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CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE WITHIN THE GLOBAL HOSPITALITY INDUSTRY AND HOTEL SECTOR

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STRESZCZENIE

ZWIĄZEK MIĘDZY SPOŁECZNĄ ODPOWIEDZIALNOŚCIĄ PRZEDSIĘBIORSTW (CSR) A WYNIKAMI FINANSOWYMI W GLOBALNEJ BRANŻY HOTELARSKO-GASTRONOMICZNEJ ORAZ W SEKTORZE HOTELARSKIM

Barry John Smith

Celem niniejszej dysertacji jest zrozumienie, czy społeczna odpowiedzialność biznesu (CSR) zwiększa wyniki finansowe przedsiębiorstw (CFP) w globalnym sektorze turystyki i hotelarstwa oraz wniesienie wkładu do wciąż słabo rozwiniętego obszaru literatury dotyczącej CSR w tej branży. Odwołując się do teorii interesariuszy oraz teorii legitymizacji, badanie analizuje, czy inwestycje w działania środowiskowe, społeczne i nadzorcze (ESG) generują wymierne korzyści finansowe. W celu realizacji założonych celów zastosowano ilościowe podejście badawcze. Dane pozyskano dla 1 235 notowanych na giełdzie przedsiębiorstw z sektora turystyki i hotelarstwa z całego świata za lata 2008–2024, korzystając z bazy Refinitiv Eikon. Zestaw danych obejmuje 20 995 obserwacji typu firma–rok. W badaniu wykorzystano wskaźniki ESG jako zastępczą miarę CSR oraz wyników finansowych (ROA i NIAT). Przeprowadzono dwa modele regresji panelowej: Model A, w którym analizowano zagregowany wynik ESG, oraz Model B, w którym rozdzielono wyniki środowiskowe (E), społeczne (S) i nadzorcze (G). Estymacje wykonano zarówno dla całej próby przedsiębiorstw z sektora turystyki i hotelarstwa, jak i dla podpróby hoteli, z dodatkowym podziałem na okres Covid i okresy nie-Covidowe.

Uzyskane wyniki wskazują, że ogólny związek pomiędzy CSR a wynikami finansowymi jest słaby i w większości statystycznie nieistotny. Dodatnią zależność odnotowano jedynie w Modelu A pomiędzy łącznym wynikiem ESG a ROA w okresie Covid dla próby obejmującej wyłącznie hotele przy zerowym opóźnieniu ($p = 0.0419$); zależność ta nie utrzymuje się jednak w innych okresach ani przy innych opóźnieniach, ani w ramach zdysagregowanego Modelu B. Wyniki

te, podważające proste założenia o jednoznacznie dodatnim wpływie CSR na CFP, podkreślają konieczność ostrożnej, kontekstowej analizy CSR w sektorze turystyki i hotelarstwa, z uwzględnieniem poszczególnych wymiarów ESG, horyzontów czasowych oraz warunków kryzysowych i niekryzysowych. Dysertacja wnosi wkład w debatę nad relacją CSR–CFP w hotelarstwie poprzez dostarczenie szeroko zakrojonych, panelowych dowodów empirycznych oraz wskazanie, kiedy inwestycje w ESG mogą, a kiedy nie muszą przekładać się na poprawę wyników finansowych. Przedstawia ponadto implikacje teoretyczne dla badań nad CSR, teorią interesariuszy i teorią legitymizacji oraz oferuje praktyczne wskazówki dla menedżerów w sektorze turystyki i hotelarstwa, którzy chcą lepiej powiązać inicjatywy CSR z wynikami finansowymi.

Słowa kluczowe: Społeczna odpowiedzialność biznesu, Wyniki finansowe przedsiębiorstw, ESG, Hotelarstwo, Hotele, Covid, Dane panelowe

ABSTRACT

CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE WITHIN THE GLOBAL HOSPITALITY INDUSTRY AND HOTEL SECTOR

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The aim of the present thesis is to understand if CSR enhances the CFP exclusively of hospitality organizations in general and of hotels, which will add value to this heavily under-researched area of CSR literature. Drawing on stakeholder and legitimacy theories, this research investigates whether investments in environmental, social and governance efforts generate measurable financial returns. Quantitative methodology was used in this thesis to achieve its objectives. Data were collected from 1235 worldwide and publicly listed hospitality organizations from the period of 2008 – 2024 that were sourced from the Refinitiv Eikon database. The data yielded 20 995 organization year observations. ESG was used as a proxy for CSR and for CFP, both ROA and NIAT were proxied. The analyses employed two regression models: Model A, which examined the aggregated ESG scores and Model B, which examined the disaggregated E, S and G scores. The regressions were performed across the full hospitality dataset and within a hotel sector only subsample, with further segmentation by COVID versus non – COVID periods.

The findings indicated that the overall relationship between CSR and CFP is weak and mostly statistically insignificant. However, a positive relationship emerged in Model A, combined ESG score and ROA during the COVID period, hotels only analysis at the 0-year lag ($p = 0.0419$). However, this finding does not persist across other time periods or lags, or under the disaggregated Model B. The results, which challenge assumptions of a positive CSR – CFP relationship demonstrate the necessity of understanding the context, industry conditions and model specification. This thesis contributes sector – specific empirical evidence and offers practical insights for hospitality managers seeking to align CSR initiatives with CFP.

Keywords: Corporate Social Responsibility, Corporate Financial Performance, ESG, Hospitality, Hotels, COVID, Panel Data

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List of publications

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Chapter 1: Introduction

CSR has evolved amid growing global expectations that firms address more than profit. Once considered philanthropic, it is now central to corporate governance. Scandals involving Enron, Volkswagen, and BP, alongside financial crises in the 1990s and 2000s, reshaped views on transparency, pushing CSR into environmental, social, and governance (ESG) domains. Globalization has reinforced CSR's importance, as firms operate across varied cultural and legal contexts. As Carroll (2015) notes, global reputation and competitiveness now depend on responsible conduct, especially under stakeholder scrutiny. CSR has shifted from a secondary concern to a strategic tool in risk management - addressing operational, regulatory, and reputational threats. It aligns with stakeholder expectations, who are seen not just as risk factors, but as contributors to value creation. Stakeholder salience — based on power, legitimacy, and urgency — guides CSR priorities (Laplume et al., 2008; Mitchell et al., 1997). CSR also builds trust and organizational resilience. Kim et al. (2021) emphasize CSR's role in stabilizing firms and maintaining investor confidence during volatile periods. Growing demands for transparency have led to CSR measurement frameworks like the Global Reporting Initiative (GRI), which standardizes ESG evaluation. Its multi-stakeholder model and global reach have institutionalized reporting practices across sectors (Brown et al., 2009). Agencies such as Refinitiv, BNP Paribas and S&P Global further support this by offering ESG ratings, enabling external stakeholders to assess firms across environmental, social and governance criteria. Despite concerns over consistency, ESG remains the primary lens for evaluating CSR (dos Santos et al., 2025).

The hospitality industry forms one of the largest global service sectors. Statista (2025) projected its value to approach USD 1 trillion in 2025, highlighting its critical role in trade and employment. Beyond its economic scale, the sector has broad ecological and social impacts, touching on labor rights, climate change, urban development and cultural preservation. Its social license to operate depends heavily on advancing sustainability. Organizations like the United Nations World Tourism Organization (UNWTO) and World Travel & Tourism Council (WTTC) promote tourism's alignment with the Sustainable Development Goals (SDGs). Hospitality is uniquely suited to CSR due to its community dependence, labor intensity and public exposure. Unlike capital-intensive industries, it involves daily interactions with customers, employees and suppliers, making ethical and social conduct more visible and scrutinized. Environmental concerns — such as emissions, waste and energy use — make sustainable practices essential. CSR in this context promotes efficient resource use, fair labor and community support. Studies show these efforts influence staff loyalty, customer satisfaction and brand strength (Gürlek & Tuna, 2019; Hayat & Afshari, 2022; Martínez & Del Bosque, 2013; Mohammed & Al-Swidi, 2019; Qalati et al., 2019; Supanti et al., 2015).

Since the 1970s, the CSR–CFP relationship has been widely studied but remains unresolved. Bragdon and Marlin (1972) and Moskowitz (1972) initiated the debate, yet evidence remains mixed and inconsistent. These inconsistent outcomes echo common critiques about CSR's definitional vagueness (Dahlsrud, 2008) and inconsistent measurement (Lee et al., 2023), reinforcing the context-sensitive and often contradictory findings in the literature. Most CSR–CFP research centres on manufacturing or broad multi-sector samples. Even when hospitality is included, hospitality-specific dynamics are rarely isolated, making it an under-researched area. This thesis addresses that gap by analyzing panel data from 2008–2024, offering a sector-specific contribution to CSR theory and practical guidance for managers and policymakers. Unlike prior studies that use aggregated CSR metrics, this research disaggregates ESG scores to assess the individual financial impact of each dimension. This use of aggregated ESG scores (Orlitzky et al. 2003), which obscure the unique effects of the E, S, and G dimensions, is a major limitation to previous research. These indices assume equal impact across all components — an assumption this thesis directly challenges through disaggregated analysis.

Another overlooked factor is the role of macroeconomic or crisis conditions in shaping CSR's effectiveness. Although CSR is often credited with long-term value, few studies explore how its impact shifts during systemic disruptions — particularly during COVID-19. This thesis investigates the CSR–CFP relationship in the global hospitality industry and hotel sector, factoring in COVID-19 versus non-COVID-19 periods. ESG scores are used as proxies for CSR, and ROA and NIAT represent financial performance. The hotel sector is a particular focus, offering theoretical depth and practical insights through rigorous empirical work.

A review of prior literature reveals mixed CSR–CFP results — positive, neutral and negative — supported by different theoretical lenses, including stakeholder, legitimacy and instrumental theories. These inconsistencies in definitions, metrics and modeling motivate this study's sector-specific approach. The dataset includes 20 995 firm-year observations from 1235 publicly listed hospitality firms between 2008 and 2024. Two models are applied: Model A (aggregate ESG) and Model B (separate E, S, G scores). Time-lagged panel regressions test both short- and medium-term effects, controlling for firm size, structure, and fixed effects.

Taking the above into consideration, the **research questions** are as follows:

RQ1 (Central): What is the relationship between corporate social responsibility (CSR) and corporate financial performance (CFP) in the hospitality industry?

RQ2: How do the environmental, social, and governance (ESG) components of CSR individually affect CFP outcomes?

RQ3: In what ways does the CSR–CFP relationship vary between crisis (COVID-19) and non-crisis periods?

RQ4: How does the CSR–CFP relationship differ between hotels and the rest of hospitality sub-sectors?

In light of these questions, this thesis **aims** to:

- To determine whether, and to what extent, the environmental, social and governance (ESG) dimensions of CSR have distinct effects on corporate financial performance in the hospitality sector.

- To investigate whether the CSR–CFP relationship differs between crisis (COVID-19) and stable periods.

- To compare CSR–CFP dynamics between within the hotel sector.

- To contribute sector-specific evidence to CSR–CFP theory, testing stakeholder and legitimacy frameworks in a high-visibility service industry.

This research advances the understanding of how CSR operates in high-visibility service sectors by applying stakeholder and legitimacy theory to the hospitality context and disaggregating ESG dimensions to uncover their distinct financial effects. The findings offer practical insight for managers and investors by revealing how CSR performance varies across economic conditions.

The thesis comprises five chapters that develop the CSR–CFP relationship from theoretical grounding to empirical analysis. Chapter 2 traces CSR's evolution from philanthropy to strategy, defines its ESG dimensions, and introduces stakeholder and legitimacy theories. It ends by identifying gaps — particularly the lack of sector-specific and post-COVID research — that justify this study's focus and conceptual framework. Chapter 3 places the research within the hospitality industry, reviewing its structure, economic role, and vulnerabilities. It outlines CSR's development in the industry, key drivers of adoption, and practice areas across ESG domains. It also examines CSR performance metrics and pandemic-era responses, establishing the need for industry-specific analysis. Chapter 4 presents the research design and findings. A positivist, quantitative approach is used, applying panel regressions with Refinitiv ESG scores and financial measures (ROA, NIAT). Model A (aggregate ESG) and Model B (disaggregated E/S/G) are tested across the full sample, COVID vs non-COVID periods, and sector subsamples. Results are interpreted against theory and past studies, generating practical insights. The final chapter summarizes the main findings, revisits the research questions, and reflects on theoretical and empirical contributions. It highlights stakeholder and legitimacy theory's applicability, the value of ESG disaggregation and crisis segmentation, and the practical use of findings. The chapter concludes by noting study limitations and proposing future research, including qualitative, regional, and broader performance investigations.

Chapter 2: CSR - Theoretical Underpinnings and Business Praxis

The current chapter forms a critical component of the present thesis by laying conceptual and empirical groundwork upon which the research design and analysis are constructed. This review provides a synthesis of previous studies related to CSR and CFP, with particular attention to the theories, models and methodological approaches that have shaped understanding of the CSR – CFP link. This chapter serves several core functions: it establishes the relevance of the CSR – CFP debate; identifies inconsistencies and definitional ambiguity across studies; outlines the evolution and fragmentation of CSR concepts; and finally, positions the present research within the wider body of knowledge. It is important to note that the literature review offers theoretical justification for the research framework used in this thesis and guides the development of the hypothesis tested in later chapters.

This chapter is divided into seven main sections. Section 2.1. introduces the core theoretical foundations underpinning CSR, focusing on stakeholder theory, legitimacy theory and optionally institutional theory, followed by an explanation of how these frameworks relate to the CSR – CFP relationship. Section 2.2. defines and conceptualizes CSR. It traces the concept's historical development from philanthropic roots to strategic applications, presents its core dimensions via the ESG framework and discusses key CSR models such as Carroll's Pyramid and the Triple Bottom Line. This section also addresses definitional limitations and critique. Section 2.3. defines CFP covering both accounting-based and market-based measures, the tension between short-term and long-term performance perspectives and how CSR may be interpreted as a strategic asset or financial burden. Section 2.4. reviews the empirical literature on the CSR – CFP link, including meta-analyses dominant methodological approaches and factors contributing to divergent findings. Section 2.5. outlines the rationale for focusing on the hospitality industry, discussing why sectoral context is essential and briefly setting the stage for Chapter 3. Section 2.6. identifies persistent gaps in the CSR – CFP literature, particularly in relation to sector-specific analysis, ESG disaggregation and crisis-sensitive research design. Section 2.7. summarizes the chapter and transitions to the contextual analysis of CSR in the hospitality industry presented in Chapter 3.

2.1. Theoretical Foundations of CSR

2.1.1. Stakeholder Theory

Stakeholder theory is one of the most widely applied and cited theoretical frameworks in the CSR literature (Dmytriyev, Freeman, & Hörisch, 2021). It emerged as a response to the limitations of classical economic perspectives, such as shareholder theory, agency theory and profit maximization theory. These traditional models view an organization as existing to primarily serve the best interests of shareholders (Schoenmaker, Schramade, & Winter, 2023). By contrast, stakeholder theory posits that organizations must balance the interests of a wider range of stakeholders – including, but not limited to, customers, employers, suppliers, regulators and communities – who are affected by, and can affect, the organization's operations. The most broadly cited definition comes from Freeman and McVea (2001), who argued that stakeholder theory emerged to provide strategic clarity for managers navigating turbulent environments in the 1980s, as existing models were inadequate to address growing societal expectations. This reorientation also coincided with the broader transition of CSR from an ethical obligation to a managerial and strategic concern, especially in high-visibility sectors.

