International Journal of Hospitality Management 58 (2016) 24–33

Contents lists available at ScienceDirect

International Journal of Hospitality Management

journal homepage: www.elsevier.com/locate/ijhosman

Does the restaurant type matter for investment in corporate social responsibility?

Hyewon Youn (Ph.D.) (Associate Professor)[a], Sujin Song (Graduate Student)[b], Seoki Lee (Ph.D.) (Associate Professor)[b], Jong-Hyeong Kim (Ph.D.) (Professor)[c,*]

[a] LCB Hospitality Management, Sookmyung Women's University, South Korea
[b] School of Hospitality Management, The Pennsylvania State University, U.S.A
[c] School of Tourism Management, Sun Yat-sen University, China

ARTICLE INFO

Article history:
Received 2 April 2015
Received in revised form 21 July 2016
Accepted 21 July 2016
Available online 30 July 2016

Keywords:
Restaurant industry
Restaurant type
Corporate social responsibility (CSR)
Corporate financial performance (CFP)
Expectation-confirmation model

ABSTRACT

This study investigates the impact of CSR on firms' performances within the restaurant industry context in the U.S. Contrary to findings from previous studies, this study finds positive main effects of overall CSR and positive CSR (PCSR) on restaurant firms' value as measured by Tobin's q. This study also argues that restaurant type moderates the effect of CSR on firms' value and the analysis supports the argument. The positive effects of CSR and PCSR initiatives are greater for fast-food restaurants than full-service restaurants. The study provides empirical evidence that values of companies in the fast-food sector are more susceptible to CSR activities and this result is probably due to the increasing health and obesity concerns prevalent in the U.S. restaurants. The study also confirms these findings with a sensitivity analysis accounting for a potential endogeneity problem.

© 2016 Elsevier Ltd. All rights reserved.

1. Introduction

Contemporary businesses are under increasing pressure from multiple stakeholders to be socially responsible (Putrevu et al., 2012). Recent financial scandals paired with the global financial crisis have led the public to request corporations to be good citizens in society and to undertake socially responsible actions that extend beyond maximizing stockholders' wealth (Becchetti et al., 2012). Following this sentiment, corporate social responsibility (CSR) can be defined as "actions that appear to further some social good beyond the interest of the firm and that which is required by law" (McWilliams and Siegel, 2001) or "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Holmes and Watts, 2000, p8). As public interest in CSR activities continues to increase, more organizations are seeking to integrate these activities into various aspects of their businesses (Lee et al., 2012; Rivoli and Waddock, 2011). Evidently, CSR has become a mainstream issue and will become more important to business organizations in forthcoming years (Rivoli and Waddock, 2011).

One of the factors that accelerated the proliferation of CSR in business organizations is the assumption that markets reward firms for engaging in CSR activities (Levy, 1999). Numerous studies have investigated CSR-related topics to verify this assumption. Extant CSR studies have examined the impact of CSR on various areas, such as customers' satisfaction and behavioral intentions (Becker-Olsen et al., 2006; Beckman, 2006; Mohr and Webb, 2005; Xueming and Bhattacharya, 2006), competitive advantage (Porter and Kramer, 2006), product evaluation (Perera and Chaminda, 2013), corporate reputation (Dawkins and Lewis, 2003; Gatti et al., 2012), financial risk (Prakash, 2002), and corporate financial performance (Cai et al., 2012; Chen et al., 2013; Jiao, 2010; Jo and Harjoto, 2011). The findings of these studies support the notion that company investments in socially responsible activities can be considered business investments. In particular, the association between CSR and firm performance has been a popular topic, and studies have examined this topic from different business perspectives, such as management, marketing, human resources, economics, and finance.

Numerous studies in the hospitality and tourism literature have investigated the link between CSR and corporate financial performance (CFP); however, they have failed to reach conclusive results. Even within the restaurant context, a few studies examining the

* Corresponding author at: School of Tourism Management, Sun Yat-sen University, China.
E-mail addresses: hyewonyoun@yahoo.com (H. Youn), sxs6040@psu.edu (S. Song), leeseoki@psu.edu (S. Lee), jhkim96@gmail.com (J.-H. Kim).

http://dx.doi.org/10.1016/j.ijhm.2016.07.004
0278-4319/© 2016 Elsevier Ltd. All rights reserved.

CSR-CFP relationship have reported mixed findings (i.e., positive, negative or no relationship) and mainly focused on the unconditional direct effect of CSR on firm performance without considering the factors that may moderate the association. These inconsistent findings could result from the failure to consider the market segment or industry effects when studying the CSR-CFP relationship (Chand, 2006); consequently, the use of moderating variables for a nuanced examination of this relationship has been suggested (Rowly and Berman, 2000). To this date, only two studies have examined the effect of a moderating variable on the CSR-CFP relationship within the restaurant industry context (Lee et al., 2013; Youn et al., 2015). In addition, previous studies have reported that there is a gap in the hospitality literature with respect to the understanding of the effects of CSR on firm performance and have called for further investigation (Kim and Kim, 2014; Sheldon and Park, 2011). This study attempts to close this gap by introducing restaurant type as a moderator to better explain the fundamental processes driving the CSR-CFP relationship within the restaurant industry and to therefore complement prior findings. By focusing on the subsectors of the restaurant industry, this study provides an industry context that can be useful for other industries, such as hotels (economy versus luxury) or airlines (full service versus low cost) since the degree to which CSR activities affect firm performance may differ between these market segments.

