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CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE: A SNAPSHOT FROM THE LODGING AND GAMING INDUSTRIES

Leonard A. Jackson

and

Nan Hua

ABSTRACT

This study examines the relationship between corporate social responsibility (CSR) and financial performance for a sample of lodging and gaming companies. The study attempts to answer the question: do lodging and gaming companies ranked highly on CSR initiatives outperform their counterparts that are not highly ranked? The study utilizes data of publicly traded U.S. hospitality firms obtained from the CRSP and Mergent databases. The study also uses the *Fortune* CSR ranking survey for hotels and casinos. The findings suggest that lodging and gaming firms with well-executed CSR initiatives have higher profit margins and higher return on equity than the rest of the sampled firms.

Introduction

The fields of corporate social responsibility (CSR) and social responsibility investing (SRI) have grown steadily in recent years. Increasingly, firms are adopting CSR initiatives as part of their overall business strategy to obtain the competitive advantages that these initiatives are purported to generate. Although CSR initiatives are often dismissed as public relations or publicity stunts (McPeak & Tooley, 2008), several of today's leading corporations have invested heavily in such initiatives. The primary reason suggested for this trend relates to pressures from stakeholders (McPeak & Tooley; Waddock, 2004) who are often influenced by reports that suggest that CSR-practicing companies outperform non-CSR-practicing companies. This trend has been accompanied by an increased interest in the relationship between firms' CSR initiatives and their financial performance. Studies relating CSR to financial performance have generally focused on the issue of whether firms that are perceived as socially responsible have achieved higher, lower, or similar financial performance relative to comparable firms that are not perceived as socially responsible (Mackey, Mackey, & Barney, 2007; McWilliams & Siegel, 2001; Roman, Hayibor, & Agle, 1999; Griffin & Mahon, 1997; Aupperle, Carroll, & Hatfield, 1985). The results of these studies are inconclusive and quite often contradictory (Griffin, 2000; McWilliams & Siegel; Rowley & Berman, 2000). There is also a lack of consensus in the measurement methodologies and tools used to evaluate the link between CSR initiatives and a firm's financial performance or what should be included in the social responsibility measures of organizations (Griffin; Frederick, 1994). Subjective indicators such as CSR

performance reports conducted by independent organizations such as *Fortune* and the Kinder Lydenberg Domini (KLD) rating system are often used to ascertain a firm's performance on CSR initiatives. These rating systems are often criticized because they are subject to inherent perceptual biases (Carroll, 1991). Corporate disclosures such as annual reports are often evaluated to determine the company's financial performance (Simpson & Kohers, 2002).

Although the debate surrounding the issue of CSR and financial performance is not new (Wu, 2006), indications are that it will continue into the foreseeable future since CSR affects issues that are relevant and important in today's modern economy and their impact on stakeholders (Beurden & Gossling, 2008). These issues include pressures for corporate accountability (Waddock, 2004), customers seeking sustainable products (Gauthier, 2005), and investors seeking to invest in socially responsible companies. These factors suggest that CSR will continue to play an important role in the overall business strategy of corporations and undoubtedly will affect their long-term overall profitability. Further, studies continue to highlight the positive effects of CSR initiatives on firms' performance. For example, one study conducted by Luo and Bhattacharya (2006) suggested that improvements in CSR ratings have a direct positive impact on a company's market value, which translates into improved financial performance. Specifically, the study indicated that value is created through CSR initiatives that help to develop strong and satisfied clientele, which ultimately translates into brand loyalty and brand equity. In addition, in recent years there has been an increase in corporate socially responsible investing (SRI). In fact, SRI is reported to be one of the fastest growing investing sectors in recent years (Murdock, 2006). This suggests that stakeholders believe that there are benefits to be derived from CSR initiatives.

The aforementioned factors suggest that prudent companies should pay close attention to the importance of CSR initiatives and the impact of such initiatives on financial performance. To date, this issue has received little attention in the hospitality industry. Existing hospitality-related CSR studies have primarily addressed the issues of attitudes toward CSR initiatives and CSR practices within the hospitality industry (Holcomb, Upchurch, & Okumus, 2007; Manaktola & Jauhari, 2007; Kasim, 2006; Jones, Comfort, & Hillier, 2006), thus leaving hospitality executives unclear about the relationship between CSR initiatives and financial performance. The present study intends to explore that gap by examining the relationship between hospitality firms' CSR initiatives and financial performance.