Donaldson and Preston (1995) distinguished three main streams of stakeholder theory: The first one: descriptive, explains how managers actually behave in stakeholder relations. The second: normative: addresses what organizations ought to do based on ethical reasoning and the third: instrumental explores how stakeholder engagement relates to organizational performance. These three branches reflect the theory’s versatility as both a strategic tool and an ethical framework. Bridoux and Stoelhorst (2022) argue that stakeholder theory captures three key dimensions: the economic (value creation), social (relationship building) and moral (fairness) responsibilities of a business – in contrast to the one-dimensional profit logic of shareholder theory. Similarly, Laplume et al. (2008) emphasize that stakeholder engagement is no longer merely reactive but has become a proactive element of long-term value creation. To refine understanding of stakeholder prioritization, Mitchell et al. (1997) introduced the Stakeholder Salience Model, which assesses salience based on power, legitimacy and urgency. They classified stakeholders into seven types, including dominant, discretionary and definitive, based on how many of these attributes are present. This model remains influential for mapping stakeholder influence in CSR strategies. The present thesis draws on this model to explain variations in CSR–CFP linkages in contexts where stakeholder proximity is high, such as in the hospitality industry.

As stakeholder theory has matured, it has found wide application in sustainability, CSR and governance contexts. Reed et al. (2009), for instance, demonstrated its use in environmental resource management and proposed a typology for stakeholder analysis. Similarly, Bailur (2007) applied stakeholder theory to ICT development projects, noting its strengths in mapping relationships but also its limitations in subjectivity and stakeholder identification. Stakeholder theory is further strengthened when contextualized within service-oriented industries such as hospitality. These sectors are characterized by intense stakeholder contact and visibility, as frontline employees, local communities and customers form the core of the service delivery ecosystem (Kar, Choudhary, & Ilavarasan, 2023). Studies such as Martínez and Del Bosque (2013) and Supanti et al. (2015) underscore the importance of employee-related CSR in influencing customer loyalty and perceived service quality. Gürlek and Tuna (2019) similarly found that internal CSR improves organizational commitment, which indirectly benefits financial performance. Despite its utility, stakeholder theory has faced criticism for lacking clarity on how to weigh competing stakeholder claims and for being difficult to apply consistently across diverse organizational settings. Questions remain about how to operationalize “fairness” or “balance” in practice, particularly when stakeholder demands conflict. Frederiksen and Nielsen (2013) argue that the prioritization of stakeholder claims often rests on managerial discretion, which may or may not align with normative expectations.

In the context of CSR–CFP research, stakeholder theory has been used to argue that organizations investing in socially responsible initiatives will be rewarded with better performance through enhanced stakeholder trust, reduced risk and reputational gains. Empirical research in the hospitality sector, such as those by Kim and Kim (2014), Rhou et al. (2016) and Yeon et al. (2021), provide sector-specific support for this perspective. The present thesis echoes this rationale by examining how ESG-related CSR initiatives may yield performance differentials based on stakeholder salience, temporal context and sub-sectoral distinctions. In sum, stakeholder theory serves as both a normative guide and a performance-orientated framework for understanding the dynamics between business and society. Its emphasis on mutual responsibility and stakeholder inclusiveness makes it especially applicable to high-contact sectors like hospitality, where trust, engagement and visibility are key to sustainable success (Pinhal, Estima, & Duarte, 2025). The theory provides a robust justification for CSR investment, even when immediate financial returns are not evident, particularly in volatile or crisis-prone contexts.

2.1.2. Legitimacy Theory

Legitimacy theory offers a complementary and often overlapping perspective to stakeholder theory in the CSR literature. This theory is founded on the premise that organizations seek to operate within the bounds and norms of their respective societies (Martens & Bui, 2023). As such, organizational behavior must align with societal expectations in order to gain, maintain or repair legitimacy. According to Suchman (1995), legitimacy is "a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions." This definition has since become foundational in CSR scholarship and is particularly relevant to high-visibility sectors such as hospitality, where stakeholder scrutiny is heightened and expectations of ethical conduct are more pronounced. Legitimacy theory is based on the idea of a "social contract" between the organization and society, whereby the organization is granted a license to operate in exchange for adhering to societal expectations (Boersma, 2022). When organizations fail to meet these expectations – whether as a result of perceived irresponsibility, misconduct or strategic misalignment – their legitimacy may be threatened (Suchman, 1995). In such cases, CSR is used as a tool to re-establish social approval, mitigate reputational damage or demonstrate alignment with social norms. This corrective use of

CSR becomes especially vital during periods of reputational crisis or stakeholder backlash, where signals of responsibility are necessary to restore trust.

In the present thesis, legitimacy theory is employed to explain why organizations might voluntarily engage in CSR, despite ambiguous or even negative links to financial performance. Legitimacy theory positions CSR not merely as a profit-generating strategy, but rather as a reputational safeguard, especially in environments where stakeholder trust is fragile or easily eroded (Lašáková, Skaloš, & Madzík, 2025). The interpretation is particularly salient in the context of hospitality, where visible misconduct or misalignment with social norms can rapidly lead to reputational consequences, consumer boycotts or operational disruptions. Hospitality organizations, being in close and frequent contact with the public, must be particularly attuned to perceptions of legitimacy. Davis (1960) introduced the "iron law of responsibility", which asserts that "those who do not use power responsibly will lose it". This principle provides a foundational justification for CSR under legitimacy theory – suggesting that organizations must justify their social power via visible acts of responsibility. Furthermore, Davis proposed the "social power equation" – the notion that the social responsibilities of organizations should be in proportion to the level of social power that they wield. These ideas anticipate modern CSR debates by linking power to accountability and social expectation.

Legitimacy theory has also been extended into the realm of political CSR, where organizations not only respond to, but influence societal norms via lobbying, participation in governance processes and social partnerships (Frynas & Stephens, 2015). This view underscores the increasingly political role of CSR and positions legitimacy as a dynamic process – one that is both proactive and reactive. CSR in this context is not limited to ethical alignment but includes efforts to shape the very institutional environment within which firms operate. Political CSR challenges the notion of firms as passive actors, and instead frames them as active participants in societal governance (van den Broek, 2024). The COVID-19 crisis provides a striking example of legitimacy-based CSR. Specifically, during this pandemic, many organizations intensified their CSR communications and activities – not merely to improve performance, but also to signal alignment with emergent social priorities such as employee safety, public health responsibility and community support (da Silva, Sugahara, & Ferreira, 2021). As García-Sánchez and García-Sánchez (2020) noted, such efforts are interpreted via the lens of organizational motive, and firms acting from self-interest as opposed to genuine concern may be faced with diminished legitimacy. This distinction is crucial in hospitality, where consumer trust is built not only on service quality, but also on the perceived authenticity of social responsibility actions.

Furthermore, legitimacy considerations are closely tied to institutional expectations and media narratives. Organizations that failed to respond adequately to the health and safety concerns during COVID-19 often found themselves facing reputational decline and regulatory scrutiny (Parker & Narayanan, 2023). Conversely, those that acted swiftly to implement visible CSR initiatives – such as employee retention schemes, community support and transparent health protocols – were able to retain or enhance public trust (Mahmud, Ding, & Hasan, 2021). This reactive legitimacy management reflects how CSR is increasingly employed as a response to shifting societal standards during crises. Finally, legitimacy theory supports the argument that CSR may be used to manage institutional pressures beyond market performance – including, but not limited to, regulatory trends, activist scrutiny or industry norms (Visser, 2016). When social values evolve rapidly, organizations that fail to adapt run the risk of losing their social licence to operate, regardless of financial performance (Moşteanu, 2024). In this regard, legitimacy theory reinforces CSR not only as a moral or reputational practice, but as a necessary mechanism for organizational survival in dynamic and uncertain environments.

2.1.3. Institutional Theory

Institutional theory provides a macro-level explanation for CSR practices by focusing on how institutional environments shape organizational behavior. Rooted in the work of Meyer and Rowan (1977), institutional theory argues that organizations respond not only to market pressures, but also to social norms, regulatory frameworks and expectations imposed by influential institutions. CSR, from this angle, is not merely a strategic or ethical decision, but often a legitimating response to institutionalized norms. The emphasis here lies in organizational conformity to socially constructed systems of rules and routines that structure corporate behavior. One of the most influential extensions of this theory is Powell and DiMaggio's (2012) concept of institutional isomorphism, which explains how organizations in the same field tend to become increasingly similar over time. This occurs via three primary mechanisms: 1) **Coercive isomorphism**: driven by laws, regulations and external mandates. 2) **Normative isomorphism**: arising from professional standards, accreditation, and educational pressures and 3) **Mimetic isomorphism**: imitation of successful peers under conditions of uncertainty. Each of these mechanisms can encourage CSR adoption. For instance, coercive pressure might stem from environmental legislation or government procurement standards; normative influence from professional bodies encouraging sustainability standards; and mimetic pressure from rival organizations gaining reputational benefits from CSR (Powell & DiMaggio, 2012). In the hospitality industry, this can result in sector-wide adoption of CSR initiatives, even in the absence of clear financial returns, simply because such behaviors become institutionalized expectations. Institutional theory also aligns with political CSR, which views corporations as political actors that respond to – and help shape – the wider institutional environment (Acosta, Acquier, & Gond, 2021). Frynas and Stephens (2015) argue that organizations participate in public governance not only via compliance, but also by influencing regulation and adopting voluntary codes. The present thesis brings to the forefront how CSR disclosure, sustainability reporting frameworks (e.g., UN Global Compact, GRI) and certification schemes are not merely technical tools, but instead institutionally embedded practices that reflect social values and policy influence. These frameworks become proxies for legitimacy, shaping not only external perceptions but internal governance routines as well.

This institutional lens is particularly important in analyzing the hospitality industry. Institutional pressures in this sector manifest through voluntary standards (e.g., Green Key certification), global frameworks like the Sustainable Development Goals (SDGs) and industry associations (e.g., WTTC, UNWTO). As noted by Coles et al. (2013), these mechanisms not only promote CSR adoption but serve to normalize it as a basic operational expectation. Furthermore, CSR codes such as ISO 26000 and GRI have gradually transformed from optional tools into de facto expectations, particularly for firms seeking to operate across multiple jurisdictions (Halkos & Nomikos, 2021). In addition, regional dynamics play a role in shaping institutional influences. For instance, European hospitality firms are often subject to stricter environmental regulations and social directives, such as the EU Green Deal and Corporate Sustainability Reporting Directive (CSRD), which act as coercive pressures to enhance ESG disclosure (Zampone, Sannino, & García-Sánchez, 2023). Conversely, firms operating in less regulated markets may still adopt CSR initiatives under mimetic or normative pressures, especially when targeting international investors or competing for public contracts (Zampone, Sannino, & García-Sánchez, 2023).

Moreover, the COVID-19 period heightened institutional pressure on organizations to demonstrate social responsibility, particularly in areas such as employee welfare, health protocols and community engagement (De-la-Calle-Durán & Rodríguez-Sánchez, 2021) The rapid emergence of new expectations – including ESG reporting linked to public funding eligibility – reinforced CSR as a mechanism of institutional adaptation, as opposed to a mere market differentiation. These new pressures were not only regulatory but also discursive, shaped by media narratives and stakeholder sentiment around corporate responses to the crisis (Govender & Smit, 2022). As noted in this thesis, many firms responded with visible CSR efforts not solely to improve performance, but to retain or regain legitimacy in a rapidly shifting institutional context. In sum, institutional theory offers a powerful lens via which to understand CSR as a socially constructed response to normative and regulatory expectations. It explains the persistence and diffusion of CSR practices across organizations and sectors, particularly where strategic motives are ambiguous but legitimacy and institutional alignment are paramount. CSR, viewed through this lens, is a manifestation of organizations' embeddedness in a wider societal system that conditions both their constraints and opportunities.

2.1.4. Integration of Theories and Relevance to the CSR – CFP Debate

The integration of stakeholder, legitimacy and institutional theories provides a multi-dimensional lens for examining CSR and its relationships to CFP. Each theory contributes distinct yet overlapping explanations as to why organizations engage in CSR and how these engagements may influence performance outcomes. This section synthesizes these frameworks to offer an understanding of the CSR–CFP debate within the hospitality sector. Stakeholder theory offers a foundational premise: organizations are morally and strategically obligated to address the interests of diverse stakeholders (Mahoney, 2023). It argues that CSR can enhance long-term value via relationship building, stakeholder loyalty and trust (Glaveli, 2020). As Bridoux and Stoelhorst (2022) highlight, this perspective encompasses not only economic value creation but also relational and moral obligations, making it especially relevant in people-centric industries such as hospitality. The practical application of this theory has been noted in studies linking stakeholder engagement to improved brand reputation, customer loyalty and employee commitment. Supporting this, Martínez and Rodríguez del Bosque (2013) demonstrate that CSR can directly strengthen customer loyalty by fostering trust, identification and satisfaction. Their findings highlight that when customers perceive firms as socially responsible, they are more likely to develop emotional bonds with the brand, which reinforces the stakeholder theory view that relational outcomes such as loyalty and advocacy are key pathways through which CSR contributes to long-term value.

Legitimacy theory, on the other hand, views CSR as a mechanism via which organizations maintain or regain societal approval (Adeoye, 2024). It posits that aligning with prevailing social norms and expectations is essential for maintaining the "license to operate", particularly in crisis-prone or highly visible industries. García-Sánchez and García-Sánchez (2020) illustrate how CSR can function as a signaling mechanism, particularly during periods of heightened scrutiny such as the COVID-19 pandemic. CSR initiatives in such contexts serve not only ethical purposes but also help manage reputational risks.

Institutional theory expands this further by emphasizing how CSR is shaped by and reinforces institutional environments – via regulatory mandates, mimetic pressures and professional norms. The adoption of CSR practices such as ESG disclosure and sustainability reporting often results from institutionalized expectations rather than firm-specific strategy (Su, Mahmood, & Md. Som, 2024). As noted in the earlier sections, global initiatives such as the GRI, the UN Global

Compact, and the SDGs exert both normative and coercive pressures on firms to conform to socially accepted behaviors. The GRI Standards (2021) exemplify these institutional pressures by prescribing specific disclosures, a mandatory content index with page references, and explicit explanations for omissions. Such requirements create a structured environment in which hospitality firms are expected to align their reporting with globally recognized benchmarks, illustrating how external norms shape internal CSR practices (Meng, Bhatti, Naveed, Kanwal, & Adnan, 2024). Such institutional influences are particularly salient in the hospitality industry, where international certifications and stakeholder visibility intensify the pressure to adopt formal CSR structures.

These theories converge in explaining why CSR may persist even when its financial returns are ambiguous. For example, from a stakeholder perspective, investments in CSR may build goodwill that enhances reputation and trust. The link between CSR and customer trust, highlighted by Martínez and Rodríguez del Bosque (2013), illustrates how these relational assets can translate into repeat business and stronger brand equity, even when immediate financial metrics such as ROA or NIAT show no significant gains. From a legitimacy standpoint, such activities may be seen as necessary responses to social pressure or damage control during crisis periods. Institutionally, the adoption of CSR initiatives often mirrors industry norms, sectoral expectations, and evolving regulatory frameworks, particularly through mandatory or voluntary disclosure mechanisms (Solimene et al., 2025). The complementary nature of these theories is evident in the present empirical design, which incorporates both non-strategic and strategic outcomes. Stakeholder theory underpins the rationale for examining performance impacts such as ROA and NIAT, while legitimacy theory helps contextualize CSR activity during periods of reputational risk. Institutional theory contributes an understanding of how ESG – related behaviors are embedded in industry routines, shaped by global frameworks and professional codes. The detailed procedural rules within the GRI Standards (2021) – such as topic-specific indicators for energy, water, and labor practices – demonstrate how these global frameworks embed ESG behaviors into routine reporting and influence decision-making beyond purely financial considerations.

