marketing and Management, International Journal of Culture, Tourism and Hospitality Research, International Journal of Hospitality and Tourism Administration, Journal of Hospitality and Tourism Education, Journal of Hospitality and Tourism Management, Journal of Hospitality and Tourism Technology, Journal of Human Resources in Hospitality and Tourism, Journal of Quality Assurance in Hospitality Tourism, and Scandinavian Journal of Hospitality and Tourism. Our choice of these 14 journals is based on the 2016 Australian Business Deans Council (ABDC) Journal Quality List's score of A\*, A, or B. We believe that these particular journals represent an appropriate overview of CSR research in the hospitality academic literature. Although the subject (i.e., CSR) is a relatively new line of inquiry in the hospitality literature, the timeframe of the current study ranges from 1990 to 2017 to include some seminal papers in the field.

We used keywords that included combinations of corporate social responsibility (CSR), and corporate social performance, corporate social rating, corporate citizenship, corporate accountability, corporate philanthropy, environmental disclosures, and corporate governance, along with keywords relevant to the industry such as diversity, human rights, employee relations, triple bottom line, healthy foods, sustainability, green initiatives, and food waste. We carefully examined the title, keywords, abstract, and/or full text of each article found in the selected 14 journals to ascertain the relevance of the article to this review. Initially, we identified all articles in the area of CSR published during the reference period, then we selected only those articles that had metrics relevant for studying the business case for CSR, such that studies that examined CSR without any metric of firm performance as an outcome are not included since our review focuses on CSR accruing some form of benefit to the company. Based on Malik (2015), firm performance is operationalized at various levels, including operating profitability (e.g., cost reduction), product market benefits (e.g., customer satisfaction and loyalty), employment benefits (e.g., organizational commitment), and stock market performance (e.g., stock returns and Tobin's Q). Through this process, we identify 170 articles<sup>1</sup>, which we aggregately discuss in this paper.

## 4. Business case for CSR in hospitality management literature

Based on studies included in our review, we identify some apparent shifts that have occurred over the past 30 years. Fig. 1 presents the trajectory of publication by year and by geographical location. Few studies were published in the 1990s, while the majority of CSR-related

<sup>1</sup> The list of 170 articles is available upon request.

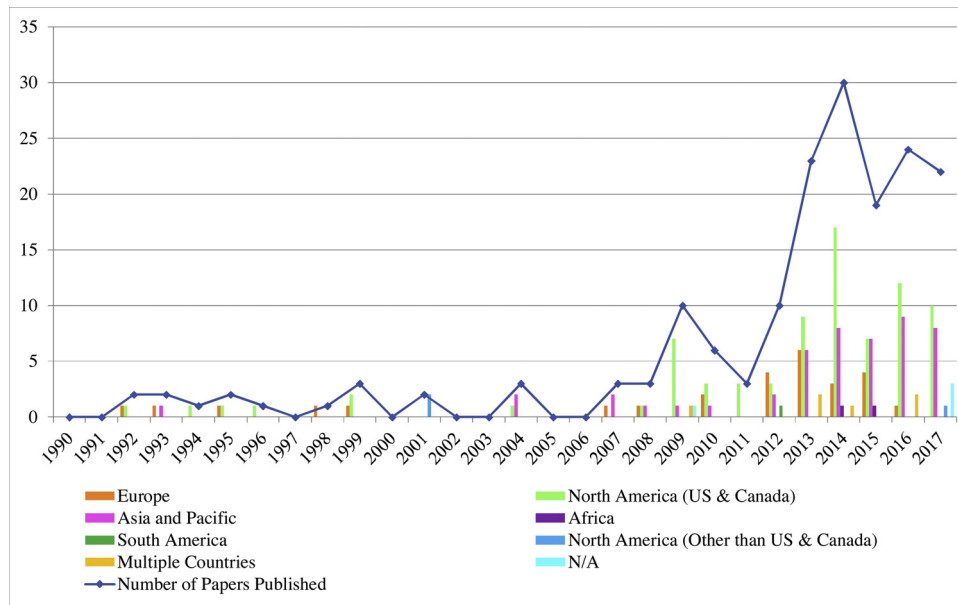


Fig. 1. Trajectory of Publications by Years and Geographical Locations.

research in the hospitality context was published since the late 2000s, with a peak in 2014. Geographically, early studies in the 1990s were conducted in the US and Europe whereas over 70% of studies after 2000 were conducted in the US and Asia, especially in emerging countries, such as China. Some recent articles have compared results among different countries (e.g., Berezan et al., 2013). It is also notable that approximately 77% of the studies in our sample were published in three journals, including *International Journal of Hospitality Management* (69 papers), *International Journal of Contemporary Hospitality Management* (34 papers), and *Cornell Hospitality Quarterly* (28 papers).