Literature Review

Increasingly, more and more firms are embracing the concept of CSR, since it has a positive impact on the choices made by the firm's key stakeholders in their decision to enter a relationship with the firm, especially consumers (Del Mar Garcia de los Salmones, Crespo, & Rodriguez del Bosque, 2005; Brown & Dacin, 1997) and potential

employees (Backhaus, Stone, & Heiner, 2002; Greening & Turban, 2000). Berens, van Riel, and van Rekom (2007) found that individuals prefer companies that actively engage in CSR initiatives as these relate to the firm's products, stocks, and employment. This point was accentuated by Turban & Greening (1997), who noted that companies perceived as engaging in CSR initiatives have a lower employee turnover rate than those that do not engage in such initiatives.

However, in general, there is a lack of consensus regarding the relationship between a firm's CSR initiatives and its financial performance. Some researchers have reported positive linkages (Wu, 2006; Allouche & Laroche, 2005; De Bakker & den Hond, 2005; Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003; Roman et al., 1999; Johnson & Greening, 1999; Berman, Wicks, & Jones, 1999; Turban & Greening, 1997; Preston & O'Bannon, 1997; Waddock & Graves, 1997; Raihi-Belkaoui, 1992), while others have reported negative linkages (Bromiley & Marcus, 1989; Davidson, Chandy, & Cross, 1987; Davidson & Worrell, 1988). Still others have found no significant linkages between CSR initiatives and financial performance (Freedman & Jaggi, 1982; Aupperle et al., 1985). From a corporate standpoint, while CSR-practicing corporations such as Starbucks have reportedly generated positive market returns and excellent brand equity from their CSR initiatives, other companies have reported that CSR initiatives have resulted in financial leakage due to negative financial returns resultant largely from the added costs of initiating and supporting CSR initiatives (McGuire, Sundgren, & Schneeweis, 1988; Sen & Bhattacharya, 2001). There are several reasons suggested for the lack of consensus. Davidson and Worrell (1990), suggest that the lack of consensus is due to: (1) the use of questionable social responsibility indices, (2) poor measurement of financial performance, and (3) unsuitable sampling techniques. Conversely, Ruf, Muralidhar, Brown, Janney, and Paul (2001), suggest that the fundamental reasons for the inconsistencies in the findings are a lack of a sound theoretical foundation, a lack of a systematic measurement of CSR, a lack of proper methodology, limitations in sample size and composition, and mismatches between social and financial variables.

In terms of CSR performance measures, a combination of subjective indicators is generally used to measure a firm's performance on CSR initiatives. These include independent rating systems, such as the KLD rating system, *Fortune* ranking, survey systems, and measures of behavior and perceptions, as well as information gathered from the firm's financial statements, media reports, academic journals, and government reports (Waddock & Graves, 1997). In general, there are two sets of measures used to evaluate performance—those that measure the firm's market performance and those that measure the firm's accounting performance. Accounting performance measures focus on profitability, asset utilization, and growth, while market-based measures include stock performance, market return, and market value to book value, as well as other market-based performance measures (Chand, 2006; Wu, 2006; Griffin & Mahon, 1997). Both measures offer benefits and are used extensively by researchers. Some researchers have used market measures to ascertain a firm's performance (Luo & Bhattacharya, 2006), while other researchers have used accounting measures (Waddock & Graves). Still others

have used a combination of both accounting and financial measures (McGuire et al., 1988). Accounting measures evaluate a firm's performance from a historical standpoint (McGuire et al.) and are subjected to biases that pertain to managerial competencies as well as the use and manipulation of accounting procedures. Market measures of performance, on the other hand, tend to be futuristic and are less dependent on the firm's management accounting procedures and instead are representative of investors' perception of the firm's ability to generate future earnings (McGuire et al.; Rust, Lemon, & Zeithaml, 2004). However, market measures unavoidably incorporate market mispricing and thus may not be as reliable as accounting measures.

Theoretical approaches to and concepts of CSR management include the value approach, which postulates that CSR initiatives create value by building a loyal client base (Luo & Bhattahcarya, 2006). Other approaches used to explain the link between CSR and financial performance include the social impact hypothesis (Preston & O'Bannon, 1997), which suggests that since CSR satisfies the needs and expectations of the various stakeholders, it will lead to increased financial performance (CSR has a positive influence on financial performance). Finally, the trade-off hypothesis (Preston & O'Bannon) postulates that by increasing CSR initiatives, firms will incur unnecessary costs that reduce profitability and place the firm at a disadvantage when compared to less socially active firms (CSR negatively influences financial performance).