Moreover, the mixed empirical results reported in the extant literature – including weak or insignificant relationships between CSR and CFP (Bag & Omrane, 2022; Cordeiro, Galeazzo, & Shaw, 2023) – may be partially understood through this theoretical integration. Stakeholder theory suggests that some CSR domains may produce delayed or non-linear returns (Chowdhury et al., 2024). Legitimacy theory implies that CSR can be symbolic rather than substantive, especially when used defensively (Ngwakwe, 2023). Institutional theory indicates that firms may adopt CSR due to external conformity pressures rather than intrinsic value creation, weakening observable financial effects (García Meca, Ruiz Barbadillo & Martínez Ferrero, 2024). In summary, by drawing from all three perspectives, the present study positions CSR as both a strategic and socially embedded practice. The relational pathways identified by Martínez and Rodríguez del Bosque (2013) further reinforce this multidimensional view, showing that the value of CSR extends beyond immediate financial outcomes to include trust-based and identification-driven loyalty effects. This blended framework supports the interpretive lens for analyzing the empirical results in Chapter 4. It also enables more nuanced hypotheses to be constructed in Chapter 3.

2.2. Defining and Conceptualizing CSR

2.2.1. Evolution of CSR: From Philanthropy to Strategy

The evolution of CSR reflects a shift from a primarily philanthropic and ethical obligation to a strategic and integrative component of corporate governance (Hossain, Hasan, & Hasan, 2024). Although CSR began gaining traction as a formal concept in the mid-20th century, its ideological roots extend further back, focusing on decisions made for reasons that go beyond direct economic interest (Yolles, 2024). The 1950s are widely recognized as the beginning of CSR in academic thought, with early discussions positioning it as a voluntary contribution to societal well-being, primarily through charitable giving and community engagement (Carroll, 2021). There is a consensus within the literature that the publishing of Bowen's (1953) landmark seminal work entitled ‘Social Responsibilities of the Businessman’, marks the birth of CSR as a proper academic discipline, setting the scene for modern academic discourse (Hlochova, 2019).

During the 1960s, significant social upheaval across the Western world triggered a dramatic rise in literature and discussion surrounding corporate social responsibility (CSR), marking a turning point in business-society relations (Carroll, 2021). Movements for civil rights, women's rights, consumer protection, environmental awareness, and occupational safety emerged as responses to perceived abuses of corporate and political power, driven by ideals of justice, equality, and fairness (McGarity, 1986; Carroll, 2021). Protest culture flourished, notably exemplified by the 1964 Berkeley Free Speech Movement, where students challenged institutional authority likened to suppressive corporate systems (Waterhouse, 2017). This sentiment extended to anti-Vietnam War demonstrations, which criticized corporations profiting from military conflict (Waterhouse, 2017). The 1969 Santa Barbara oil spill further eroded public trust, exposing environmental damage linked to corporate negligence and prompting calls for "virtuous corporate behavior" (Vogel, 2007). These developments intensified academic inquiry, with foundational CSR contributions from Cheit (1964), Walton (1964), McGuire (1964), Davis (1967), Hetherington (1969), among others, each of which proposed their comprehension of this 'role' of the responsibilities of corporation..

The early 1970s saw expanded debate on corporate responsibilities, driven by new US regulatory bodies like the U.S. Equal Employment Opportunity Commission (EEOC), U.S. Environmental Protection Agency (EPA), Occupational Safety and Health Administration (OSHA) and the U.S. Consumer Product Safety Commission (CPSC) (Carroll, 2015), and social movements such as the first Earth Day in 1970 (Latapí Agudelo et al., 2019). Influential publications by Baumol (1970) and the Committee for Economic Development (1971) argued that businesses must meet evolving societal expectations. These developments fueled academic interest, resulting in key works by Eilbirt and Parket (1973), Gavin and Maynard (1975), Fitch (1976), Engel (1979), and Zenisek (1979). The 1980s represented a pivotal moment, as economic uncertainty and the rise of neo-liberal policies encouraged a transition from ethical reasoning to strategic integration (Fifi, 2023). Scholarly focus began shifting toward how CSR could be implemented effectively, linking it to organizational performance and management practices (Maheshwari, 2025). In the 1990s, CSR became more institutionalized. Businesses increasingly viewed CSR not as a separate initiative, but as a core part of their operational strategy (Zheng et al., 2023). The period was marked by the rise of global frameworks and business coalitions promoting responsible practices. CSR was now linked not only to social ethics, but also to competitiveness, brand reputation and investor expectations (Zervoudi et al., 2025).

The 2000s saw an acceleration of this shift. Corporate scandals and the growth of global communications networks made CSR a reputational imperative (Rashid, 2021). During this period, CSR was increasingly conceptualized as a strategic asset. Organizations began aligning CSR with brand-building (Araújo et al., 2023; Canta Honores et al., 2024; Tan et al., 2022), environmental leadership (Ahsan et al., 2024; Piwowar-Sulej, 2023; Sajjad et al., 2024) and inclusive business models (Derks et al., 2022; Lashitew, 2022; Azmat et al., 2023; Rosati et al., 2023). Even as CSR became more strategic, some perspectives continued to emphasize its moral foundation. The argument was made that CSR should prioritize ethical duties and the long-term good of society, even if financial returns are not immediate (Van Nguyen et al., 2024). In summary, the historical trajectory of CSR shows a movement from discretionary charity to strategic necessity. This transformation supports the rationale for exploring CSR not only as a moral or reputational practice, but also as a factor potentially influencing corporate financial performance.

2.2.2. Core Dimensions of CSR (ESG Framework)

The conceptualization of CSR has evolved to reflect a more structured, standardized and measurable framework – most notably through the adoption of the ESG model. ESG has become a dominant mechanism by which CSR is quantified, interpreted and operationalized by analysts, researchers and institutional stakeholders (Daugaard & Ding, 2022). Rather than treating CSR as a vague obligation, ESG enables it to be broken down into discrete, observable components (Refinitiv, 2023).

Environmental Dimension (E)

The environmental pillar of ESG focuses on how organizations manage their environmental impact, including emissions reduction, energy use, water conservation, and eco-innovation (Minea et al., 2025). According to Refinitiv's classification system, this dimension includes metrics such as emissions control, resource efficiency and product-level environmental impact (Refinitiv, 2023). In the hospitality sector, these efforts typically involve retrofitting properties for energy efficiency, adopting renewable energy sources, minimizing food waste, and achieving certification under sustainability standards such as Green Key (Singh et al., 2024). This thesis draws on the Refinitiv Eikon ESG database, which calculates environmental scores based on company-disclosed data (Refinitiv, 2023). The score, ranging from 0 (low performance) to 100 (high performance), is bench-marked against industry peers, providing a transparent and quantifiable tool for assessing environmental responsibility (Refinitiv, 2023).

Social Dimension (S)

The social component evaluates how firms treat employees, interact with communities, and respect human rights. It includes data points related to labor rights, employee training, occupational health and safety, and social impact initiatives (Torres et al., 2023). For hospitality organizations, these criteria are crucial due to the sector's dependence on frontline labor, seasonal employment, and proximity to local communities. The Refinitiv framework assesses social performance using both hard indicators (such as workforce injury rates) and soft indicators (such as community development programs) (Refinitiv, 2023). These social scores remain essential for stakeholder trust and brand resilience. The social score, also ranging from 0 (low performance) to 100 (high performance), is derived from company-reported data and bench-marked against sector peers (Refinitiv, 2023), offering a structured and comparable assessment of social responsibility and was implemented in this thesis.

Governance Dimension (G)

The governance dimension measures the robustness and transparency of corporate governance systems (Ftiti et al., 2024). It includes board structure, shareholder protections, audit quality, executive remuneration, and anti-corruption policies (Refinitiv, 2023). In hospitality, examples may include separation of CEO and chairman roles, the presence of independent directors, or internal ethics protocols. Governance scores, likewise measured on a 0 to 100 scale, are based on disclosed governance practices and peer benchmarking (Refinitiv, 2023), serving as a reliable indicator of corporate accountability and ethical oversight and were used in the present thesis.

ESG as an Integrated Framework

The ESG framework supports the operationalisation of CSR by offering a unified but flexible model for analysis (Chien et al., 2025). It allows for both aggregated (overall ESG) and disaggregated (E, S, G) assessments, a methodological approach applied in this thesis through Models A and B. This multi-dimensional structure permits granular investigation into which CSR domains matter most for financial outcomes. Beyond research, ESG data is now fundamental to investor screening and regulatory compliance. The Refinitiv ESG scores, for instance, are widely used by financial institutions and asset managers to evaluate sustainability performance (Larcker et al., 2022). These scores not only influence access to capital and credit ratings but also shape corporate reputation in increasingly stakeholder-driven markets. In sum, ESG serves as both a reporting and analytical lens, enabling the translation of CSR principles into measurable, comparable and actionable insights across industries and time.

2.2.3. CSR Models: Carroll’s Pyramid, Intersecting and Concentric-Circle Frameworks

To better understand the multi-dimensionality of CSR, researchers have proposed a range of models that convert normative ideas into structured conceptual tools (Caputo, 2021). Among the most influential are Carroll’s Four-Part Pyramid, the Intersecting Circle Model, and the Concentric-Circle Model. These frameworks help delineate the different facets of CSR, clarify stakeholder expectations, and expose the underlying tensions between competing organizational responsibilities.

Carroll’s Four-Part Pyramid Model

Archie Carroll’s Four-Part Pyramid Model remains one of the most enduring and widely cited conceptualizations of CSR (Schwartz and Carroll, 2003). The model presents four layers of responsibility — economic, legal, ethical and philanthropic — structured hierarchically in the shape of a pyramid (Carroll, 2016). At its base lies economic responsibility, which refers to the organization's duty to be profitable and sustain its operations. Legal responsibility comes next, representing compliance with the laws and regulations that codify societal norms. Ethical responsibility includes expectations that go beyond legal obligations, such as fairness, integrity, and avoiding harm. Finally, philanthropic responsibility reflects discretionary contributions to social welfare, including charitable donations and community investment, which are considered desirable but not obligatory. While the model has pedagogical strength and conceptual clarity, Geva (2008) pointed out that it has been criticized for implying a rigid prioritization of economic responsibility over ethical and social concerns. Geva (2008) argues that although the pyramid offers a clear structure, it fails to capture the complexity of overlapping responsibilities and does not sufficiently address the need for integration when domains conflict.

The Intersecting Circle Model

To address these limitations, Schwartz and Carroll (2003) proposed the Intersecting Circle Model, also referred to as the Three-Domain Model. Instead of arranging responsibilities hierarchically, this model uses a Venn diagram to show how economic, legal and ethical responsibilities overlap. The approach assumes that many CSR initiatives exist at the intersection of these domains, acknowledging the blurred boundaries that often characterize responsible corporate actions (Muller et al., 2024). For example, sourcing from fair trade suppliers may be both an ethical and an economic decision. This model allows for greater flexibility in interpretation and recognizes the multifaceted nature of CSR implementation. However, it also has limitations. Schwartz and Carroll (2003) note that classifying complex real-world initiatives into specific intersecting zones is not always feasible, and the model presumes that each domain can be independently defined and observed, which is often not the case in practice.

The Concentric-Circle Model

An alternative perspective is provided by the Concentric-Circle Model developed by Geva (2008), drawing inspiration from the Committee for Economic Development's framework from the early 1970s. This model represents CSR responsibilities as nested circles, with economic responsibility at the core and legal, ethical, and philanthropic obligations layered around it (Huang, 2014). Unlike the pyramid, the concentric structure suggests that responsibilities are interdependent and should be fulfilled simultaneously rather than sequentially (Geva, 2008). The model promotes a view of CSR that is embedded into all aspects of organizational functioning. It reflects a shift from reactive compliance to proactive engagement with stakeholder expectations and encourages firms to internalize social responsibilities within strategic decision-making (Geva, 2008). This approach also accommodates both inside-out (value-driven) and outside-in (institutional pressure) perspectives on CSR (Geva, 2008).

Summary of Models

Collectively, these models provide a comprehensive understanding of CSR's evolution and diversity. Carroll's pyramid offers a foundational framework that has shaped academic and managerial thinking. The Intersecting Circle Model responds to real-world complexity by showing how responsibilities can overlap and conflict. The Concentric-Circle Model, in turn, promotes a holistic and embedded view of CSR, aligned with contemporary calls for integration, stakeholder engagement and institutional alignment. Each model carries implications for how organizations conceptualize, prioritize and measure CSR, particularly in complex and visibility-sensitive sectors such as hospitality.

2.2.4. Critiques and Limitations of CSR Definitions

Despite its extensive use in academic and managerial literature, CSR remains a concept fraught with definitional ambiguity (Homer & Gill, 2022). Its multi-dimensional character — encompassing ethics, environmental impact, legal compliance, philanthropy and economic sustainability — makes CSR both intellectually rich and practically elusive. This conceptual plurality contributes to significant inconsistencies in how CSR is interpreted, applied, and measured across different contexts. Dahlsrud (2008) identified five recurrent dimensions within 37 CSR definitions — stakeholder orientation, social and environmental domains, voluntariness, and economic responsibility — yet concluded that no universally accepted definition had emerged. While this diversity allows for broad interpretation, it complicates attempts to develop cohesive theory or generalizable empirical models. The inconsistency particularly affects studies that treat CSR as an independent variable, where lack of definitional clarity can undermine construct validity. Khan et al. (2012) highlighted how variations in CSR definitions may lead firms to selectively adopt interpretations that align with their strategic goals, thus introducing bias into empirical testing. Such elasticity renders the concept susceptible to instrumentalisation, wherein CSR becomes a rhetorical device rather than a substantive practice.

From a measurement perspective, Gond and Crane (2010) criticized the use of CSR as an umbrella term that aggregates a wide array of social, ethical and environmental practices. This often occurs without proper disaggregation, making it difficult to isolate causal effects or identify specific mechanisms at play. Vishwanathan et al. (2020) reinforced this concern by describing early CSR conceptualizations as “coarse-grained,” thereby limiting their analytical precision and compatibility with hypothesis testing. The symbolic use of CSR presents another significant limitation. Pope and Wæraas (2016) warned against “CSR-washing,” whereby organizations overstate their social commitments for reputational advantage without integrating these values into core operations. This symbolic implementation leads to gaps between CSR discourse and practice, inviting stakeholder skepticism and reputational risk. Grigoris (2016) also drew attention to inconsistencies in CSR assessment frameworks. Many CSR evaluations rely on non-transparent criteria or apply arbitrary weightings to different CSR domains. For example, some frameworks treat all domains as equally important, while others assign greater value to environmental dimensions over social ones — often without a clear rationale. This lack of standardization weakens the reliability and comparability of CSR performance metrics. A final layer of critique involves the distinction between CSR intentions and outcomes. Vogel (2007) cautioned against assuming that well-meaning CSR initiatives always produce positive results. The author cited real-world cases in which CSR efforts backfired or created unintended consequences, raising ethical questions about whether CSR should be judged by its aims or its tangible effects. In summary, CSR continues to face challenges related to its conceptual vagueness, inconsistent operationalisation, and susceptibility to symbolic misuse. These critiques underline the importance of definitional precision and measurement transparency, especially in empirical research that seeks to examine CSR's relationship with corporate financial performance.

2.3. Conceptualizing Corporate Financial Performance (CFP)

2.3.1. Accounting-based and Market-Based Measures

The choice of financial performance metric is a critical methodological decision in studies assessing the relationship between CSR and CFP. The literature broadly categorizes CFP indicators into three groups: accounting-based, market-based, and perceived performance metrics (Chininga et al., 2024). Each type captures distinct dimensions of financial outcomes and influences how the effects of CSR are interpreted. The variation in selected indicators also contributes to heterogeneity across empirical studies and complicates direct comparisons of results (Boukattaya et al., 2021).