Table 1 summarizes the review of research conducted in this study with respect to theories employed and outcomes to stakeholders for CSR in hospitality literature. Fig. 2 shows the trajectory of publications by years and themes. Regarding research themes, we find a stronger focus on environmental issues (80 studies) compared to other dimensions of CSR, such as CSR towards customers, employees, and community especially for studies conducted before the 2000s. The following five research themes were the most prevalent in terms of number of studies published: CSR towards 1) environment (80 studies), 2) Aggregate/Overall CSR (61 studies), 3) customers (15 studies), 4) employees (8 studies), and 5) community (6 studies). We discuss each of these dimensions below.

4.1. CSR towards the environment and its impact

With an emphasis on environmental issues, 24 studies (out of 80) analyzed the costs and benefits of environmental-related CSR activities

Table 1 Summary of the Business Case for CSR in Hospitality Studies.

CSR to	Outcomes from	Dominant Theories Applied
<p>A = Environment B = Constituents of Society, including customers, employees, and community</p>	<p><b>a. Customers:</b> e.g., brand image, customer satisfaction, customer loyalty, purchase intention willingness to pay premium</p>	<p>*Theory of planned behavior *Theory of reasoned action</p>
	<p><b>b. Employees:</b> e.g., organizational commitment, job satisfactions, job performance, turn over intention</p>	<p>*Social identity theory *Social exchange theory</p>
	<p><b>c. Environment:</b> e.g., cost reductions through energy consumption savings</p>	<p>*Trade-off theory *Instrumental stakeholder theory</p>
	<p><b>d. Investors:</b> e.g., stock return, credit rating, risk reduction</p>	<p>*Stakeholder theory *Resource based view</p>

in hotels. Of the 24, 12 studies that found significant cost reductions through energy conservation, such as water management using flow regulators (e.g., Chan et al., 2009; Gatt and Schranz, 2015), water taps with ecological cartridges (Barberán et al., 2013), and solar collectors (Mahachi et al., 2015). Studies on environment certifications, such as LEED (e.g., Butler, 2008) and ISO 14001 (e.g., Hathroubi et al., 2014), form another stream of the cost-benefit analyses. Earlier studies (e.g., Dale and Kluga, 1992; Iwanowski and Rushmore, 1994) proposed possible cost savings of environmental management, while later studies conducted in the 2000s substantiated findings with empirical data. Data collection included survey, case study, interviews with managers, and archival research, and geographical locations covered included the U.S., Asia, Europe, and Africa.

Proactive investment in sustainable practices incurs a significant amount of capital, exceeding what may be saved (Baloglu and Jones, 2015). Challenges, such as lack of resources and implementation and maintenance costs, often keep hotels from adopting an environmental management system (Chan, 2008). However, most cost-benefit analyses conducted over the long-term showed greater benefits of green initiatives than costs (e.g., Meade and Pringle, 2001).

According to Chan (2013), the installation and use of solar collectors for hot water at a Chinese independent hotel appeared to translate into economic returns; the rate of return for domestic collectors ranges from 55% to 86% over 5-year period. Similarly, using a waste-audit technique on five U.S. hotel properties, Singh et al. (2014) suggested that hotels should practice more recycling not only to save the environment, but also to achieve monetary benefits in the long-term. With

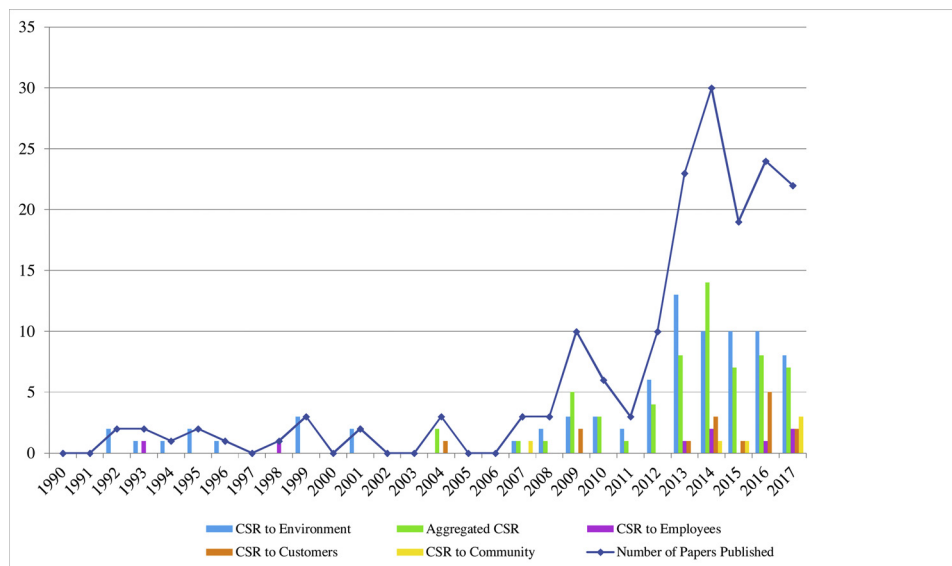


Fig. 2. Trajectory of Publications by Years and Themes.

the waste reduction through recycling, hotels with F&B can get a return of around \$21,372.46 within a five-year period after incurring additional expenses of \$43,200 on labor and \$30,000 on extra bins. In addition, Barberán et al. (2013) proposed how a small investment in water-saving technologies can result in huge reduction in water consumption, which is related to energy efficiency and cost savings. Singal (2013a), used secondary data from the MSCI database, and found that hospitality companies on average implement more green initiatives than do companies in other industries. Additionally, a positive impact of green initiatives on credit rating was found especially in hospitality companies. The results suggest that environmental management in hospitality firms should not be considered an expense, rather, the business case for CSR towards the environment is supported from a long-term perspective, although more long-term perspective studies are required.