In recent years, there have been several studies conducted to examine the relationship between CSR and financial performance. Although the results of these studies are mixed, increasingly firms are embracing CSR initiatives as part of their business strategy. Today's corporations have embraced the concept of corporate social responsibility and many have incorporated CSR initiatives into their business practices. The literature suggests that, presently, there is no clear indication of whether or not there is a symbiotic relationship between a firm's implementation of CSR initiatives and its financial performance. In fact, there is a divergence of views regarding this relationship. This exploratory study seeks to take the initiative and address the relationship between CSR and financial performance, while at the same time to expand this line of research to include the hospitality industry.

Methodology

Procedure

This research explores the issue of whether CSR enhances lodging firms' financial performance. To accomplish this, we construct two portfolios conditional on the lodging firms' 2007 social responsibility rankings. One portfolio comprises lodging firms ranked in *Fortune's* 2007 top-ten list in social responsibility for the hotel and gaming companies, while the other includes all other publicly traded non-ranked CSR firms. Despite its noted shortcoming of being susceptible to perceptual limitations (Carroll, 1991; Wokutch & McKinney, 1991), the *Fortune* reputation and ranking survey has been used extensively

by several researchers to conduct CSR-related studies (Weigand, 2007; Stanwick & Stanwick, 1998; Preston & O'Bannon, 1997; Thomas & Simerly, 1994; Fombrun & Shanley, 1990; McGuire et al., 1988; Spencer & Taylor, 1987), thus supporting the validity of the instrument. *Fortune* derives its rankings from surveys of senior executives, directors, outside industry experts, and financial analysts who are asked to rate companies on eight dimensions of CSR initiatives, using a scale of zero (poor) to ten (excellent). The eight dimensions are: quality of management; innovativeness; quality of products or services; long-term investment value; financial soundness; ability to attract, develop; and keep talented people; wise use of corporate assets; and, finally, responsibility to the community and the environment. The results are then summated to derive an overall reputation index. Since the instrument assesses a company's responsibility to the community and the environment, it is often used as a proxy to measure CSR.

We form a CSR portfolio by including publicly traded lodging and gaming firms ranked among the top ten most socially responsible, as reported by *Fortune* for the year 2007, and a non-CSR portfolio that includes all the other publicly traded lodging firms in 2007. Lodging and gaming firms were selected (as opposed to restaurant firms) based on the availability of data. Given that these two portfolios differ only in CSR ranking and financial performance, if we can show that the CSR portfolio outperforms, on average, the non-CSR portfolio financially, it would imply that we find empirical evidence to suggest that well-executed CSR enhances hotel financial performance.

Although we draw our sample from a homogeneous group of publicly traded firms, revenues reported in Table 1 suggest that the CSR and non-CSR portfolios may differ significantly in size. Consequently, in order to compare the financial performance of the CSR portfolio and the non-CSR portfolio, it is critical to find financial measures that are proper proxies for hotel financial performance *and* free of size impacts. Since hospitality enterprises are often evaluated in terms of their ability to generate profit on sales, we calculate profit margin (PM) by net income over revenue to provide an overall measurement of management's ability to generate sales and control expenses. Moreover, to measure management's ability to produce for stockholders as well as the alignment of interests between management and stockholders, we compute return on owners' equity (ROE) by net income over stockholders' equity (Schmidgall, 2006). Previous CSR performance-related studies have measured financial performance using the ROE measure (Preston & O'Bannon, 1997). Lastly, before comparing the CSR portfolio with the non-CSR portfolio by PM and ROE, we carry out a correlation analysis to ensure that the two financial measures are not correlated with size.¹ This analysis is critical because any finding of financial performance differences in PM or ROE between the CSR and the non-CSR portfolio could be due to size impacts instead of well-executed CSR initiatives. The final comparison is carried out in two steps. First, summary statistics of PM and ROE are computed for both portfolios. Second, *t*-tests are carried out to detect if the means of

¹ Due to data constraints, we are unable to test if there are significant nonlinear relationships between our size proxies and financial performance measures. However, by plotting the data, we do not observe systematic nonlinear relationships. We leave this as a part of the study limitation and for future research.