Accounting-Based Measures

Accounting-based measures are internal indicators derived from a firm's audited financial statements (Makhija & Trivedi, 2021). Common examples include return on assets (ROA), return on equity (ROE), operating profit margin, earnings before interest and tax (EBIT), and net income. These indicators are grounded in historical data and reflect realized outcomes rather than market expectations. As such, they provide retrospective insights into operational efficiency, profitability, and resource utilization (Joshi, 2022). According to Cochran and Wood (1984), accounting-based measures are particularly useful for assessing how effectively a firm converts inputs into financial results and for evaluating the short-term impact of internal decisions, such as capital allocation and CSR expenditure. However, they are also vulnerable to accounting discretion, variations in financial reporting standards across jurisdictions, and time lags between CSR activities and financial consequences (Lindahl et al., 2024).

This thesis adopts two key accounting-based proxies: ROA and net income after tax (NIAT). ROA is calculated as net income divided by average total assets and serves as a widely recognized measure of operational efficiency (Singh et al., 2024). NIAT represents the firm's net earnings after all expenses and taxes have been deducted, offering a bottom-line view of profitability and resource retention. NIAT is especially pertinent in sectors like hospitality, where net profit margins are sensitive to cost controls, tax regulations, and seasonality (Hancock et al., 2013). The dual use of ROA and NIAT enables this thesis to capture both capital efficiency and overall profitability. Furthermore, the combination reflects a methodological triangulation strategy aimed at reinforcing the robustness of empirical findings. These measures align with previous CSR–CFP studies focused on the service sector and accommodate the high fixed-cost structure and asset-intensity of hospitality organizations.

Market-Based Measures

Market-based measures reflect external perceptions of performance and are derived from stock market data (Neves et al., 2022). They include indicators such as stock returns, earnings per share, market value added, and Tobin's Q – a ratio that compares the market value of a firm to the replacement cost of its assets (Butt et al., 2023). These metrics are forward-looking and incorporate investor expectations about future earnings, risk exposure, and competitive positioning. Cochran and Wood (1984) note that market-based indicators offer complementary insights to accounting measures by capturing intangible aspects of firm value, such as brand reputation, perceived risk, and CSR signaling effects. However, these indicators are also more susceptible to macroeconomic fluctuations, geopolitical uncertainty, investor sentiment, and speculative behavior (Hodula et al., 2024).

Market-based metrics are particularly relevant for examining the reputational and signaling roles of CSR in industries with strong investor scrutiny, such as large publicly traded hospitality chains (Cochran & Wood, 1984). Future research could incorporate such metrics to explore whether capital market participants reward or penalize firms for CSR activities, particularly those disclosed through ESG reporting frameworks. Furthermore, market-based outcomes may be more sensitive to reputational risks or controversies linked to perceived CSR hypocrisy or green-washing (Cochran & Wood, 1984).

Complementary Measures and Limitations

Beyond accounting and market-based indicators, several alternative performance metrics have been proposed. These include risk-adjusted measures such as beta coefficients (Gošnik & Stubelj, 2022), Sharpe ratios (Bacon, 2021) and Value at Risk (VaR) (Samunderu & Murahwa, 2021), which evaluate performance in light of volatility and downside risk. Non-parametric techniques like Data Envelopment Analysis (DEA) have also been used to estimate operational efficiency by benchmarking firms against best-practice frontiers (Molinos-Senante et al., 2022). However, these techniques are rarely applied in CSR–CFP research within hospitality, primarily due to data limitations and modeling complexity. DEA, for example, requires large homogeneous samples and assumes deterministic production frontiers, which may not suit the heterogeneity of global hospitality organizations (Gómez-Vega et al., 2022).

Moreover, methodological inconsistencies in the literature — such as using different time lags, control variables, and estimation techniques (Zhao & Murrell, 2022) — underscore the importance of metric selection. Differences in how financial outcomes are defined, calculated, and temporally aligned (Choi et al., 2023) with CSR inputs have a direct bearing on empirical results and theoretical interpretations. The decision to use ROA and NIAT in the present thesis therefore reflects a balanced approach that ensures comparability with existing research while maintaining analytical clarity. It also allows the study to assess both short-term operational efficiency and overall profitability — two aspects of particular relevance to the financial health and strategic sustainability of hospitality firms.

2.3.2. Short-Term versus Long-Term Financial Outcomes

A key methodological consideration in the CSR–CFP research area is the time horizon over which financial performance is measured. Research diverges in findings depending on whether outcomes are assessed in the short-term — typically within a single-year window — or over a longer temporal scale (Burkert et al., 2024). This distinction is vital because the impact of CSR initiatives often unfolds incrementally, particularly in service-oriented sectors such as hospitality (Attia et al., 2023), where reputational benefits, stakeholder trust, and operational improvements materialize over time. A firm may implement socially responsible practices that require significant upfront investment, yet the corresponding financial return may only become evident after these efforts have had time to influence stakeholder behavior, regulatory perception or operational efficiency (Attia et al., 2023). As such, the choice of measurement window not only affects empirical results but also reflects the underlying assumptions researchers make about the nature and timing of CSR's impact on financial outcomes.

Short-Term Measures: Strengths and Limitations

Short-term financial performance is frequently evaluated using metrics such as return on assets (ROA) and net income after tax (NIAT), which are commonly reported and facilitate analysis across annual firm-year observations (Perrini et al., 2011; Orlitzky et al., 2003). These measures align with typical corporate reporting cycles and are often used to assess the immediate financial implications of CSR activities (Wu, 2006).

However, numerous scholars argue that the financial benefits of CSR are often delayed and may not be observable within a single fiscal year (Cheng et al., 2014; Farooq et al., 2022). Investments in CSR — particularly those involving infrastructure, stakeholder relationships, or environmental upgrades — may take years to generate measurable returns (Kang et al., 2010). Studies suggest that short-term analysis may underestimate or entirely miss these effects, and may misclassify strategic CSR investments as cost inefficiencies (Barnett, 2007; Lee et al., 2013). Moreover, temporal misalignment and external disruptions, such as economic shocks or industry-specific volatility, may further obscure the relationship between CSR and financial performance in the short term (McWilliams & Siegel, 2000).

Long-Term Financial Impacts of CSR and CSR-Washing

Longer time-frames are widely regarded as more appropriate for evaluating CSR's strategic implications (Chipriyanov et al., 2024). Over multiple years, organizations are more likely to realize the intangible benefits of CSR — such as improved employee morale, increased customer loyalty, enhanced reputation, and better regulatory relationships. Academics such as Orlitzky et al. (2003) and Waddock and Graves (1997) found stronger, more statistically robust links between CSR and financial performance when the measurement horizon extended beyond a single year. This lagged effect reflects the time it takes for stakeholder perceptions to shift and for internal CSR programs to translate into operational improvements (Orlitzky et al., 2003; Waddock and Graves, 1997). Moreover, assessing long-term outcomes can help mitigate the distorting effects of temporary market or economic disruptions. CSR, when evaluated through a strategic lens, benefits from an extended measurement window. Furthermore, long-term models can help identify cases of "CSR-washing" (Kordestani et al., 2018). Over time, firms with symbolic CSR commitments are less likely to maintain improved performance, making long-term financial data a useful filter for distinguishing authentic engagement from opportunistic signaling (Kordestani et al., 2018.

Implications for Research Design

To sum up, the present thesis highlights the importance of temporal structure in modeling the CSR–CFP link. Lagged panel regression models are particularly useful in isolating long-term effects from short-term variability, allowing researchers to more accurately assess the durability of

CSR’s financial impact (Wedajo et al., 2024). This is especially important in stakeholder-centric industries like hospitality, where the benefits of CSR — such as employee retention, customer satisfaction, and community trust — tend to develop over longer periods and may not be visible within a single financial year. Moreover, incorporating multiple lags allows for robustness checks and time-structured diagnostics that help detect the point at which CSR begins to generate financial returns, if at all (Akter & Al Maruf, 2025). It also aligns with industry practice, where CSR disclosures and sustainability reporting often refer to ongoing initiatives whose outcomes cannot be captured in static, year-on-year analysis (Kumar & Srivastava, 2022). In conclusion, the time horizon over which CFP is measured can significantly shape the observed association between CSR and financial outcomes. By employing a multi-period design, this thesis provides a more comprehensive evaluation of the CSR–CFP relationship and offers nuanced insights into the time-dependent dynamics of responsible business performance.

2.3.3. CSR as Strategic Investment or Cost

The debate surrounding the financial implications of CSR continues to divide scholars and practitioners. At its core is the question of whether CSR functions as a strategic asset that contributes to long-term competitiveness, or as a cost center that drains resources from financially productive activities (Beloskar & Rao, 2022). This dichotomy holds profound implications for understanding value creation, especially in capital-intensive and stakeholder-sensitive industries like hospitality.

CSR as a Strategic Investment

From a strategic perspective, CSR is viewed not as a peripheral activity, but as a source of competitive advantage. Porter and Kramer (2006) famously articulated the concept of “shared value”, in which CSR initiatives contribute to both societal welfare and organizational performance. This strategic view holds that integrating CSR into core business functions can strengthen stakeholder relationships, reduce risk, and open up new market opportunities (Ardiansyah &

Alnoor, 2024). Stakeholder theory supports this view by arguing that organizations benefit from proactively managing relationships with employees, customers, communities, and regulators (Mu et al., 2024). These benefits often manifest as improved access to resources, reduced conflict, reputational enhancement, and ultimately, stronger financial performance (Ibrahim et al., 2025). The long-term orientation of this perspective implies that CSR outcomes may not be immediately observable but accumulate over time.

Moreover, the concept of a feedback loop between prior financial success and future CSR engagement, as discussed by Waddock and Graves (1997), implies that financially successful firms are more likely to invest in CSR, which in turn reinforces their performance. Orlitzky et al. (2003) further support this relationship by suggesting that CSR builds intangible assets such as trust, morale, and brand equity — each of which strengthens an organization's long-term viability. This resilience suggests that CSR can function as a stabilizing force during periods of uncertainty, underscoring its role in strategic risk management.

CSR as a Cost or Strategic Constraint

Contrasting views rooted in classical economic theory position CSR as a distraction from the profit-maximization mandate. According to Friedman (1970), businesses fulfill their social responsibilities by generating profit within legal constraints. From this angle, CSR constitutes an inefficient allocation of shareholder funds and introduces operational distractions. As Bassen and Kovács (2020) argue, CSR can become a compliance-based activity rather than a strategic differentiator when it is not deeply embedded in the business model. CSR can also introduce strategic rigidity, whereby companies feel compelled to maintain or escalate their social commitments even when such actions do not align with current financial realities (Siltaloppi et al., 2021). This risk is especially pronounced in highly competitive markets, where cost optimization is critical and excess spending on non-core functions may weaken the firm’s ability to respond to market shifts.

Reconciling the Investment–Cost Debate

The financial impact of CSR is argued to be highly context-dependent (Dogru et al., 2025). Variations in ESG dimensions (Chen, 2023), sectoral structure (Krištofík et al., 2022), stakeholder expectations (Ijabadeniyi & Govender, 2024), and temporal factors (Choi et al., 2023) all influence whether CSR acts as a financial asset or liability. For example, environmental initiatives may result in cost savings over time via energy efficiency and waste reduction, whereas social initiatives may take longer to translate into loyalty, productivity, or reputational benefits. Barnett and Salomon (2012) offer a useful lens for interpreting these mixed results, introducing the concept of stakeholder influence capacity — that is, the ability of a firm to convert social investments into financial outcomes. Firms with high stakeholder influence capacity can extract more value from their CSR actions, whereas others may incur costs without material benefits (Barnett & Salomon, 2012). The present study reinforces the importance of disaggregating CSR into its component dimensions and measuring financial outcomes across multiple time horizons. It suggests that CSR should not be treated as uniformly beneficial or costly, but instead as a multifaceted construct whose effects are shaped by implementation strategy, stakeholder alignment, and contextual fit.

2.4 Empirical Evidence on the CSR–CFP Relationship

2.4.1. Major Meta-Analyses and Cross-Sector Studies

The vast body of empirical literature examining the relationship between CSR and CFP has yielded inconsistent and sometimes conflicting results (Cordeiro et al., 2023). In response to this fragmentation, researchers have conducted numerous meta-analyses and large-scale cross-sector reviews to distill general patterns and clarify under what conditions CSR appears to enhance, weaken or have no measurable impact on financial performance. These meta-level studies form an essential foundation for evaluating CSR outcomes across different industries, methodological designs, and time horizons.

Meta-Analytic Findings: General Trends

One of the most influential contributions to this field is the meta-analysis by Orlitzky et al. (2003), which aggregated data from 52 studies and reported a generally positive and statistically significant relationship between CSR and CFP. Their work demonstrated that this positive relationship was strongest when financial performance was measured using accounting-based indicators, such as return on assets (ROA), and weaker when using market-based metrics. Furthermore, the study showed that methodological rigor and stakeholder-specific contextualization influenced the strength of observed effects, indicating that CSR–CFP relationships are not universally consistent, but sensitive to how both CSR and performance are measured. Another widely cited synthesis is Perrini et al. (2011) who reviewed 167 studies conducted over several decades. They found that around 60% of studies reported a positive CSR–CFP link, but stressed that the effect sizes varied significantly depending on whether CSR was self-reported, third-party assessed or perceived through stakeholder surveys. The study raised concerns over potential biases introduced by subjective CSR data and the tendency for favorable reporting to coincide with more positive financial findings. They also noted the lack of consensus on appropriate time lags, control variables, and CSR definitions, contributing to the divergence in findings. Other meta-analyses support the conclusion that the CSR–CFP relationship is more likely to be positive when accounting-based metrics are used, when longer time horizons are adopted, and when studies control for contextual factors such as industry visibility and stakeholder salience (Velte, 2022). These trends underscore the importance of methodological transparency and theoretical grounding in CSR–CFP studies.

Cross-Sector Evidence and Industry Sensitivity

A growing body of literature has highlighted the moderating role of industry context in shaping CSR outcomes. Waddock and Graves (1997), for example, proposed a feedback loop whereby firms with stronger financial performance are better positioned to invest in CSR, and these investments in turn reinforce future financial outcomes. This bidirectional causality suggests that

CSR is both a cause and consequence of financial success. Their findings particularly apply to consumer-facing sectors, such as retail and hospitality, where reputational dynamics and customer perceptions can rapidly influence performance. Building on this, Vishwanathan et al. (2020) introduced the notion of stakeholder-centric sectors, wherein CSR contributes most effectively to financial outcomes through mechanisms such as trust, loyalty, and stakeholder engagement. The authors advocated for disaggregating CSR into its component parts (e.g. environmental, social, and governance) and conducting sector-specific analyses. Their work is highly relevant to this thesis, which adopts exactly this approach by breaking down ESG performance and applying it to a hospitality-specific sample. Industry-specific dynamics, such as the visibility of customer service practices and environmental impact in hospitality, may explain the differentiated effects of CSR seen across sub-sectors. Additional studies have reinforced the idea that the effectiveness of CSR is amplified in industries with frequent stakeholder interaction, strong regulatory scrutiny, and high reputational exposure (Forcadell et al., 2023). As such, the hospitality sector represents an ideal context for studying the CSR–CFP relationship using a nuanced, dimension-level approach.