In addition to the possible cost savings, studies (46/80) relying on surveys of consumers, case studies (e.g., Cuthbert and Nickson, 1999), content analysis (e.g., Brazyté et al., 2017; Lee et al., 2016aa), and even meta-analysis (e.g., Gao et al., 2016), show that environmental management helps product differentiation and hence helps marketing. A challenge often faced by a green hotel is to be eco-friendly without compromising service quality since customers may relate sustainability to lower comfort or cleanliness. For example, Jauhari et al. (2007) found that Indian consumers prefer hotels with green initiatives, without compromising on service quality, and no willingness to pay a premium for the green attributes. The findings, therefore, call for incentives to be provided by the government (e.g., tax reductions for solar installations for green hotels).

On the other hand, demand for green and sustainable consumption is a growing niche for millennials and generation Y (Jang et al., 2011). As attitudes change, hospitality studies conducted after the late 2000s have found a general support of environment-friendly practices on brand image (e.g., Namkung and Jang, 2013), customer satisfaction (e.g., Berezan et al., 2013; Slevitch et al., 2013; Susskind, 2014), attachment and loyalty (e.g., Jang et al., 2015), behavioral intentions of (re)purchasing green products and services (e.g., Albus and Ro, 2017; Berezan et al., 2013), and their willingness to pay premium prices (e.g., Kang et al., 2012) although the positive impact on willingness to pay extra is weak (e.g., Millar and Baloglu, 2011). Further, hotel guest participation in voluntary green practices creates a “warm glow” that improves service satisfaction although such positive impacts vary depending on the types of incentives provided to guests (Giebelhausen et al., 2017). These empirical results are also confirmed by a recent

meta-analysis of consumer behavioral intentions for green initiatives in hospitality research (Gao et al., 2016).

However, findings can be different across the geographical locations covered in each study. Based on a survey, Choi et al. (2009) indicated cultural differences in the results between Greece and the U.S. – Greek consumers are more aware of environmental issues and willing to pay for the green products and services. Similarly, Berezan et al. (2013) found that sustainable practices can enhance hotel customer satisfaction and revisit intentions, but the relative importance of the green attributes varies by nationality of the respondents, including Mexican, American, or others. American respondents are willing to pay more for hotels with recycling policies and green supplies than Mexican respondents (Berezan et al., 2014).

Despite the overall favorable impact of the environment-friendly practices, Chan (2013) found ‘green washing’ effects among consumers. Hotels’ environmental claims with ulterior motive were also found to induce skepticism among consumers, which discourages their participation in linen reuse program or re-purchase (Rahman et al., 2015). Other studies have explored ways to improve the effectiveness of CSR messages to influence consumer attitudes towards green hotels and restaurants (e.g., Hanks et al., 2016), and Lee et al. (2016a) suggest that a lack of awareness about green practices in hotels caused customer inconvenience, suggesting the importance of CSR communication.

Several studies prior to 2000 found broad positive impact of green initiatives. Focusing on reducing waste in hospitality operations, Cummings (1992) discussed the benefits of implementing solid waste minimization practices, such as cost avoidance and a favorable corporate image to public. Using a case study of the four best green operations, Enz and Siguaw (1999) identified the business case for employee commitment to environmental conservation. All of the hotels in their study indicated operating efficiencies, cost savings, marketing opportunities, and a high level of customer satisfaction and employee pride in the workplace. Similarly, surveys of 220 hotel employees showed that green practices of green certified U.S. hotels are positively correlated with employee organizational commitment (Kim and Choi, 2013). Further, while studying top-level managers in U.S. restaurants, Jang et al. (2017) found that restaurants’ environmental performance leads to both financial and nonfinancial performance, such as employee and customer satisfaction.

Thus, in general, findings support the business case for environmental CSR. Specifically, the positive relationship between customers’ perception of environmental-friendly initiatives and their behavioral intentions appears well-established. Because demand for green products



(e.g., green hotels and sustainable food) is constantly growing, CSR scholars are likely to continue investigating consumer, employee, and investor responses to environment-friendly practices.

#### 4.2. CSR towards customers and its impact

Several studies have examined CSR towards customers in the hospitality industry mainly in the restaurant sector in terms of safety and food borne illnesses, use of local and sustainable products, and nutritional labeling. [Swanger and Rutherford \(2004\)](#) examined foodborne illness, which was followed by lawsuits and payments to plaintiffs in U.S. chain restaurants and found that sales decreased as the media released negative news and as a result, customers lost confidence. [Motta and Sharma \(2016\)](#) conducted a cost-benefit analysis of using local foods, and found that food safety issues were considered a major cost.