PM and ROE from the CSR portfolio are significantly greater than those from the non-CSR portfolio. Significantly positive results from this comparison would indicate that the CSR portfolio outperforms the non-CSR portfolio financially, on average. The study examines financial performance from an accounting perspective, since market measures are susceptible to assessing more than the financial outcome of the organization (Shane & Spicer, 1983) and tend to be unreliable due to market mispricing. Further, to ensure our results are robust to other variables that may affect firm performance, we control for commonly employed risk factors such as Fama and French three factors and leverage. Specifically, we created a dummy variable coded as one if a firm belongs to the CSR portfolio and zero if the firm belongs to the non-CSR portfolio and used PM or ROE as the dependent variable while controlling for potential confounding variables. Depending on the number of parameters to be estimated, corresponding model specifications are employed so that our results are arrived at with reasonable variation and validity. In general, our results are robust to alternative model specification and heteroscedasticity issues. Moreover, our results are robust to size proxy choices such as market value of equity and log of total assets.

Data Sources and Sample Characteristics

Data were collected via a three-step process. First, 2007 financial data were collected for all publicly traded lodging firms from the CRSP and Mergent databases. Secondly, by referring to the top ten lodging firms from the *Fortune* 2007 ranking in social responsibility, five lodging firms were identified and selected due to data constraints, i.e., Marriott International (MAR), Wyndham Worldwide (WYN), Starwood Hotels & Resorts (HOT), MGM Mirage (MGM), and Las Vegas Sands (LVS). Lastly, the lodging firms identified in the second step were merged with those from step one. The final sample consisted of 17 publicly traded lodging firms, among which five were ranked amongst the top ten in social responsibility by *Fortune* in 2007 (Table 1). The final sample captured over 99 percent of the publicly traded lodging market, as indicated by the sum of individual market shares in Table 1, where the market share is calculated by individual sales for 2007.

Table 1
Sampled lodging firms

Company Name	Portfolio	Ticker	Revenue	Marketshare
MGM Mirage	CSR	MGM	7,691,637,000	0.1967
Starwood Hotels & Resorts Worldwide, Inc.		HOT	6,153,000,000	0.1573
Marriott International, Inc.		MAR	12,990,000,000	0.3321
Las Vegas Sands Corp.		LVS	2,950,567,000	0.0754
Wyndham Worldwide Corp.		WYN	4,360,000,000	0.1115

Choice Hotels International, Inc.	Non-CSR	CHH	615,494,000	0.0157
Gaylord Entertainment Co.		GET	747,723,000	0.0191
Great Wolf Resorts Inc.		WOLF	187,580,000	0.0048
Interstate Hotels & Resorts, Inc.		IHR	800,131,000	0.0205
Lodgian, Inc.		LGN	278,079,000	0.0071
Marcus Corp.		MCS	327,631,000	0.0084
Morgans Hotel Group Co.		MHGC	322,985,000	0.0083
Red Lions Hotels Corp.		RLH	186,893,000	0.0048
Riviera Holdings Corp.		RIV	205,495,000	0.0053
Sonesta International Hotels Corp.		SNSTA	86,685,000	0.0022
Supertel Hospitality, Inc.		SPPR	111,631,000	0.0029
Trump Entertainment Resorts, Inc.		TRMP	988,235,000	0.0253

Correlation Check

Table 2 reports the correlation analysis between size, proxy by market value of equity (MV), PM, and ROE. Results indicate no significant correlation detected between MV, PM, and ROE, suggesting that PM and ROE are not affected by size and are appropriate financial measures for this study to compare the CSR portfolio and the non-CSR portfolio. Additional sensitivity analyses show that two other popular size proxies, revenue and total assets (results not reported due to space constraints), are not correlated with PM and ROE either in this study. Thus, this indicates that size is not correlated with our financial performance measures of profit margin (PM) and return on equity (ROE). Further, we did not observe significant impacts from leverage.

Table 2
Correlation analysis

	MV	PM	ROE
MV	1		
PM	-0.1362 (0.6022)	1	
ROE	0.3482 (0.1709)	0.2658 (0.3025)	1

Note: Significance levels are reported in parentheses.