CSR–CFP Ambiguity and Methodological Concerns

Despite general agreement on CSR's relevance, meta-analytic reviews also highlight persistent methodological limitations that contribute to result heterogeneity. For instance, differences in CSR operationalisation, sample periods, lag structures, and control variables have all been cited as reasons for conflicting conclusions across studies. Ullmann (1985) was among the earliest scholars to caution that CSR–CFP relationships cannot be generalized without accounting for contextual variation. He argued that firm-specific and industry-level conditions must be incorporated into research designs to avoid spurious correlations. McWilliams and Siegel (2000) built on this point by recommending fixed-effects models and interaction terms to better isolate CSR's unique contribution to performance outcomes, thereby addressing omitted variable bias. These methodological enhancements are now standard in CSR–CFP research, including in the present thesis. Barnett and Salomon (2012) further contributed to this discourse by theorizing that firms only benefit financially from CSR when they possess sufficient internal capability to transform social investments into stakeholder value. In other words, the effectiveness of CSR depends not only on external legitimacy or regulatory alignment, but also on organizational characteristics such as managerial competence, stakeholder engagement strategy and resource deployment (Barnett & Salomon, 2012). This insight is particularly useful for understanding variations in CSR performance across different hospitality sub-sectors, as tested in the empirical models of this thesis.

Summary of Meta-Level Insights

Collectively, meta-analytic and cross-sector studies confirm that CSR tends to have a predominantly positive, albeit highly conditional, relationship with corporate financial performance. Factors such as the choice of performance metric, the presence of time lags, industry sensitivity, CSR disaggregation, and firm-level capabilities all influence the strength and direction of this link.

This thesis builds directly on these insights by: 1) **Segmenting** the sample by sub-sector (e.g. hospitality vs. hotels-only), 2) **Disaggregating** CSR performance into Environmental, Social and Governance components and 3) **Testing lagged effects** across one, two, and three-year periods.

These methodological strategies aim to reduce ambiguity and contribute to a more contingent, theory-informed understanding of the CSR–CFP relationship within the global hospitality industry.

2.4.2. Methodological Trends and Common Approaches

Over the past two decades, research into the CSR–CFP relationship has become increasingly rigorous, evolving from exploratory correlation studies into more sophisticated econometric analyses. While early empirical work offered preliminary insights, it was often constrained by small sample sizes, limited control variables, and narrow time frames (Quazi & Richardson, 2012). In contrast, recent studies draw on robust longitudinal panel data methods and multi-factor models designed to address heterogeneity, endogeneity and time-lag effects (Soytas et al., 2019).

Transition from Simple Correlations to Multivariate Regression

Initial investigations into the CSR–CFP link frequently employed basic statistical techniques such as correlation analysis or simple OLS regressions (Raza et al., 2012). These models often led to contradictory results due to their inability to isolate the effect of CSR from other variables affecting firm performance. As noted by McWilliams and Siegel (2000), failing to include relevant controls creates omitted variable bias, which undermines the reliability of early findings. These simplistic models assumed CSR and CFP were directly and linearly related without accounting for external influences, sectoral effects, or firm-level differences. These control variables are essential for reducing bias and improving model accuracy (Benali, 2025). By incorporating them, the research provides a clearer picture of the relationship under study and ensures that observed associations are not simply artefacts of omitted influences.

Rise of Panel Data and Longitudinal Analysis

A significant advance in CSR–CFP research has been the increased use of panel data methodologies. Unlike cross-sectional analyses, panel data allows for the tracking of multiple firms across time, thereby offering a more dynamic and nuanced understanding of causal effects (Ba et al., 2023). This structure enables the control of unobservable, time-invariant characteristics that differ across firms — such as managerial style or corporate culture — and accounts for year-to-year variation in macroeconomic conditions (Mack et al., 2024).

Disaggregation of CSR Constructs

Another key development in CSR–CFP methodology is the shift from aggregated CSR indices toward the disaggregation of environmental (E), social (S), and governance (G) dimensions. Scholars such as Orlitzky et al. (2003) and Vishwanathan et al. (2020) have highlighted that aggregating these dimensions into a single score can obscure meaningful variation. For instance, a firm may perform well environmentally but poorly in governance; an average score would mask these opposing effects and reduce explanatory power.

Segmented and Crisis-Sensitive Analysis

Recent scholarship has also called for greater attention to external shocks and crisis contexts, recognizing that CSR may function differently under stress (Koch, Viererb, Beckert & Keilmann, 2024). One such innovation in the present thesis is the explicit segmentation of the sample into COVID-19 and non-COVID periods, with interaction terms used to test how ESG scores behaved under pandemic conditions.

In sum, the methodological evolution in CSR–CFP research has progressed from simplistic correlation analysis toward more comprehensive, multivariate, and context-sensitive approaches (Velte, 2017).

2.4.3. Factors Contributing to Mixed Findings

Despite the growing body of research that investigates the CSR–CFP relationship, empirical findings remain inconsistent and heavily contingent on methodological and contextual factors. Some studies report significant positive relationships, others find no effect, and still others indicate negative or curvilinear associations (Raza et al., 2012). This lack of consensus has prompted scholars to scrutinize the design, measurement, and theoretical framing of CSR–CFP research. In alignment with this stream of inquiry, the present thesis identifies several key drivers that account for such variability in the literature.

Variation in CSR and CFP Measurement

One of the most persistent challenges in the literature is the heterogeneity of CSR and CFP operationalisation (Bruna & Lahouel, 2022). CSR has been measured through a variety of lenses — ranging from third-party ESG databases to self-reported sustainability practices or subjective survey responses (dos Reis Cardillo & Basso, 2025). While proprietary datasets like Refinitiv and MSCI offer structured indicators, differences in methodology, weighting criteria, and disclosure requirements can result in considerable inconsistencies across studies (dos Reis Cardillo & Basso, 2025). Similarly, the financial side of the equation — CFP — as described above, can be represented using accounting-based measures such as ROA, ROE, and NIAT, or alternatively, market-based proxies such as Tobin's Q and stock returns. Each of these captures a different facet of performance. For example, accounting-based indicators tend to reflect short-term operational efficiency (Otley, 2002), whereas market-based measures are more reflective of investor sentiment and long-term growth expectations (Aggarwal, 2022). Adding to this, Edgley et al. (2014) argue that materiality decisions in social and environmental assurance often prioritize different types of impacts depending on whether the assurer follows a traditional accounting logic or a broader stakeholder logic. This inconsistency in what is considered "material" at source feeds directly into variability in reported CSR data, thereby influencing observed CSR–CFP effects.

Time Horizons and Lag Effects

Time horizon is another determinant of CSR–CFP results. CSR initiatives are frequently strategic in nature, designed to build long-term stakeholder trust, environmental resilience, and institutional legitimacy (Etikan, 2024). Studies that apply only contemporaneous CSR and CFP data are likely to miss these deferred effects. As a result, positive financial returns may be underestimated or completely overlooked in models that do not incorporate time lags (Nollet et al., 2016). In their interviews with assurers, Edgley et al. (2014) also found that materiality in social and environmental reporting is forward-looking rather than purely historical, further emphasizing the need to consider lagged impacts when interpreting CSR data.

Sectoral and Contextual Specificity

Industry context significantly influences CSR's financial impact. High-visibility sectors, such as hospitality, retail, and food services, are often more sensitive to public scrutiny and stakeholder perceptions (Kaur et al., 2022). This means that CSR in these contexts can directly affect consumer behavior, employee satisfaction, and brand equity. Conversely, in low-visibility or B2B sectors, the link between CSR and financial performance may be weaker or indirect. The current thesis accounted for this by not only focusing on the hospitality industry but also segmenting the sample into a hotel-only subsample. Such granularity is essential for understanding how CSR functions across different organizational environments and institutional settings. This aligns with Edgley et al.'s (2014) finding that materiality is shaped locally by sector-specific stakeholder pressures and organizational contexts, leading to a "patchwork" of understandings rather than a single universal standard.

Disaggregated versus Aggregated Analysis

A further factor driving divergent results is whether studies use aggregated CSR indices or disaggregated ESG components. Aggregated indices can obscure opposing effects between different CSR dimensions (Matuszak, & Różańska, 2019). For example, high environmental performance may coincide with low governance quality, and when combined into a single composite score, these effects may cancel each other out. Edgley et al. (2014) further stress that without clarity on materiality criteria, firms may selectively disclose stronger areas and downplay weaker ones, which reinforces the need for disaggregation to reveal genuine performance patterns.

Methodological Inconsistencies

Finally, the lack of standardized research designs across studies further contributes to inconclusive findings. Differences in sample size, control variables, regression models, geographic scope, and statistical treatment all impact results (Gharbi, & Jarboui, 2024). For example, failure to control for fixed firm-level traits or macroeconomic conditions introduces bias, as does the absence of lagged variables or interaction terms. This thesis took multiple steps to address these concerns. It used a balanced mix of control variables — firm size, leverage, revenue growth, capital intensity, and firm age — combined with fixed-effects panel regressions to account for unobserved heterogeneity. Additionally, crisis segmentation was applied to separate COVID-19 and non-COVID years, adding further precision to the analysis. In line with this, Edgley et al. (2014) demonstrate that methodological inconsistencies also stem from divergent assurance approaches, with accounting firms adhering to a cautious, systems-based materiality logic while non-accounting assurers adopt a more stakeholder-driven interpretation, further complicating data comparability.

In summary, the mixed results in CSR–CFP research are largely attributable to five methodological and contextual factors: 1) Variability in CSR and CFP measurement, 2) Differences in temporal design and lag treatment, 3) Sectoral and institutional context, 4) Aggregated versus disaggregated CSR constructs and 5) Inconsistent research designs and controls. By addressing each of these issues through methodological refinements, the present thesis contributes to clarifying previously ambiguous results. Edgley et al. (2014) reinforce this conclusion by showing that the very criteria of materiality applied in CSR reporting and assurance are shaped by competing institutional logics, adding another layer of variability that future research must account for. These findings underscore the need for standardized, sector-sensitive, and disaggregated approaches in future CSR–CFP scholarship.

2.5. Rationale for Industry Focus

2.5.1. Why Sector Context Matters in CSR – CFP Research

The literature on the CSR–CFP relationship has consistently highlighted the importance of sectoral context in shaping the nature, strength and direction of the observed link. CSR is not implemented uniformly across industries, nor does it yield identical financial outcomes (Barauskaite & Streimikiene, 2021). Rather, the effects of CSR are mediated by industry-specific characteristics including business models, stakeholder expectations, visibility, regulatory pressures and reputational risk exposure (Gold et al., 2022). Recognizing and accounting for these contextual factors is crucial in generating reliable and generalizable findings.

CSR Effects Differ Across Industry Types

Empirical evidence suggests that the relevance and impact of CSR activities vary widely depending on the type of industry in question (Barauskaite & Streimikiene, 2021). In extractive or heavily regulated industries such as mining, oil or manufacturing, CSR tends to focus on legal compliance, environmental stewardship and risk mitigation (Frederiksen, 2018). By contrast, in consumer-facing and service-oriented industries — especially hospitality and retail — CSR efforts are more strongly linked to brand image, consumer trust and frontline stakeholder relations (Zientara, Adamska, & Bąk, 2025). This divergence is rooted in how firms interact with stakeholders. In hospitality, where service delivery relies heavily on human interaction, CSR investments in employee welfare, health and safety, diversity, and community engagement are more visible and more likely to affect consumer perceptions. Furthermore, CSR messaging in this sector can directly influence booking behavior, brand loyalty and customer satisfaction — all of which are drivers of financial performance (Shin et al., 2021). The present research reinforces this sectoral nuance by conducting a focused empirical analysis exclusively on hospitality and hotel firms. In doing so, it avoids the dilution and distortion of results that often occurs in multi-industry studies, where idiosyncrasies of specific sectors can be masked by aggregation. By isolating a single industry context, this thesis provides clearer evidence on the nature of CSR's financial effects within a relevant stakeholder and operational environment.

Empirical Motivation for a Sector-Specific Approach

The decision to concentrate on the hospitality sector was motivated by two empirical observations. First, past studies in this sector have reported mixed and often contradictory results concerning the CSR–CFP link (Homayoun et al., 2023). Second, the hospitality industry is uniquely positioned as a high-contact, labor-intensive service sector where CSR initiatives — especially those related to employee treatment, guest safety, environmental sustainability and local community development — are both highly visible and operationally consequential (Zientara, Adamska, & Bąk, 2025). Sub-sectoral variation within hospitality further justifies this focus. For example, hotels, restaurants, resorts and quick-service chains differ substantially in terms of capital investment requirements, labor models and reputational risks. Hotels, in particular, are distinguished by their longer planning horizons, more formalized ESG reporting practices, and heightened exposure to international hospitality trends — all of which make them an ideal candidate for sector-specific CSR analysis (Bernard et al., 2025). The current study leverages this insight by applying parallel regression models to both the overall hospitality sample and a hotel-only subsample. This allows for a nuanced comparison across segments and reveals meaningful differences.

Crisis Amplifies Sector Sensitivity

The contextual importance of industry becomes even more critical during times of crisis (Schwartz & Kay, 2023). Economic shocks, health emergencies and geopolitical disruptions disproportionately affect certain sectors over others (Chukwuma, 2024). In the case of COVID-19, hospitality was one of the hardest-hit sectors globally due to travel restrictions, social distancing regulations and operational shutdowns (Gursoy & Chi, 2020). The present thesis incorporated this crisis dimension by splitting the data into COVID and non-COVID years and by interacting ESG scores with a COVID dummy variable. This will support recent calls in the literature for the inclusion of contingency variables and crisis-sensitive modeling. Without such segmentation, the financial value of CSR may be under- or over-estimated.

In conclusion, by using a disaggregated, hospitality-focused dataset and incorporating temporal and crisis-specific segmentation, the present research offers a more precise and context-sensitive interpretation of CSR's financial implications. Future CSR–CFP studies should avoid over-generalization and instead adopt industry-specific designs that reflect stakeholder structures, regulatory environments and business models. Only through such granular approaches can scholars and practitioners alike develop a reliable understanding of when, how and why CSR creates value.

2.5.2. The Case for Studying Hospitality and Hotels

The rationale for selecting the hospitality industry and hotel sector as the focal point of the present study stems from both theoretical grounding and empirical necessity. As established in Section 2.5.1., the CSR–CFP relationship is highly contingent upon industry characteristics, and few sectors exhibit as many distinctive features as hospitality. This industry is defined by several attributes that heighten the relevance of CSR and its potential influence on financial outcomes — namely, high labor intensity, elevated customer visibility, direct stakeholder interactions and acute vulnerability to reputational shifts (Zientara, Kujawski & Bohdanowicz-Godfrey, 2015). Hospitality firms operate in an environment where customer perception, brand image and service quality are pivotal to financial performance (Le, 2023). CSR activities in such a setting — particularly those focused on employee well-being, environmental sustainability, and community engagement — are not merely symbolic or optional, but can directly affect revenue generation and operational continuity (Zientara, Adamska, & Bąk, 2025). The salience of ethical conduct and social legitimacy in this sector makes it a compelling arena for CSR analysis.

In addition, the hospitality sector's environmental footprint provides a further rationale for focused analysis. As highlighted by Legrand, Chen and Laeis (2022), the hospitality sector does not often spring to mind when considering pollution, waste, greenhouse gases and environmental hazards. Instead, environmental degradation is more readily associated with industries like manufacturing, energy production, steel industry, oil production or the chemical industry. Yet, hotels are in fact amongst the most considerable polluters and resource consumers within service industries, with high levels of both energy and water consumed alongside significant waste generation (Prakash et al., 2023). Legrand, Chen and Laeis's (2022) analysis emphasizes that sustainable operations in hospitality require the integration of economic, social, and environmental dimensions in order to meet the needs of present stakeholders while safeguarding opportunities for future generations (Legrand, Chen & Laeis, 2022). This reinforces both the theoretical and practical importance of embedding sustainability and CSR considerations in any detailed assessment of hospitality performance.