On the other hand, Chinese fast food diners consider nutrition and well-being of customers as the most important factors for socially responsible restaurants, which boost customer loyalty ([Xu, 2014](#)). The positive impact of use of local foods, and non-genetically modified (GM) menu items increased diners' willingness to pay a higher premium (e.g., [Lu and Gursoy, 2017](#); [Campbell et al., 2014](#)).

Moreover, [Josiam and Foster \(2009\)](#) suggested that restaurants are responsible for disclosing nutritional information on their menus. According to [Lee et al. \(2014\)](#), American consumers' perception of CSR in restaurants consists of disclosure of nutritional information as well as availability of healthy menus. In another study conducted in Lebanon, [Fakih et al. \(2016\)](#) found that providing information about the menu, nutrition, product characteristics, and preparation and ingredients, positively influence customer attitudes and behavioral intentions. Overall thus, CSR towards customers in the restaurant context leads to product market benefits.

Although most studies have used survey research and used the restaurant sub-sector for examining CSR towards customers, there is considerable scope for studies in the hotel and airline sector where revenue management practices abound, and pricing strategies as well as price gouging during natural disasters have taken place. In addition, introduction of innovative technologies for surveillance and the consequent issues relating to privacy as issues affecting customers have yet to be examined in the hospitality context.

#### 4.3. CSR towards employees and its impact

CSR towards employees relates to issues dealing with payment of fair wages, just employment, and labor practices including diversity and inclusion. Social exchange theory ([Emerson, 1976](#)) suggests that CSR towards employees is instrumental to employees' reciprocal attitudes or behaviors to the organization's benefit. In light of this, some studies have examined CSR towards employees and its impact on employment markets. For example, [Wong and Gao \(2014\)](#) found CSR plays an influential role in nurturing a favorable corporate culture, in turn increasing employees' affective commitment. Misconduct towards employees suggests a reverse reciprocity. Based on the assumption that employees may attribute their organization to be responsible for the occurrence and frequency of sexual harassment, [Li et al. \(2016\)](#) examined the impact of sexual harassment at the workplace on employees' proactive customer service performance, mediated by job engagement, and found a negative impact of sexual harassment both on job engagement and proactive customer service performance. More recently, [McGinley et al. \(2017\)](#) discussed barriers to attracting new hotel workers in the context of CSR and found that CSR towards employees, such as fair pay and career opportunities, positively influences intentions to apply for hotel work as well as intentions to recommend applying for hotel work to others.

Further, [Singal \(2014b\)](#) examined diversity management as a component of CSR towards employees, and found that hospitality companies undertook more initiatives for workforce diversity than non-

hospitality companies, and importantly, their investments led to higher financial performance, measured by Tobin's Q and credit ratings. Recently, [Park et al. \(2017\)](#) examined how human resource management (HRM) in the context of CSR influences firm risk in U.S. restaurant companies. Their findings show that socially responsible HRM practices have no impact on unsystematic risk, but there is an inverted U-shaped relationship between socially irresponsible HRM practices and unsystematic risk.

Empirical findings discussed above indicate that hospitality companies with CSR directed towards employees can better attract, motivate, and retain their employees, which in turn may improve stock market performance. However, considering that employees are a very important stakeholder in the hospitality context due to the labor-intensive nature of the industry ([Singal, 2015](#)), it is surprising that only a few studies have examined the impact of CSR towards employees. For example, studying differently abled employees can be a good topic for further study in the discussion for the business case for CSR as both the government and customers seem to support this initiative (see [Gröschl, 2013](#) for example). Similarly, topics related to quality of working life ([Sirgy et al., 2001](#)) would be useful from a practical angle as hospitality employees spend long hours on the job.

#### 4.4. CSR towards communities and its impact

Research on CSR towards communities, such as charitable giving and efforts for disaster relief, appears to be one of the less studied themes in the current hospitality literature. We discuss the few studies that explore this topic with suggestions for future research.

Based on a case study of hotels in Phuket, Thailand, [Henderson \(2007\)](#) described industry-specific duties of care for the local community during the Indian Ocean tsunami. Hotels served food to those in need and provided rooms for relief workers. After the tsunami, despite having lost revenue and the cost of rebuilding hotels in the disaster area, they promised help in community recovery, to enhance corporate image and reap economic returns in the future. Based on a survey of restaurant franchisees in Korea, [Kim and Pennington-Gray \(2017\)](#) found that franchisors' ethical value influenced corporate philanthropy, which in turn, contributed to franchisees' organizational commitment, financial performance including profitability, and non-financial performance including customer satisfaction and employee satisfaction.