Findings

Summary statistics of the final sample are reported in Table 3. Market value is calculated by common shares outstanding multiplied by share price. It was used as the size proxy in this study. With a span of \$104 million to \$40 billion, the sample firms covered a wide range of size, with a mean of \$6.6 billion and a standard deviation of \$11.5 billion. Similar results can be observed by total assets and revenue, though with smaller magnitudes. Further, the sample firms exhibit a wide range of profitability as indicated by profit margin, which ranges from −19.09 percent to 20.6 percent, with a mean of 3.63 percent and a standard deviation of 9.99 percent. Similar results are found for return on equity (ROE), spanning an even wider range from −83.35 percent to 48.71 percent, with a mean of 2.41 percent and a standard deviation of 33.59 percent. The wide span of the sample firms indicates a wide coverage of different firms, and is thus representative of the lodging industry to a reasonable degree.

Table 3
Summary statistics

Variable	N	Mean	Std Dev	Minimum	Maximum
Market Value	17	\$6,550,000,000	\$11,500,000,000	\$104,000,000	\$40,300,000,000
Total Assets	17	\$4,270,000,000	\$6,290,000,000	\$130,000,000	\$22,700,000,000
Revenue	17	\$2,290,000,000	\$3,600,000,000	\$86,700,000	\$13,000,000,000
Profit Margin	17	0.0363	0.0999	−0.1909	0.2060
ROE	17	0.0241	0.3359	−.8335	.4871

Results for our comparison analysis between the CSR portfolio and the non-CSR portfolio are reported in Table 4. The CSR portfolio reports means of profit margin and return on equity at 9.59 percent and 23.52 percent, with standard deviations of 6.55 percent and 16.81 percent, respectively; the non-CSR portfolio reports means of PM and ROE at 1.15 percent and −6.38 percent, with standard deviations of 10.32 percent and 35.37 percent, respectively. By observation, it appears that not only does the CSR portfolio enjoy a higher profit margin, but it does so with less volatility. In addition, the CSR portfolio has a much higher return on equity with a much smaller variance, echoing the common benefits gained from the CSR initiatives. This finding is in congruence with previous studies that reported similar findings that CSR firms perform better financially than non-CSR firms (Johnson & Greening, 1999; Preston & O'Bannon, 1997). Formal *t*-tests reveal similar results. The difference of the mean PM between the CSR portfolio and the non-CSR portfolio is significantly positive at 8.44 percent, while the difference of the mean ROE between the CSR portfolio and the non-CSR portfolio is significantly positive at 29.9 percent. These results indicate the CSR portfolio outperforms the non-CSR portfolio financially, thus implying that CSR initiatives can be a competitive edge for companies that implement them.

Table 4
Results from portfolio comparison

	Variable	N	Mean	Std. Dev.	Min	Max
CSR Portfolio	PM	5	0.0959	0.0655	0.0395	0.2060
	ROE	5	0.2352	0.1681	0.0516	0.4871
NonCSR Portfolio	PM	12	0.0115	0.1032	-0.1909	0.1808
	ROE	12	-0.0638	0.3537	-0.8335	0.3818
Difference = CSR Portfolio – NonCSR Portfolio						P-Value
Difference	PM	NA	0.0844	0.0504	NA	0.0573
	ROE		0.2990	0.1677		0.0475

Further scrutiny of the sampled firms reveals more than meets the eye. Figure 1 reports individual firms' profit margin for 2007. The firms in the CSR portfolio are marked by their tickers. It appears that not only is the average CSR portfolio PM higher than that of the non-CSR portfolio, but also that the individual CSR firms are outperforming the majority of the non-CSR firms, implying the *t*-test results are not driven by outliers. It is particularly interesting that a few of the non-CSR firms actually outperform some of the CSR firms. We look into this phenomenon by referring to the hotel firms' annual reports. It appears that these few non-CSR firms, in general, initiate quite substantial amounts of effort in CSR; however, they are not ranked highly by *Fortune*. We speculate that a certain amount of measurement error might contribute to this.

Figure 1 Individual firm performance: profit margin

Moreover, by plotting the individual firm's return on equity (Figure 2), a more pronounced outperformance of individual CSR firms on ROE is indicated, implying that at the individual level, owners of CSR firms enjoy higher returns on their investment than the majority of non-CSR firms. Similarly, there might be some measurement error issues involved with *Fortune* CSR rankings. As a result, there are a few non-CSR firms that outperform some of the CSR firms.