Despite this, the existing body of CSR–CFP research in hospitality remains relatively underdeveloped. Much of the literature to date has drawn from cross-industry samples, where insights specific to hospitality or hotel operations are diluted (Zhang & Fang, 2025). Moreover, even those studies focused solely on hospitality often fail to disaggregate different sub-sectors (e.g. hotels, restaurants, resorts, casinos), leading to conceptual ambiguity and interpretive limitations. This thesis seeks to correct these deficiencies by offering a sector-specific investigation that differentiates between broader hospitality firms and hotel-only entities. This dual-track approach allows for the isolation of sub-sector effects, thereby strengthening the internal validity of the analysis. Another gap in the existing research is the limited incorporation of time-based dynamics. Many hospitality CSR studies rely on cross-sectional or single-year data, overlooking the possibility that CSR initiatives might influence financial performance over longer horizons (Inoue & Lee, 2011). In contrast, the present research employs a panel dataset covering 1235 organizations over a 17-year period (2008–2024), capturing both pre- and post-COVID environments. It also applies lagged regression models to test for delayed effects, thereby responding to calls in the literature for longitudinal assessment frameworks. This temporal structure is particularly relevant for hospitality, where long-term stakeholder relationships and gradual reputation-building are critical for sustained financial returns (Yikilmaz et al., 2025).

Furthermore, the hospitality industry is frequently subject to external shocks and crises — economic downturns, natural disasters, pandemics — that can rapidly alter business conditions and stakeholder expectations (Aydogan et al., 2024). The present study integrates a COVID-19 segmentation analysis to capture this dimension, enabling a more nuanced understanding of how CSR operates under both normal and crisis conditions. In sum, the hospitality industry provides a rich and necessary context for the study of CSR and its financial implications. The sector's unique stakeholder configuration, visibility, and strategic reliance on ethical and social performance warrant focused scholarly attention. By adopting a disaggregated, longitudinal and crisis-sensitive research design, this thesis advances the empirical understanding of CSR–CFP dynamics in a domain where such insights are both under-explored and urgently needed.

2.6. Identified Gaps in the Literature

2.6.1. Limited Sector-Specific Longitudinal Research

The literature examining the CSR–CFP relationship has grown in sophistication, yet a persistent criticism remains: a lack of longitudinal studies that are both industry-specific and methodologically rigorous (Lemana et al., 2025). Much of the existing empirical work relies on cross-sectional data, which, while useful for identifying associations, lacks the temporal depth necessary to uncover delayed financial impacts of CSR investments. This limitation is especially evident in the hospitality domain, where few studies have utilized long-term datasets that reflect the sector's operational complexity and stakeholder dynamics.

Shortcomings in Existing Research

Many prior studies in the hospitality field use single-year datasets or snapshot methodologies, which are insufficient for capturing how CSR initiatives unfold over time (Tewari et al., 2025). These approaches tend to miss temporal dynamics, including lag effects, cumulative investments and the possibility that CSR benefits emerge only after sustained engagement (Tewari et al., 2025). Further, the majority of research in this area employs either general CSR indices, qualitative assessments or reputational scores, which suffer from issues such as subjectivity, low frequency and lack of comparability across time periods. Even when longitudinal studies are undertaken, they often treat the broader "hospitality" industry as monolithic, thereby obscuring crucial differences among sub-sectors such as hotels, resorts, and quick-service restaurants. These categories differ substantially in their stakeholder salience, exposure to operational and reputational risks, and the nature of customer engagement (Daszynska-Zygadlo, Slonski & Zawadzki, 2016). As a result, aggregated analyses may conceal important nuances in how CSR interacts with financial performance in these distinct operational settings (Daszynska-Zygadlo, Slonski & Zawadzki, 2016). Furthermore, many existing studies rely on relatively small samples, making it difficult to perform detailed subgroup analyses or control for firm-level heterogeneity (Oduro et al., 2025). This weakens statistical power and limits the generalizability of findings. The consequence is a literature base that, while growing, still lacks precision, robustness, and contextual relevance — particularly for sectors like hospitality where CSR visibility and consumer-facing operations are especially high.

The lack of industry-focused longitudinal CSR–CFP studies is more than a technical deficiency — it presents theoretical, managerial and policy-level implications (Molina Collado et al., 2022; Wong et al., 2022). Without robust longitudinal evidence: 1) Theoretical development remains under-informed by real-world sectoral complexities, leading to generalized models that may not hold in practice, 2) Managers are left without empirical guidance regarding the time-frame over which CSR initiatives are likely to yield financial returns, reducing the strategic appeal of such investments and 3) Policymakers and regulators are constrained in designing incentives, reporting frameworks or industry-specific benchmarks that encourage meaningful and sustainable CSR adoption.

2.6.2. Under-use of Disaggregated ESG Data

A persistent methodological limitation within the CSR–CFP literature is the dominant reliance on aggregated CSR or ESG indices (Nollet et al., 2016). While such composite scores offer convenience in statistical modeling, they often conceal the nuanced and potentially divergent effects of environmental, social and governance practices on financial performance. By treating CSR as a homogeneous construct, past studies may inadvertently generalize or distort the strategic relevance of individual CSR components (Daszynska-Zygadlo, Slonski & Zawadzki, 2016). This thesis addresses this problem directly by adopting a disaggregated approach to ESG analysis.

Problems with Aggregated Indices

Aggregated ESG scores are typically derived either through weighted composite ratings or via data reduction techniques such as principal component analysis. These methods, although efficient, operate on the assumption that ESG dimensions contribute uniformly to firm outcomes — a premise not supported by empirical evidence. In reality, each ESG pillar addresses distinct operational areas, engages different stakeholder groups and carries unique cost-benefit profiles (Daszynska-Zygadlo, Slonski & Zawadzki, 2016). This generalization introduces what is commonly termed aggregation bias (Berg et al., 2022). For instance, a company with exemplary environmental policies but weak governance standards may still receive a moderate ESG score, thereby diluting the strength of either dimension's true relationship with financial outcomes. Aggregation can also conceal compensatory dynamics — where strong performance in one domain counterbalances weak performance in another — resulting in misleading inferences about the overall CSR posture of an organization (Daszynska-Zygadlo, Slonski & Zawadzki, 2016). Furthermore, aggregated scores limit the ability to test dimension-specific theoretical predictions (Berg et al., 2022). Stakeholder theory, legitimacy theory and institutional theory all suggest that different CSR activities target different audiences and have variable timelines for impact. By failing to separate these domains analytically, much of the literature reduces the explanatory power of its models.

Implications of Disaggregated Analysis

The limited use of disaggregated ESG data has broader implications beyond academic rigor. For managerial decision-making, reliance on aggregated scores may lead to misinformed resource allocations, whereby firms over-invest in CSR dimensions with low financial returns or under-invest in those with strategic importance (Friede et al., 2015). From a policy perspective, disaggregated evidence can inform the design of targeted reporting guidelines that differentiate among CSR domains rather than treating them as interchangeable (Bissoondoyal-Bheenick et al., 2024). For scholars, dimension-level analysis opens new pathways for theory testing — particularly regarding stakeholder salience, institutional conformity and the time-bound nature of CSR impacts (Daszynska-Zygadlo, Slonski & Zawadzki, 2016). Disaggregated data also facilitates more sophisticated modeling strategies, including interaction terms and cross-level moderation, which can better account for contextual effects such as sector, region and economic conditions (Daszynska-Zygadlo, Slonski & Zawadzki, 2016). In conclusion, this thesis reinforces the argument that ESG components should not be aggregated prematurely, particularly when the objective is to assess the financial impact of CSR activities. By adopting a disaggregated framework, it contributes to a growing literature that emphasizes the strategic heterogeneity of CSR practices and provides a more refined understanding of their role in shaping corporate financial outcomes.

2.6.3. Lack of Crisis-Sensitive Analysis

Another under-explored dimension in the CSR–CFP literature is the role of macroeconomic and crisis contexts in shaping the effectiveness and perception of CSR strategies. Although CSR is frequently praised for delivering long-term reputational and operational benefits, minimal empirical research investigates how these relationships fluctuate during periods of systemic disruption, particularly in the wake of the COVID-19 pandemic (He & Harris, 2020). Basnyat, Carr and Lovelock (2022) further illustrate that in developing-country hotel sectors, labor markets were already marked by necessity-induced (im)mobilities, limited promotion opportunities and systemic employment precarity before the pandemic. These structural issues meant that when COVID-19 struck, the crisis did not create new workforce vulnerabilities but amplified pre-existing constraints, making it even harder for employees to transition to alternative employment and increasing pressure on organizations to adopt socially responsible practices.

CSR in Times of Crisis

The current thesis highlights that stakeholder expectations intensify during times of crisis. In such periods, CSR initiatives are not only scrutinized more closely but also carry heightened reputational consequences — both positive and negative. Despite this, much of the existing CSR–CFP literature implicitly treats time as a neutral or linear construct, failing to examine how the financial value of CSR may shift under economic distress, operational disruption or global uncertainty. Theoretical arguments suggest that organizations demonstrating credible and consistent CSR behaviors during a crisis may experience greater stakeholder loyalty, employee retention and operational stability (Fang et al., 2023). However, these claims often remain untested or are supported only by reputational surveys rather than financial data. Empirical studies that do consider crisis effects frequently rely on short-term stock market reactions to CSR announcements or on qualitative assessments of perceived organizational resilience, as opposed to hard financial performance metrics such as ROA or NIAT. This methodological gap has left unanswered whether CSR can maintain, lose or gain strategic salience during volatile periods such as pandemics, economic recessions or geopolitical crises. Recent exploratory research, such as Baum and Goh (2021), suggests that during the pandemic, younger hospitality workers perceived their roles as meaningful despite risks, indicating that CSR-linked factors like employee purpose and commitment may become even more salient under crisis pressures. Basnyat et al. (2022) similarly emphasize that pre-existing labor market rigidities and necessity-driven employment choices intensified the impact of COVID-19 on hotel workers, reinforcing the argument that crisis-sensitive CSR strategies must account for these underlying structural vulnerabilities when seeking to protect and retain staff.

Segmentation by COVID-19 Period

To address this omission, the present thesis introduces a crisis-sensitive empirical design that incorporates temporal segmentation. Specifically, the research: 1) Divided the 17-year panel dataset into COVID-19 years (2020–2021) and non-COVID years (2008–2019, 2022–2024), 2) Employed consistent regression specifications across both periods using Model A (aggregate ESG) and Model B (disaggregated E, S and G dimensions) and 3) Performed independent regression analyses across each sub-period for both the full hospitality sample and a hotel-only subsample.

This segmentation avoids the potential biases associated with pooled data models that ignore the structural breaks and unique economic conditions induced by crises. It also enables a more targeted understanding of how stakeholder responses, financial constraints and managerial priorities may recalibrate the CSR–CFP relationship during crisis periods. Importantly, this methodological choice aligns with best practices recommended by recent empirical literature, which call for sensitivity to external shocks and context-dependent CSR effectiveness.

This current chapter has established the theoretical, definitional and empirical foundations necessary for the comprehension of the relationship between CSR and CFP within the context of the worldwide hospitality industry. The chapter began by outlining the purpose of the literature review and its structural road-map, then proceeded to evaluate some of the most influential theories forming CSR – specifically stakeholder theory and legitimacy theory – and their relevance to financial outcomes in high-visibility service-based sectors.

CSR was then defined via the evolution of its meaning, from philanthropic roots to integrated strategy, and was conceptualized via widely recognized frameworks, including the ESG model, Carroll's Pyramid, the Intersecting Circles Model and the Concentric-Circle approach. These models were not only compared for their normative assumptions but also analyzed in terms of their implications for strategic management and stakeholder alignment. The ESG framework, in particular, was discussed in terms of its ability to disaggregate CSR into measurable dimensions, allowing for a more granular understanding of environmental, social and governance performance in hospitality organizations. The chapter further examined the choice of financial performance indicators – with an emphasis on ROA and NIAT – and outlined their respective methodological advantages. These indicators were framed as appropriate metrics for evaluating both operational efficiency and overall profitability, especially in capital-intensive and margin-sensitive sectors such as hospitality. The debate on whether CSR should be interpreted as a strategic investment or as a financial constraint was also addressed. Evidence from the literature, and preliminary results from this thesis, suggest that CSR's financial impact is contingent upon time horizon, stakeholder salience and the alignment of CSR activities with core business objectives.

A comprehensive review of meta-analytic studies, sectoral evidence and methodological developments followed. This synthesis reinforced the idea that while the CSR–CFP relationship is broadly positive, it is highly sensitive to how CSR is measured, over what time-frames, in which sectors and under what empirical assumptions. Important developments in the literature – such as the shift toward panel data methods, the use of lag structures, the disaggregation of ESG components, and increased recognition of industry-specific factors – were highlighted as critical to improving precision and relevance in this research area. This critical literature review culminated in the identification of three persistent gaps that the present thesis is uniquely positioned to address: 1) The lack of longitudinal, sector-specific studies in the hospitality domain, limiting understanding of how CSR unfolds over time in a high-contact, reputation-driven environment, 2) The under-use of disaggregated ESG data, which can obscure dimension-specific effects and lead to misleading managerial or theoretical conclusions when composite indices are employed and 3) The absence of crisis-sensitive designs, particularly with regard to the impact of macroeconomic shocks – most notably, the COVID-19 pandemic – on the CSR–CFP dynamic.

These gaps informed the development of a conceptual framework and three core hypotheses, which taken together, define the empirical direction of the thesis. The framework not only reflects a synthesis of theoretical insights and methodological advances, but also positions this study to offer contributions to both academic understanding and practical decision-making in the context of sustainability and financial performance. The next chapter, Chapter 3: Corporate Social Responsibility in the Hospitality Industry and Hotel Sector, will build directly on these foundations by providing a detailed examination of CSR practices, stakeholder dynamics and regulatory frameworks specific to the hospitality industry. This sectoral grounding will provide essential context for interpreting the statistical findings presented in Chapter 4: Empirical Analysis – Method, Findings, and Discussion, where the hypotheses are tested using a global panel dataset of hospitality organizations.

Chapter 3: CSR in Hospitality

The hospitality industry holds a unique position in the worldwide economy, in that it is characterized by high public visibility, intensive stakeholder interactions and a strong reliance on environmental and cultural resources, all of which enhance the relevance of CSR within the sector (Zientara, Kujawski & Bohdanowicz-Godfrey, 2015). As a result, CSR has evolved into a strategic tool not merely for competitive positioning, but also for risk mitigation and legitimacy building (Arena et al., 2018). Hospitality organizations operate in highly service-orientated and people-centric environments, where reputation and trust play pivotal roles. According to Lee et al. (2023), hospitality organizations are often-times judged on ethical and social performance as much as on service delivery, particularly as a result of their stakeholder-facing operations. Stakeholder theory thus becomes especially salient here, as management must actively balance competing interests and expectations across customer bases, regulators, employees and local communities. Furthermore, the environmental impact of hospitality operations – including high energy and water consumption, proximity to ecologically sensitive areas and high waste production – adds urgency to the pre-implementation of robust environmental strategies (Diaz-Farina, Díaz-Hernández & Padrón-Fumero, 2023). This has in turn led to an increase in ESG related disclosures across the sector, especially among large, listed organizations aiming to meet institutional investor requirements.