Corporate charitable giving (CCG) by Taiwan's publicly traded hospitality companies was associated with Tobin's Q in an inverted U-shape, implying a positive impact of CCG up to a certain point, although stock returns remained unaffected ([Chen and Lin, 2015](#)). According to [Chen et al. \(2017\)](#), the relationship between corporate giving and profits depended upon the competitive advantage that brand differentiation and customer loyalty conferred on the firm via corporate giving. In the context of fast-food restaurants, [Giebelhausen et al. \(2017\)](#) found empirical evidence that customer participation in checkout charity creates a "warm glow" among customers, which increases their patronage, thereby leading to increases in store revenues. Despite the limited research, practical evidence shows philanthropic activities made by hospitality companies are prevalent and appreciated by the local community, especially donation of food and shelter during natural disasters.

In particular, we encourage the concept of strategic philanthropy, which has not been explored in the hospitality context, unlike the mainstream management literature that has explored the topic since the 1980s ([Gautier and Pache, 2015](#)). Strategic advantages of CSR towards the community, including charitable giving based on unique resources of the industry, such as unoccupied rooms and leftover food, skills volunteering, and well-being engagement, underlie the importance of brand management and product differentiation that are vital to success in the highly competitive hospitality industry ([Singal, 2015](#)).

#### 4.5. Aggregated or overall CSR and its impact

In addition to studies focused on a specific dimension of CSR, hospitality scholars have been active in studying CSR in a broader scope with multiple dimensions or an overall measure of CSR and its impact on different stakeholders like customers and product markets, employment, and bottom-line profitability.

In particular, more attention was paid to overall CSR and its impacts on product markets with 21 relevant studies. Surveys with customers are the most frequently used method (20 studies) mainly in the context of U.S. (six studies) and China (six studies). Early studies by [Kasim \(2004a, Kasim, 2004b\)](#), found a general awareness about social and environmental responsibilities among tourists visiting Malaysia, although responsible environmental practices did not contribute to purchase intention; rather price, service quality, and the hotel's physical attractiveness were important influencers. However, studies published after 2010 showed a growing segment of hotel customers who favored CSR practices when evaluating service quality (e.g., [Wattanakamolchai et al., 2016](#)). CSR practices were found to increase customer identification and trust (e.g., [Su et al., 2017](#)), customer satisfaction (e.g., [Martínez and del Bosque, 2013](#)), and brand loyalty (e.g., [García de Leaniz and Rodríguez Del Bosque Rodríguez, 2015](#)). [Siu et al. \(2014\)](#) found a favorable impact of CSR to offset the negative effects of a service failure, which in turn added positively to post-recovery satisfaction among restaurant patrons. Based on a laboratory experiment of hotel customers, [Li et al. \(2017\)](#) found that discontinuation of CSR results in negative attitudes to a greater extent than not implementing CSR at all.

While there is a favorable impact of CSR on customers' evaluations of the firm, several studies found that appropriate communication strategies are useful to obtain the benefits of CSR initiatives from its CSR activities ([Rhou et al., 2016](#)). Not all CSR messages are equally effective in obtaining benefits (e.g., [Kim et al., 2012](#)), but when CSR initiatives matched with brand fit, it increased brand loyalty ([Cha et al., 2016](#)). [Kim et al. \(2017a\)](#) found that the impacts are different depending on the type of CSR activities undertaken. In the context of casinos, ethical CSR had the strongest direct impact on corporate image, followed by economic and philanthropic CSR, whereas only philanthropic CSR showed a direct impact on customers' intention to revisit.

We review 13 studies where overall CSR had some impact on employees. A positive corporate image and reputation through CSR reflected in employees' work-related attitudes, such as job satisfaction (e.g., [Raub and Blunschi, 2014](#)), organizational identification (e.g., [Park and Levy, 2014](#)), and organizational commitment (e.g., [Wong and Gao, 2014](#)), which in turn lower turnover intention (e.g., [Lee et al., 2012](#)) or leads to organizational citizenship behavior (e.g., [Fu et al., 2014](#)). [Kim et al. \(2017b\)](#) found that there is a positive relationship between employees' CSR perception of the hotel and their quality of working life, which leads to affective commitment, organizational citizenship behavior, and job performance.

A few studies have examined CSR specific to hospitality and its business case. According to [Lee et al. \(2013a\)](#), supplementary and voluntary responsible gambling practices in casinos develops organizational trust, which increases job satisfaction and customer orientation. [Lee et al. \(2016b\)](#) considered franchisees in the food service industry and examined the impact of franchisor social responsibility (FSR). Their findings highlight the importance of FSR in creating franchisees' favorable image and trust towards the franchisor, which increased franchisees' satisfaction and their long-term orientation, i.e., willingness to continue the relationship.

Notably, research using archival data has increased due to the availability of quantified and uniform CSR measures, such as the MSCI database where CSR is measured in seven dimensions (See [Appendix A](#) for details). Employing the MSCI database, [Lee and Park \(2009\)](#) found a positive relationship between aggregated CSR and return on assets

(ROA) as well as return on equity (ROE) in U.S. hotel companies, while [Park and Lee \(2009\)](#) found a U-shaped relationship between CSR and ROE in restaurants.