Figure 2 Individual firm performance: ROE

Conclusion and Managerial Implications

The purpose of this study is to shed light on the relationship between corporate social responsibility initiatives of lodging and gaming firms and their financial performance. In doing so, it lays the foundation for further use and study of the relationship between CSR initiatives and financial performance of firms in the hospitality industry. The study attempts to answer the fundamental question of whether or not lodging firms with well-executed CSR initiatives outperform or underperform lodging firms that do not meet or satisfy similar criteria. Two accounting measures of performance (profit margin and return on equity) are used to ascertain the relative performance of CSR lodging firms and non-CSR lodging firms. The results of the study suggest that there is a positive relationship between CSR and financial performance. Specifically, the sampled lodging and gaming firms that are ranked highly based on their CSR initiatives outperform their counterparts financially, on average. This finding supports the social impact hypothesis Preston & O'Bannon (1997), which postulates that CSR positively influences a firm's financial performance. This finding is also in accordance with previous studies.

Our findings have several implications. First, it should be noted that the sampled firms with well-implemented CSR initiatives outperform their counterparts financially, on average. However, it should be noted that only *well-executed* CSR initiatives provide a financial competitive advantage. Hence, such initiatives should be implemented in a manner that permeates the company and encompasses all business processes. These business processes must include management processes such as corporate governance and strategic planning, operational processes such as marketing and purchasing, and supporting processes such as accounting and recruitment. This is especially important for the hospitality industry, where there is a high level of homogeneity and the implementation of CSR initiatives will not be a panacea for increasing demand, increasing market share, improving profitability, or enhancing return on equity. Instead, lodging managers and executives must conduct cost-benefit analyses and carefully examine the resource costs of CSR implementation against the potential financial benefits. Thus, the implementation of CSR initiatives should be addressed as an investment decision with relatively high up-front costs followed by long-term gain.

Secondly, although our study indicates that CSR firms perform better than non-CSR firms, it behooves prudent lodging managers to pay particular attention to their product-service mix offerings and to pay particular attention to customers' wants and desires in an effort to continually differentiate their product-service mix from their competitors. Again, this echoes the fact that the industry in general offers a relatively homogenous product, and simply implementing CSR initiatives by themselves will not necessarily lead to increased demand, better cost structure, and subsequent increased profits. Thus, it behooves lodging managers and executives, who seek to maximize the profitability of their operations and provide investors with positive returns on their investments, to implement CSR initiatives that are congruent with their organizational goals, cost structure, and societal expectations. In addition, it should also be noted that inappropriately implemented CSR initiatives or initiatives that are not aligned with a company's strategic objectives can be detrimental to the company's long-term profitability. Instead, CSR initiatives should complement the company's quest for innovativeness.

It should also be noted that one plausible reason for the CSR companies outperforming the non-CSR companies is that CSR is also a management philosophy that embodies all aspects and business processes within an organization. At the core of this philosophy is the notion that the firm must effectively and ethically serve the interest of its various constituents. Consequently, such firms will have responsible management whose goals are in congruence with those of its stakeholders. Hence, the management of such firms will make ethical decisions that will result in overall superior managerial efficiencies, cost-control procedures, and marketing, ultimately leading to competitive advantages that will eventually translate into better financial performance.

In conclusion, our research has uncovered findings which indicate that lodging and gaming firms that practice CSR well (as indicated by their ranking) perform better financially than those that do not. This finding suggests that lodging managers and

executives should carefully incorporate CSR initiatives into their business practices. Given our findings and the exploratory nature of this study, further research is encouraged to examine the relationship between CSR initiatives and financial performance in other sectors of the hospitality and tourism industry and to overcome the inherent limitations highlighted in this study.

Limitations and Suggestions for Future Research

Although this study provides insight into the link between CSR and financial performance of lodging firms, like most studies it has a number of limitations that should be noted. Due to data constraints, we are unable to test if there are significant nonlinear relationships between our size proxies and financial performance measures, although by plotting the data, we do not observe systematic nonlinear relationships. We leave this as a part of the study limitation and for future research. Moreover, the data constraints prevent us from controlling for other possible variables that could affect our analysis and exploring multiple years. Future studies can explore more variables and employ bigger data sets to shed more light. Again, due to data constraints, this study only uses two accounting measures of performance and one source of CSR ranking. Future studies could use additional accounting measures in combination with market measures of performance to examine the link between CSR and lodging company performance and could use multiple CSR rating systems. Finally, the firms included in our analysis are publicly traded firms and relatively large. Future studies could overcome this limitation by drawing on more diverse samples when data are available.

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