Despite these trends, CSR research in the hospitality industry remains under-explored and under-developed in relation to other sectors. Researchers such as Coles et al. (2013) and Font et al. (2012) note that early investigations often-times focus on voluntary initiatives or qualitative insights as opposed to large-sample, quantitative studies that test the relationship between CSR and CFP. The Chapter 3 builds on the rationale provided in the previous Chapter 2 by offering a detailed exploration of CSR's evolution, stakeholder environment and regulatory context within the hospitality industry. It provides the empirical grounding for interpreting the findings in Chapter 4.

3.1. Overview of the Hospitality Industry

3.1.1. Economic Significance

The hospitality industry represents not only one of the largest but also among the most rapidly evolving sectors in the global economy (Ranasinghe et al., 2021). Its contribution spans multiple macroeconomic dimensions including employment generation, gross domestic product (GDP) enhancement and foreign exchange earnings. According to the Statista Research Department (2025), the global hospitality market was valued at nearly USD 1 trillion in 2025 and is forecasted to increase to USD 5.8 trillion by 2027. These figures underscore the magnitude and economic centrality of hospitality as integrated pillars of the service-based global economy. In addition to their sheer scale, these sectors are particularly significant for their developmental role in emerging and developing economies. Hospitality, in particular, is often deployed as a catalyst for regional regeneration, infrastructure development and employment stimulation. As Lund-Durlacher (2015) notes, organizations operating within hospitality is frequently positioned not only as commercial enterprises but as agents of sustainable economic development. This dual responsibility places additional ethical demands on firms to balance profitability with social and environmental stewardship — a tension that lies at the heart of CSR debates in these sectors.

The COVID-19 pandemic posed an unprecedented disruption to the economic output and structural operations of hospitality organizations worldwide (Abbas et al., 2021). Lock-downs, international travel restrictions and consumer uncertainty led to plummeting occupancy rates, widespread job losses and significant declines in revenue (Kumar, 2024). Within the scope of this thesis, the pandemic period (2020–2021) is treated as a distinct temporal phase in order to isolate its potential effects on the CSR–CFP relationship. The findings reveal that COVID-19 not only impacted financial outcomes but also functioned as a real-world stress test, exposing the sector's vulnerability to macro-level shocks and the limitations of reactive CSR strategies. Nonetheless, medium-term projections indicate robust recovery pathways, suggesting the enduring strategic relevance of the hospitality industry. Despite temporary contractions, long-term growth trajectories remain positive, supported by rising global mobility, expanding middle-class populations and increasing consumer prioritization of experiential services (Awalurramadhana, 2024). The ability of the sector to rebound and adapt in the post-pandemic context reinforces its foundational role within the global economic infrastructure (Awalurramadhana, 2024). As such, understanding how CSR functions under both stable and crisis conditions is imperative for organizations seeking to align ethical commitments with sustainable economic performance.

3.1.2. Structural Characteristics

The hospitality industry is shaped by a unique set of structural characteristics that significantly elevate the relevance of CSR within the sector (Serra-Cantallops et al., 2018). These features not only distinguish it from other industries but also create an operational environment in which CSR considerations become integral to both strategic and reputational outcomes. Firstly, the industry is profoundly labor-intensive, with service delivery heavily dependent on frontline employees (Zientara, Kujawski & Bohdanowicz-Godfrey, 2015). Human capital constitutes both the operational backbone and the public face of hospitality organizations (Ritchie & Jiang, 2021). Employees routinely engage in direct and visible interactions with guests, rendering labor practices highly transparent and subject to scrutiny. Consequently, employment conditions, wage fairness and training standards are increasingly assessed as indicators of CSR performance (Greig et al., 2021). Empirical studies confirm that hospitality firms are under rising pressure to address staff well-being and to adopt socially responsible labor practices (Kang et al., 2010; Lee & Park, 2009). In this high-contact service context, human resource policies are not confined to internal management but carry external consequences for customer satisfaction and brand perception.

Secondly, the sector is characterized by high levels of resource dependency, particularly in terms of water consumption, energy use and food supply chains (Taghipour et al., 2024). The operational scale and geographic spread of hospitality establishments intensify their environmental footprint, drawing attention from regulators, NGOs and eco-conscious consumers (Sirivadhanawaravachara, 2025). Environmental sustainability is no longer a peripheral concern but has become a competitive differentiator. Firms are now expected to go beyond mere compliance and to proactively implement eco-efficient practices, such as waste reduction programs, green energy sourcing, and sustainable procurement policies (Gunduz Songur et al., 2023). These responses are often driven by both external pressures and internal aspirations to align with global sustainability frameworks (Coles et al., 2013; TOURISM 4 SDGs, n.d.).

Thirdly, hospitality operate in environments marked by intensive customer interaction and exceptional public exposure. Service experiences unfold in real time and are frequently mediated through digital platforms, including online review systems, social media and customer feedback applications (Huang et al., 2024). This dynamic creates a setting in which CSR practices are constantly on display and subject to immediate public judgment. Both responsible and irresponsible behaviors are amplified rapidly, thereby increasing the reputational risks associated with CSR negligence (Ma & Xue, 2023). Theodoulidis et al. (2017) observe that the digital transparency of service delivery raises the stakes for ethical conduct and underscores the importance of demonstrable corporate values as part of a firm's brand identity. Collectively, these structural features render CSR a non-optional strategic priority for hospitality firms. The reliance on people and natural resources, combined with high levels of visibility and customer interaction, means that ethical, social and environmental responsibilities are deeply embedded in day-to-day operations. In this sector, CSR is not an abstract principle but a concrete necessity — one that shapes stakeholder relationships, competitive positioning and long-term viability.

3.1.3. Vulnerabilities and Pressures

The hospitality industry is particularly susceptible to a broad spectrum of environmental, economic and socio-political pressures, which amplify the strategic importance of CSR (Qi et al., 2026). These external vulnerabilities are embedded in the nature of the sector's operations, which depend on global mobility, local community integration and visible service delivery (Qi et al., 2026). As such, CSR emerges not merely as an ethical consideration but as an essential mechanism for risk mitigation, stakeholder alignment and long-term resilience (Fauzi, 2025).

Environmental scrutiny is especially pronounced due to the industry's reliance on land, water, energy and biodiversity. Hospitality operations are frequently located in ecologically sensitive or tourist-intensive regions, exposing them to criticism regarding overuse of natural resources, pollution and ecological degradation (Özgen Çiğdemli, 2021). Furthermore, the social interface between hospitality firms and their surrounding communities introduces issues of labor equity, cultural sensitivity and ethical business conduct (Giousmpasoglou, 2024). As emphasized by Theodoulidis et al. (2017) and TOURISM 4 SDGs (n.d.-b), organizations in this sector must exhibit genuine and measurable commitment to environmental responsibility, fair employment practices and transparent governance in order to maintain legitimacy in the eyes of stakeholders.

Equally, the sector is acutely vulnerable to external shocks. Natural disasters, pandemics and geopolitical disruptions can trigger immediate and severe consequences, ranging from mass cancellations and revenue collapse to long-term reputational damage (Kumar, 2024). The COVID-19 pandemic offered a stark illustration of this fragility. With international travel halted and public health concerns dominating consumer decision-making, hospitality organizations were forced to pivot rapidly toward CSR initiatives that addressed emerging expectations. These included enhanced employee welfare measures, sanitation and safety protocols, and increased contributions to community well-being (Klinger et al., 2021). In many cases, firms used CSR as a means of signaling solidarity and responsiveness, while also confronting organizational deficiencies in crisis preparedness (Coles et al., 2013; Lee & Park, 2009). Research by Goh and Baum (2021) further demonstrates this vulnerability at a micro level, revealing how Generation Z hotel employees working in quarantine hotels navigated heightened risks, uncertain working conditions and personal exposure to health hazards. Their findings show that despite these pressures, many employees derived a sense of meaningful work and organizational pride, underscoring how CSR-aligned practices such as support structures and safety protocols can mitigate negative perceptions and enhance workforce resilience in times of crisis. Baum et al. (2020) expand on this by arguing that COVID-19 did not create entirely new workforce challenges but amplified long-standing structural issues in hospitality, such as job precarity, low wages, and reliance on casual labor. They contend that the pandemic exposed the fragility of employment relationships that had been normalized over decades, reinforcing the urgency for CSR initiatives that genuinely improve job security and working conditions rather than offering short-term reputational fixes. Adding further weight to these concerns, Karatepe (2013) demonstrates that work overload and work–family conflict – both common in high-pressure hospitality environments – significantly contribute to emotional exhaustion. This exhaustion reduces job embeddedness and impairs employee performance, indicating that CSR frameworks must also address workload management, staffing stability and family-supportive policies as part of a long-term resilience strategy.

Such conditions expose hospitality organizations to compounded reputational and operational risks. Unlike capital-intensive sectors with limited public exposure, hospitality firms are continuously evaluated by diverse stakeholders — including guests, employees, regulators and investors — who demand responsiveness, ethical accountability and sustainable conduct (Khatter, 2025). CSR, therefore, becomes an indispensable strategic asset in navigating turbulence. Its role extends beyond symbolic declarations, functioning as a tangible framework through which firms can enhance transparency, foster stakeholder trust and build adaptive capacity (Übius & Alas, 2009). In summary, the sector's exposure to external shocks, environmental pressures and stakeholder scrutiny places CSR at the core of responsible governance. Rather than being reactive or marginal, CSR in hospitality must be embedded proactively within organizational systems, serving both as a protective mechanism and a legitimacy-enhancing strategy to confront volatility and sustain long-term value.

3.2. Emergence and Evolution of CSR in the Sector

3.2.1. Drivers of CSR Adoption

The adoption of CSR practices in the hospitality industry is influenced by a constellation of interrelated drivers, primarily comprising regulatory mandates, stakeholder pressures and the strategic pursuit of competitive differentiation (Ritchie et al., 2024). These forces reflect both external constraints and internal motivations, reinforcing the integration of CSR as a functional necessity rather than a discretionary initiative. The first key driver is the tightening landscape of regulatory compliance. While the hospitality sector has traditionally operated under a relatively light regulatory framework — particularly in comparison to more heavily industrialized sectors such as manufacturing — recent years have witnessed a shift toward greater oversight (Goffi, Masiero & Pencarelli, 2022). Regulatory bodies at both national and international levels are increasingly introducing mandatory disclosure requirements related to ESG performance (Krueger et al., 2024). These developments are particularly pronounced in jurisdictions aligned with the United Nations Sustainable Development Goals and other international frameworks. As a result, hospitality firms are compelled to align their practices with evolving legal standards and normative expectations, making CSR compliance not only a reputational concern but also a matter of operational legality (TOURISM 4 SDGs, n.d.-b).

Secondly, the intensifying expectations of stakeholders — particularly investors, consumers and employees — constitute a major impetus for CSR engagement (Adib et al., 2021). Research by Mooney, Harris and Ryan (2016) reinforces the employee dimension of these expectations by highlighting that, despite the sector's reputation for transient employment, many individuals pursue long careers in hospitality when supported by fair treatment, meaningful development opportunities and respectful organizational cultures. These findings suggest that CSR initiatives which strengthen employee retention and career sustainability are not only ethically desirable but also strategically advantageous in addressing workforce instability. The increasing integration of ESG performance indicators into investment criteria has elevated CSR from a peripheral marketing tool to a core risk assessment parameter (Basile & Ferrari, 2024). Institutional investors, shareholder advocacy groups and ethically driven customers now routinely evaluate firms based on their sustainability credentials (Ostonaqulova, 2023). This shift aligns closely with stakeholder theory, which emphasizes the need for organizations to address the concerns of all stakeholder groups, not merely shareholders, in order to achieve sustained legitimacy and financial performance. For hospitality firms, where brand identity and consumer trust are paramount, stakeholder responsiveness through CSR becomes both a normative obligation and a strategic safeguard (Lee & Park, 2009).

A third major driver is the role of CSR in achieving competitive differentiation (Sergeeva & Kapetanaki, 2022). In an industry marked by service homogeneity and intense market rivalry, visible and credible CSR initiatives can serve as a powerful source of brand distinction. Ethical branding and sustainability-focused marketing not only appeal to environmentally and socially conscious consumers but can also engender long-term customer loyalty and positive word-of-mouth (Khandai et al., 2023). CSR thus becomes an asset in positioning a firm within premium market segments and in building durable reputational capital. As highlighted by Theodoulidis et al. (2017), organizations that proactively disclose their CSR efforts are better positioned to enhance stakeholder trust and to signal corporate transparency, particularly in high-contact, service-oriented industries such as hospitality. In summary, the drivers of CSR adoption in the hospitality industry reflect a blend of instrumental and normative imperatives. Regulatory compliance, stakeholder expectations and market competition collectively shape the strategic environment in which CSR decisions are made. These pressures reinforce the embeddedness of CSR in organizational operations and underscore its role as a dynamic response to both external demands and internal aspirations within an increasingly sustainability-conscious global market.

3.2.2. Phases of CSR Maturity

The development of CSR within the hospitality industry has evolved through a series of discernible phases, reflecting increasing levels of strategic intent, formalization and operational integration (Evans, 2024). This progression illustrates how CSR has moved from peripheral philanthropic gestures to a fully embedded component of organizational strategy, shaped by shifting stakeholder expectations, regulatory changes and evolving industry norms (Al-Asfour, 2025). In its initial phase, CSR activity in the sector was largely ad hoc and reactive (Abidin et al., 2025). Many hospitality organizations engaged in isolated efforts such as one-off charitable donations, basic environmental awareness campaigns or seasonal community outreach programs (Gonibeed et al., 2023). These actions, while publicly visible, were often disconnected from broader business strategies and lacked structured frameworks for implementation or evaluation. Coles et al. (2013) note that during this phase, CSR was frequently leveraged for reputational gain without meaningful operational alignment. As such, it remained largely symbolic, limited in scope and often superficial in execution.

The second phase of maturity is characterized by the institutionalization of CSR, marked by the formal adoption of policies, codes of conduct and internal reporting systems (Jahid et al., 2023). During this stage, CSR began to be integrated into corporate mission statements, operational guidelines and employee training programs. Firms started to seek legitimacy through third-party certification schemes such as Leadership in Energy and Environmental Design (LEED) and Green Key, which provided structured criteria for sustainable operations and helped signal credibility to stakeholders (Matisoff & Noonan, 2022). This institutional turn was driven by rising awareness of environmental and social challenges and a growing need for measurable accountability. According to Theodoulidis et al. (2017), this period represented a shift toward greater transparency and the standardization of CSR metrics as firms responded to external scrutiny and performance benchmarking demands.

The most advanced phase involves the strategic integration of CSR across all organizational functions. At this stage, CSR is no longer considered an optional add-on or public relations exercise but is instead treated as a critical dimension of corporate governance and value creation (Baumüller & Sopp, 2022). Strategic CSR manifests through its influence on core areas such as procurement policies, supply chain management, marketing, human resources and operations (Taghipour et al., 2022). Environmental sustainability, fair labor practices and ethical sourcing are embedded into decision-making processes at every level. Industry associations such as the United Nations World Tourism Organization (UNWTO) and the World Travel and Tourism Council (WTTC) have played a vital role in advancing this maturity by providing sector-specific sustainability frameworks and promoting cross-industry learning through global knowledge platforms (TOURISM 4 SDGs, n.d.).

This trajectory from philanthropic goodwill to strategic integration underscores the increasingly central role of CSR in the hospitality context. While not all organizations move through these phases at the same pace, the general trend indicates that deeper CSR engagement is now a defining feature of mature firms in the sector (Madanaguli et al., 2022). The speed and extent of progression along this continuum are shaped by internal resources, leadership commitment, stakeholder influence and institutional environments. Nonetheless, the normative expectation for

CSR integration has become a widespread standard, signaling a broader paradigm shift toward responsible and sustainable business models.