On the other hand, many other studies have found no beneficial impact of CSR on the balance sheet performance indicators in hospitality companies. For example, [Koh et al. \(2009\)](#) found that reputation of CSR has no significant effect on ROA in U.S. publicly traded restaurant companies. In casino companies, CSR has no effect on ROA and ROE ([Lee and Park, 2009](#)). While separating CSR and CSiR (Corporate social irresponsibility), [Kang et al. \(2010\)](#) found no relationship between CSR and ROA for hotel and restaurant companies, respectively. In addition, they found even a negative impact of CSR on ROA in the airline industry. CSiR appears to have no statistically significant impact on all measures of financial performance in hotels, restaurants, and casinos, unlike its negative impact on price-earnings ratio in airlines. Another standard measure for investigating the impact of CSR is market value performance, again with inconclusive results. [Lee and Park \(2009\)](#) identified a positive and linear impact of CSR on market value in hotels, but not for casinos. [Kang et al. \(2010\)](#) found a positive impact of positive CSR on the price-earnings ratio and Tobin's Q, and a negative impact of negative CSR on the price-earnings ratio and Tobin's Q in the airline industry.

Recent studies have examined the impact of CSR from a risk management perspective to evaluate insurance-like protection of CSR in hospitality companies. [Kim and Kim \(2014\)](#) find that negative CSR reduces shareholder values by increasing the systematic risk of the firms, although it does not reduce stock return, which is inconsistent with the argument suggested by instrumental stakeholder theory. [Kim et al. \(2017\)](#) tested the effect of CSR on systematic and unsystematic risk, respectively, across four segments of the hospitality industry (airlines, hotels, casinos, and restaurants) and while CSR was found to mitigate the systematic risk of restaurants and casinos, there was no significant impact on the unsystematic risk in any of the sectors. All the results together indicate weak evidence of clear market reactions to CSR activities implemented in hospitality companies.

Contextual and/or internal factors may help resolve the inconsistent findings in the literature. Separating operations related CSR (e.g., employee relations and environmental relations) and non-operations related CSR (e.g., community relations), [Lee et al. \(2013b\)](#) found that both types of CSR had no impact on Tobin's Q, which is consistent with [Park and Lee \(2009\)](#). However, they found a negative impact of non-operations related CSR, and a positive impact of operations related CSR on Tobin's Q during recessionary periods. Using family ownership, a common organizational form in hospitality companies, [Singal \(2014b\)](#) found that CSR investment by family firms helped increase their credit ratings, and the positive effect of CSR was greater in family firms than non-family firms. According to [Youn et al. \(2015\)](#), larger U.S. restaurant companies enjoy greater spillover impact of positive CSR, arguably due to economies of scale in their CSR investment. On the other hand, firm size does not moderate the relationship between negative CSR and Tobin's Q. [Youn et al. \(2016\)](#) also found a moderating effect of restaurant type on the CSR-CFP relationship, such that positive CSR initiatives resulted in higher Tobin's Q for fast-food restaurants than for full-service restaurants while no significant difference was found in terms of negative CSR, presumably due to the growing health concerns prevalent towards the U.S. restaurant companies.

Thus, discrepancies in the effect of aggregated CSR on stock market performance, compared to other types of outcomes, such as product market performance and employee-related benefits are clearly apparent, offering opportunities to fill gaps in our understanding of CSR activities and their effects on CFP.

#### 5. Gaps and future research directions

Since the late 2000s, there has been an upward trend in articles published examining the business case for CSR in hospitality literature.

Studies in hospitality generally follow the studies conducted on topics popular in mainstream management, with some exceptions for topics specifically related to the industry like cost-benefit analysis of sustainable practices followed by hotels and restaurants. Studies in hospitality management CSR generally follow the research topics and methods used in studies in mainstream management, with some exceptions for topics specifically related to the hospitality industry like cost-benefit analysis of sustainable practices, or lowering food waste practices followed by hotels and restaurants. It may be easier to quantify cost savings gained from conserving energy consumption and participating in recycling compared to initiatives that address other non-tangible social issues like encouraging diversity (Pelozo, 2009). Recent increases in CSR related research stem from the availability of archival data, which can dictate both the volume and direction of scholarly research. Since industry data and practices are private information shared only to trusted outsiders, it behooves academic scholars to engage with industry practitioners, gain their trust, and report upon CSR practices that reflect reality.

We further believe that there is scope to build a coherent industry-specific business case for CSR that is complimentary to the mainstream management literature to provide managerial guideposts. CSR and its implications within different forms of ownership like franchising, management contracts, and family ownership that are highly prevalent in hospitality companies are yet to be explored. While franchisees are governed by contracts, how their CSR policies support or detract from franchisor's CSR programs can be an interesting area of research as the agency costs of the franchisor-franchisee relationship is explored in the lodging context.

Industry comparison is also warranted in future studies to explore the business case for CSR that is unique to the hospitality industry. The important conclusion from the comparative studies should be the consideration whether to implement certain CSR practices specific for the hospitality industry.