The objective of this study is therefore to empirically examine the moderating effect of restaurant type on the relationship between CSR and firms' financial performance. Further, the current study not only examines the effect of aggregate CSR but also disaggregates CSR measures into two dimensions, positive and negative CSR, following Kang et al. (2010) and examines the effect of each dimension. By accounting for restaurant type, the findings of this study can assist restaurant operators and other stakeholders in better understanding the CSR-CFP relationship in the restaurant context and provide more practical implications for each restaurant sector in terms of designing and executing CSR activities. In addition, the findings can assist restaurant firms in identifying which of the two CSR dimensions (i.e., positive and negative CSR) needs more attention with respect to firm value. Finally, restaurant firms, particularly fast-food restaurants, have been criticized for not adequately investing in improvements in social welfare (Kim and Kim, 2014). The findings of this study will help elucidate the public's perception about fast-food restaurants' CSR activities and the weight that the public places on these firms' CSR activities. In addition, by empirically testing whether the impact of CSR activities differs between fast-food restaurants and full-service restaurants, the findings of this study will provide important implications for management in the fast-food restaurant sector.

The organization of this study is as follows: Section 2 defines the conceptual background and develops the hypotheses. Section 3 presents the data and the methodological approach, and Section 4 reports the findings. The final section provides conclusions and discusses the implications and limitations of the study.

2. Conceptual background and hypotheses development

2.1. Corporate social responsibility and firm performance

The definition of CSR often differs slightly among studies. Despite the lack of consensus, CSR generally represents an approach to conducting business that strives not only to gain economic benefits but also to produce socially desirable goods and services within legal and ethical boundaries established by society (Carroll, 1989). While a significant number of studies have examined the association between CSR and corporate financial performance (CFP), the empirical evidence regarding whether corporate investment in CSR is beneficial for firm value has been mixed. This lack of clarity is primarily due to differences in CSR sources and measures, performance measures, sample types, and research designs (Chen et al., 2013).

Despite these differences, a review of previous CSR studies generally indicates that a positive relation exists between CSR and CFP (Cai et al., 2012). For example, Chen et al. (2013) found that firms with higher CSR performance have higher share returns, better operating performance, and lower operating expenses than firms with lower CSR performance. In a recent event analytical study, Becchetti et al. (2012) investigated the changes in firms' market value following entries into or exits from the Domini 400 social index, an established index of social responsibility. To be eligible for inclusion in the Domini index, firms must make considerable commitments to major social interests, such as communities, corporate governance, diversity, employee relations, environment, and human rights. The Domini index screens strengths and weaknesses for each of these areas and excludes firms from the index if they fail the screening process. The study found that exit announcements from the Domini index have a significantly negative effect on such firms' stock returns. The findings highlight that CSR leads corporations to refocus their strategic goals from a shareholder perspective to that of a broader set of stakeholders. Stakeholders include not only shareholders and employees but also entities outside the corporation who influence the organization, such as customers, competitors, the financial community, the government, regulatory agencies, and society in general (Murray and Vogel, 1997). Many studies have suggested CSR as a new competitive strategy that can effectively enhance firms' value by improving their corporate operating performance while reducing firm-specific risks (Jiao, 2010; Jo and Harjoto, 2011; Porter and Kramer, 2006).

The impact of CSR on CFP has recently been a topic of great interest for all stakeholders. In particular, shareholders are increasingly concerned about the impact of CSR investments on firm performance as the importance of CSR continues to rise (Chen et al., 2013). With a sample of U.S. airline companies, Lee and Park (2010) revealed that CSR activities have linear and positive impacts on value performance (i.e., excess market value and average market value). In a recent study on gaming operations, Vong and Wong (2013) tested the relationship between corporate social performance (CSP) and firm performance based on five dimensions of CSP: business and employment, community development, responsible gambling, management practices, and environmental protection. The study found that business and employment, community development, and environmental protection dimensions are positively associated with revenue, market share, and overall organizational performance. Further, another dimension, management practices, has a positive impact on earnings per share and organizational performance, whereas the responsible gambling dimension is positively associated with revenue and market share. The study concluded that although CSR practices may incur additional costs, these costs are often offset by the positive association between CSP and financial performance.

Other researchers, on the other hand, have indicated that CSR investments require firms to expend greater resources, resulting in increased operating costs and lower profitability (Aupperle et al., 1985; Ullmann, 1985). For instance, Anginer et al. (2008) claimed that firms with superior CSR ratings have a correspondingly lower performance for securities' values. Makni et al. (2009) found empirical evidence suggesting that significantly negative relationships exist between aggregate CSR and the market return measure of CFP and between the environmental dimension of CSR and CFP. They used a sample of publicly held Canadian firms and proposed that environmental initiatives may be perceived as too costly given the smaller size of Canadian firms compared with their US counterparts. In addition, Wood and Jones (1995) and Brammer et al.

Download English Version:

https://daneshyari.com/en/article/1009138

Download Persian Version:

https://daneshyari.com/article/1009138

Daneshyari.com