Similarly, sub-sector analysis even within the hospitality business can enrich the current stream of CSR research as different aspects of CSR are weighted unevenly by different sectors and the impacts may vary from sector to sector. For example, within the environmental-related CSR, airlines place a greater emphasis on addressing environmental issues, specifically emission reduction due to their heavy fossil fuel usage, than other dimensions of CSR towards employees and community well-being (Cowper-Smith and de Grosbois, 2011). Incorporating the materiality concept in airline companies, Lee et al. (2018) found that the effect of immaterial CSR is more negative for low-cost carriers than for full-service carriers. On the other hand, environmental issues related to waste management and resource consumption would be more relevant in hotels and restaurant sectors while promotion of a tourism destination with fragile eco-systems is a unique environmental challenge to tourism and cruise companies (Jones et al., 2016). As several practices, like re-use of linens and towels, have become the norm within the hotel industry, whether these practices continue to influence customers as before can be reexamined (Aragon-Correa et al., 2015). Moreover, casinos face a different set of social responsibilities, for example, Lee et al. (2013a) examined the impacts on casino employees while considering responsible gambling as a unique CSR strategy intended to minimize adverse effects related to problem gambling on customers and community. Investigating the business case for CSR in under-explored sectors, such as cruises and theme parks, will be also useful especially because some of these sectors are considered controversial. We thus see scope for studies that consider the business impacts of CSiR, a topic that has received scant attention in the hospitality literature.

Although it is natural to expect a parallel between mainstream and hospitality studies in CSR, we believe there is greater need for theory engagement in the current hospitality literature. In addition to the few theories that hospitality researchers have commonly cited, such as theory of planned behavior, social identity theory, and stakeholder

theory, theories developed in other disciplines can be tested and elaborated upon in the applied field of hospitality management. For example, institutional theory and the idea of gaining legitimacy by mimicking CSR of large players in the industry can be explored. Similarly, little attention has been paid to different national, legal, and cultural contexts in the current hospitality studies of CSR although it is well-established that such contexts matter (Welford, 2005). The bulk of studies in our sample focused on U.S. hotels and/or restaurants although we find that increasing studies are conducted in the Asian context.

Our review further finds that a limited range of metrics have been used to value CSR activities in the hospitality literature, compared to mainstream management studies. Based on the business case for CSR in mainstream studies, we suggest at least four metrics of value to the hospitality context be considered:

- a) *Cost of capital*: According to Malik (2015), the link between CSR and the cost of equity capital has been widely examined in mainstream studies, most of which document a strong negative association based on the risk reduction propriety of CSR activities (e.g., Dhaliwal et al., 2011). Considering the capital-intensive nature of the hospitality industry (Singal, 2015), research on whether CSR activities reduce costs of capital or information asymmetry with creditors is of particular importance to industry practitioners.
- b) *M&A benefits*: Several studies have found higher announcement returns and long-term stock returns during the post-merger period for high-CSR acquiring firms (e.g., Deng et al., 2013). This result is, however, not tested in the hospitality context – despite its relevance to the industry. M&A is a commonly used strategy for hotel firms trying to expand globally (Canina et al., 2010). There is scope for research regarding best practices in effective integration of CSR activities between the acquirer and acquired firms.
- c) *Attractiveness as a prospective employer*: As a labor-intensive industry and one where customer satisfaction and loyalty depends directly upon quality of services rendered, the importance of recruitment and retention of productive employees cannot be overemphasized in the hospitality industry. Reputation building via CSR activities attracts good employees (Turban and Greening, 1997). Opportunities for research exist in exploring the mechanisms and contexts where CSR activities can be most relevant.
- d) *Regulatory benefits*: Precluding regulation and fines imposed by authorities, by undertaking self-governing and CSR activities, is a possible regulatory benefit companies may accrue (Malik, 2015). Notably, casinos and airlines are highly regulated and future research could address questions that examine whether CSR activity leads to favorable media coverage, and in turn an advantageous treatment from regulators.

Of practical significance, we identify growing demands not only of pro-environmental but also of pro-social practices in hospitality establishments, and findings of this study collectively suggest the importance of CSR as a core corporate strategy in hospitality companies. CSR should be implemented as a long-term strategy, rather than a short-term tactic. More importantly, underlying mechanisms through which hospitality companies can benefit from their investment in CSR must be further considered, that is, *how* and *when* does it pay to be socially responsible, and which activities give the most bang for the buck? Adequate communication incorporated along with CSR practices is important to capitalize on investment as rewards are achieved only via communication capability of practices. Often times, decoupling among CSR policies, programs, and impacts is found, yet having a CSR program is important for achieving goals and top-level responsibility for CSR is effective in strengthening the quality of CSR programs (Graafland and Smid, 2019).



## 6. Conclusions and limitations

This study reviews and analyzes CSR research published in the leading hospitality journals in the period from 1990 to 2017. Our study adds to previous reviews (e.g., Farrington et al., 2017; Serra-Cantalops et al., 2018), not only by being more comprehensive with more studies, but also by focusing on the business case for CSR, based on stakeholder engagement and salience, an area where results are inconsistent and which is a highly debatable topic even within the hospitality literature (e.g., Kang et al., 2010; Inoue and Lee, 2011; Lee et al., 2018; Theodoulidis et al., 2017).

We find that the current state of the field is relatively young but a rapidly evolving area of academic inquiry in the hospitality literature. While the goal of the review was not to prove the business case for CSR, there is some evidence showing positive impact of CSR on firm performance in particular dimensions. A positive impact of CSR towards the environment on operating profitability (in a long-term) and customer and product market performance is found. On the other hand, the relationship between overall CSR and stock market performance seems complicated, while CSR towards both employees and communities is not fully established.

We find that hospitality studies are largely a-theoretical and there is need for both theory testing and theory elaboration. The context of the hospitality industry with plural ownership forms, varied geographical contexts, and different institutional and national environments, provides rich avenues for theory testing. Several recent developments in the hospitality industry have implications for CSR and stakeholders. For example, innovations in technology, such as electronic concierge or robotic housekeeping have consequences for labor displacement, emphasis on revenue management practices have consequences for satisfaction of customers, while industry disruptions like Airbnb and home-sharing provide concern for privacy and safety of consumers. There is little, if any, research on these topics and thus ample opportunities for theory elaboration exist. In terms of methodology, we find that survey research is most prevalent – and while primary data collection is valuable for gauging employee and customer perceptions, small sample sizes, bounded geographical coverage, and cross-sectional data, limit the rigor and generalizability of studies. The growing trend of using large scale secondary data is a step in the right direction.

Our review urges hospitality scholars to go beyond what we know about the business impact of CSR from the mainstream literature. For example, specific topics of CSR conceptualized within the hospitality industry including responsible gaming strategies, food waste reduction, disaster relief based on the access to unique resources, franchisors' responsibility towards franchisee compliance of CSR, will contribute to theory development in other disciplines. This suggestion is consistent with Farrington et al. (2017)'s observation that studies of CSR in the hospitality literature largely followed the definitions, models, and measurements used in the mainstream management literature, without context-specific conceptualization. Findings of studies based on industry-specific concepts can offer meaningful practical implications. To conduct research that is meaningful, academia needs to engage with the industry to take into account practitioner views and to gain the trust of industry managers who are often only willing to share data with trusted outsiders as much of this data is business commercial and confidential.

Despite the contributions of the current review paper as an overview of the business case for CSR in the hospitality context, this study has certain limitations. First, our review is limited to papers published in the 14 leading hospitality journals, whose results may not represent the entire body of available knowledge in the literature. The focus of this paper is on CSR and its impact on stakeholders as distinct groups. We do not dwell on characteristics and attributes of individuals (e.g., customer segmentation) that may influence their attitudes and behaviors towards CSR. Rather, we focus on CSR activities implemented at business-/corporate-level and their instrumental value to economic return. This study further acknowledges potential omission of relevant studies that

have been published in other journals, especially some tourism journals, such as *Annals of Tourism Research*, *Tourism Management*, and *Journal of Travel Research*. Similarly, the study may lack adequate volume of research grounded in practice due to its focus on academic literature. Lastly, due to the lack of a single definition of CSR, our selection of articles included in the review may be debated by other scholars. As with all review articles, the selection process is not free from the authors' own interpretations, despite our casting a wide net to capture the most relevant research. We recognize that we may have missed potentially relevant studies as a result of keywords used in this study.

Nevertheless, we believe that our review provides a fairly comprehensive overview of the business case for CSR in the hospitality industry.

## Appendix A. General Information on MSCI Database

Based on a variety of sources, such as academic journals, articles on companies in the popular press, company financial statements, government reports, NGO datasets, on-site evaluations, company disclosures, and surveys, the MSCI database rates both strengths and concerns of CSR in seven categories (community relations, diversity management, employee relations, environment relations, product quality, human rights, and corporate governance) for each company in the database on a yearly basis. In particular, each of the seven categories is composed of a different number of sub-indicators that are further divided into strength and concern indicators.

Strength indicators capture the company's positive practices (for example, does the company have women/minority representation in top management team?) whereas concern indicators capture the negative practices (for example, does the company pollute rivers?). A binary score, either 1 or 0, is assigned to approximately 80 strength and concern indicators under the seven categories depending on whether a firm meets certain criteria. The rating also has six exclusionary screens relating to social issues: involvement with alcohol, gambling, firearms, the military, nuclear power, and tobacco.

Starting from 1991 with approximately 650 firms listed on the S&P 500 or Domini 400 Social Indexes, MSCI has provided social indexes each year. Beginning in 2001, MSCI expanded its coverage to include companies in the Large Cap Social Index and the Russell 1000 Index. In 2003, the Broad Market Social Index and the Russell 2000 Index were added, resulting in a total number of approximately 3100 companies.

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