3.3. CSR Practice Areas in Hospitality

3.3.1. Environmental Sustainability

Environmental sustainability has emerged as a central pillar of CSR within the hospitality industry, primarily due to the sector's considerable ecological footprint and the increasing demands of environmentally conscious stakeholders (Blanco-Moreno et al., 2025). The hospitality industry, encompassing accommodation, food service, and facility management, consumes substantial volumes of energy and water and generates significant levels of waste (Mdoda et al., 2024). As a result, sustainability-related initiatives targeting resource efficiency, pollution reduction and environmental accountability have become core components of CSR strategies (Montañés-Del Río et al., 2025). Key areas of environmental concern include energy conservation, water efficiency, and comprehensive waste management. Hospitality operations — particularly hotels and resorts — require continuous consumption of energy for lighting, heating, ventilation, air conditioning, and water heating, as well as large-scale water usage for cleaning, sanitation and guest services (Singh, Mishra & Yadav, 2024). Consequently, organizations have responded by implementing practical measures aimed at reducing resource intensity. Common approaches include the installation of water-saving fixtures, motion-sensitive lighting, energy-efficient appliances and the modernization of heating and cooling systems. These interventions serve a dual purpose: they minimize environmental impact while simultaneously generating cost savings, reinforcing the financial case for embedding sustainability into core operations (TOURISM 4 SDGs, n.d.). Miao and Wei (2016) demonstrate that guest engagement in energy and water conservation initiatives is influenced by perceived behavioral ease and personal comfort. Their study highlights that lodging guests are more likely to adopt conservation behaviors — such as towel reuse or reduced water usage — when hotels provide clear guidance and low-effort participation mechanisms, reinforcing the value of operational measures that actively involve consumers in sustainability practices.

Waste management has also gained prominence as an essential environmental concern, especially with regard to the disposal of food waste, packaging materials and single-use plastics (Singh, Mishra & Yadav, 2024). Given the high turnover of consumables in daily operations, the sector faces increasing scrutiny over its contribution to landfill and marine pollution (Hussain & Soni, 2025). In response, many firms have adopted integrated waste reduction strategies, including composting systems, on-site recycling stations, and partnerships with sustainable suppliers. Such initiatives reflect the growing emphasis on circular economy principles, where the reduction of upstream and downstream waste flows is a key objective (Strippoli et al., 2024). Miao and Wei (2016) further note that behaviors such as recycling and waste reduction are more prevalent when hotels visibly support and communicate these practices, for instance by providing easily accessible recycling stations and clear signage. Their findings suggest that pro-environmental behavior among guests is not only a matter of infrastructure but also of behavioral prompts and organizational communication. As Coles et al. (2013) indicate, these measures are often undertaken not only for compliance purposes but also to meet the expectations of ethically minded consumers and to bolster environmental credentials in a competitive marketplace.

In pursuit of transparency and legitimacy, many hospitality firms also participate in third-party environmental certification schemes (Geerts, 2014). Recognised certifications typically assess criteria such as energy efficiency, water usage, indoor environmental quality and waste diversion rates (Velaoras et al., 2025). Attainment of such certifications provides firms with reputational advantages, enhancing trust among consumers, business partners and institutional investors. According to Theodoulidis et al. (2017), the increasing use of environmental indicators is shaping how firms are evaluated both by the public and by stakeholders within financial and regulatory domains. Overall, environmental sustainability in the hospitality industry has moved beyond reputational posturing to become an embedded element of strategic CSR (Mu et al., 2024). The industry's reliance on natural resources, coupled with the rising expectations of guests, regulators and investors, necessitates ongoing commitment to resource efficiency, waste reduction and environmental accountability. These efforts signal not only ethical responsiveness but also operational foresight, aligning long-term business sustainability with broader ecological goals. By incorporating behavioral insights such as those identified by Miao and Wei (2016), hospitality organizations can strengthen the link between operational sustainability initiatives and actual guest participation, enhancing both environmental outcomes and stakeholder perceptions of authenticity.

3.3.2. Social Responsibility

Social responsibility constitutes a fundamental pillar of CSR in the hospitality industry, addressing a broad spectrum of practices related to employee treatment, community involvement and the overall enhancement of stakeholder well-being (Khatter, 2025). Given the sector's high degree of human interaction, its social performance is highly visible, immediate and increasingly subject to public and stakeholder scrutiny (Mahato et al., 2021). As such, the hospitality industry must proactively manage its social responsibilities to safeguard reputation, promote trust and ensure long-term operational effectiveness (Lee & Park, 2009). As Lucas (2004) observes, employment relations in hospitality have historically been characterized by low union density, fragmented workplaces and managerial strategies that prioritize cost control over staff development, which amplifies the need for socially responsible practices to counterbalance these structural weaknesses.

A key area of focus within social responsibility is labor practices, particularly with regard to fair wages, employee rights, safe working conditions and inclusive employment policies (Zientara et al., 2024). The hospitality sector is inherently labor-intensive and often characterized by reliance on low-wage, part-time or seasonal staff, exposing it to reputational risks concerning job insecurity, exploitation, and workforce instability (Zientara, Kujawski & Bohdanowicz-Godfrey, 2015). Lucas (2004) further notes that such reliance on peripheral and flexible labor models often creates precarious work environments and high turnover, conditions that socially responsible organizations must actively address through fairer contracts, improved working conditions, and transparent management policies. Baum et al. (2016) emphasize that these employment issues are symptomatic of a broader research and policy neglect in hospitality workforce studies. Their review shows that workforce matters have long been under-theorized and under-researched, even though they are fundamental to service quality and sustainability, reinforcing the urgency for CSR to fill these gaps. Analysis by Ioannou and Dukes (2021) supports this view, showing that UK hospitality workplaces frequently operate at or beyond the limits of employment law, with widespread use of zero-hour contracts, unpaid overtime, and inconsistent enforcement of legal protections. These structural weaknesses highlight that compliance with minimum legal standards is often insufficient to ensure fair treatment, making proactive CSR initiatives essential to address gaps in worker protection and build trust. Karatepe (2013) adds that heavy workloads and work – family conflict — common in labor-intensive hotel environments — significantly increase emotional exhaustion, which in turn reduces employees' job embeddedness and overall performance. This highlights that CSR policies must also focus on workload management and work – life balance as part of their social responsibility agenda.

Further, research by García-Rodríguez, Armas-Cruz and González-de-la-Rosa (2020) reinforces these concerns by operationalizing the concept of Decent Work in Hospitality (DWH) as a multidimensional construct. They highlight that fair pay, safe and dignified working conditions, employment stability, and opportunities for career development are central to employee-focused micro-CSR. Their validated scale also emphasizes dimensions such as work-life balance, social dialogue, diversity management, and trust in the work environment as integral to sustainable human resource practices in hotels. Baum (2018) expands this perspective by arguing that sustainable human resource management must be recognized as a core driver of hospitality planning and policy, not a peripheral consideration. He identifies capacities such as Sustainable Employment Capacity (SEC), Service Delivery Capacity (SDC) and Service Quality Capacity (SQC) as essential levers for embedding sustainability into workforce practices (Baum, 2018). Integrating these capacities within CSR strategies enables organizations to go beyond compliance by structurally planning for workforce stability, skill development and long-term service excellence. This aligns with Baum et al.'s (2016) taxonomy, which calls for a multi-level approach — linking individual, organizational and policy dimensions — to address workforce sustainability in hospitality. They argue that without such integration, CSR risks remaining a narrow, short-term initiative rather than a driver of systemic change. This need for systemic change is underscored by Karatepe's (2013) findings that without deliberate organizational support to mitigate work overload and family–work conflict, employees' ability to stay embedded in their roles and maintain high service standards is undermined.

Beyond these risks, there is a growing societal expectation for organizations to demonstrate genuine care for their employees. This shift reflects broader expectations surrounding employee-oriented CSR, which emphasizes fairness, psychological support, development opportunities, and recognition of employee voice (Zientara, Adamska, & Bąk, 2025). Such CSR is no longer viewed merely as peripheral ethics but increasingly as a central organizational responsibility, closely linked with perceived organizational support (POS) and the fulfillment of employee needs across multiple domains (García-Rodríguez et al., 2021; Kim et al., 2018). Karatepe (2013) demonstrates that organizations which fail to manage stressors such as excessive workloads risk higher emotional exhaustion, eroding the benefits of POS and leading to poorer in-role and extra-role performance. Karatepe (2012) empirically supports this link by showing that hotel employees who perceive higher organizational support report greater career satisfaction, which in turn enhances both in-role and extra-role performance. This evidence reinforces the argument that CSR initiatives fostering genuine support structures can deliver measurable improvements in service outcomes. According to Zientara et al. (2025), the key focus areas of this approach include enhancing health and well-being, fostering training and development, and promoting diversity, equity, and inclusion (Farooq et al., 2014). These dimensions align CSR with critical human resource management functions and reflect a maturing understanding of social responsibility as both an ethical imperative and a strategic asset. Baum et al. (2016) support this view by identifying workforce engagement and development as under-utilized levers for long-term competitiveness, noting that sustainable employment strategies directly strengthen CSR's social pillar.

Lucas (2004) underscores that training and development have often been neglected in hospitality, with many employers relying on informal on-the-job learning rather than structured programs. Embedding CSR principles offers a route to systematize such initiatives, ensuring that skills development and health and safety standards are treated as integral to operational strategy rather than discretionary extras. In line with the DWH framework proposed by García-Rodríguez et al. (2020), CSR practices that integrate employee perceptions of adequacy of income, equal opportunity, lifelong learning, and technological adaptation are particularly effective in enhancing job satisfaction and organizational commitment in hospitality contexts. These findings suggest that incorporating these dimensions not only strengthens internal social responsibility but also supports external perceptions of legitimacy and service quality. Karatepe’s (2012) study complements this by demonstrating that when employees perceive strong organizational backing, they exhibit higher engagement and service delivery, confirming that employee-oriented CSR translates into tangible operational benefits. These operational benefits are further supported by Karatepe’s (2013) evidence that reduced work overload and conflict can lower emotional exhaustion, strengthening job embeddedness and enabling sustained service quality. Building on this, Baum (2018) highlights that sustainable HRM should be considered at both organizational and policy levels, ensuring that CSR initiatives are not short-term fixes but part of a wider structural approach that links workforce planning to hospitality sustainability goals.

In line with this, Legrand, Chen and Laeis (2022) stress that to truly embed sustainability within hospitality, organizations must not only hire local employees wherever possible but also provide appropriate training to ensure that these employees can thrive in their roles. They highlight that fair treatment, safe working environments and equitable pay are foundational elements of responsible operations (Green Hotelier, 2007a, cited in Legrand et al., 2022). Furthermore, they argue that environmental and social policies are ineffective unless staff understand and embrace them. Regular and engaging training sessions, clear communication of operational sustainability policies, and accessible resources — such as staff libraries or notice boards — are recommended as practical steps to empower employees and encourage their participation in sustainability initiatives (Green Hotelier, 2006c; 2007b, cited in Legrand et al., 2022). Allocating funds saved through sustainability practices to staff development or rewards further reinforces commitment and motivates employees to generate creative ideas, often through mechanisms such as suggestion boxes or recognition programs. Lucas (2004) similarly emphasizes that employee involvement mechanisms — such as consultative committees, joint decision-making forums, and suggestion schemes—play a crucial role in improving morale and embedding a culture of responsibility, even though they have been underutilized in many hospitality settings. Integrating these insights into CSR strategies enables hospitality firms to go beyond compliance and actively foster a fair and trust-based environment that contributes to long-term workforce stability and service excellence (García-Rodríguez et al., 2020). Baum's (2018) analysis reinforces this by asserting that long-term workforce sustainability requires planning that anticipates changing labor markets and aligns human resource policies with hospitality development strategies, thereby embedding social responsibility into the sector's broader governance framework.

At a deeper level, employee-oriented CSR — when it reflects substantive, not symbolic, commitments — also embodies a democratizing potential within the organization. Drawing from Ashforth and Gibbs (1990), Zientara et al. (2025) argue that genuine CSR carries an egalitarian nuance, one that challenges traditional hierarchies by promoting fairer profit distribution and shared decision-making. This includes empowering employees to have a say in matters that affect their work and organizational direction, such as through greater participation mechanisms, feedback channels, and even union representation (Mejia et al., 2022; Cropanzano & Stein, 2009). Lucas (2004) reinforces this by highlighting the historically weak structures for collective representation in hospitality, noting that low union presence has left many employees without a formal voice, thereby increasing the value of CSR-driven participation initiatives that promote dignity and fairness. Emphasizing employee voice in this manner strengthens democratic values within the workplace and extends stakeholder theory to view employees not as mere instruments of productivity but as legitimate participants with rights to autonomy and respect (Cooke, 1994; Donaldson & Preston, 1995). Furthermore, this more inclusive interpretation of CSR resonates with normative stakeholder theory, which prioritizes the intrinsic value of stakeholders — including employees — and views them as ends in themselves rather than as means to an end (Donaldson & Preston, 1995, p. 73). This contrasts with instrumental interpretations that measure stakeholder worth solely in terms of financial return. Zientara et al. (2025) emphasize that such normative approaches inform organizational behavior by promoting transparency, inclusive dialogue, and moral legitimacy. These elements are especially important in the hospitality sector, where service delivery is closely tied to employee engagement, emotional labor, and customer interaction. By incorporating the multidimensional DWH scale, organizations can better align their CSR initiatives with actual employee experiences, ensuring that social responsibility is embedded not only in policy but also in day-to-day working conditions, thereby reinforcing trust, morale, and long-term organizational performance (García-Rodríguez et al., 2020).

In response to these growing demands, many forward-thinking hospitality organizations have launched comprehensive staff training initiatives, wellness programs, mental health resources, and long-term career development strategies aimed at strengthening internal trust and boosting service quality (Iunius, 2025). These efforts are increasingly framed not just as ethical obligations but as essential components of a sustainable business model — reducing turnover, improving job satisfaction, and securing a firm’s social license to operate (Kang et al., 2010; Theodoulidis et al., 2017). Employee-oriented CSR, therefore, not only improves internal outcomes but also contributes directly to global policy frameworks such as Sustainable Development Goal 8, which promotes decent work and inclusive economic growth (Zientara et al., 2025). The DWH framework explicitly connects to SDG 8 by providing measurable indicators of fair, safe, and inclusive employment in hospitality, thus serving as both a diagnostic tool and a benchmark for socially responsible management practices (García-Rodríguez et al., 2020). Ultimately, integrating social responsibility into hospitality CSR frameworks reflects a recognition that people — employees, communities, and stakeholders — are fundamental to long-term value creation (Yikilmaz et al., 2025). Organizations that invest in equitable treatment and local engagement are more likely to secure public trust, improve resilience and thrive within an increasingly accountability-driven and ethically conscious global business environment (Barine & Minja, 2023).

Beyond internal labor practices, social responsibility in the sector also includes meaningful community engagement and local economic integration. Many hospitality firms contribute directly to the socio-economic fabric of host regions by prioritizing local hiring, partnering with nearby suppliers and supporting community development projects (Efthimiou, 2025). These activities not only stimulate regional economies but also strengthen the organization's social license to operate — a form of informal legitimacy granted by local stakeholders. Active and visible participation in community well-being initiatives enhances brand image and stakeholder relationships, while contributing to the long-term sustainability of tourism destinations (Mathew & Nimmi, 2022). As Theodoulidis et al. (2017) argue, such engagement is particularly vital in service-intensive sectors where stakeholder proximity and public accountability are high.

Another critical dimension is the safeguarding of guest and employee well-being, which has gained particular urgency in light of recent global health crises. CSR initiatives in this area may include the implementation of rigorous health and safety standards, provision of mental health support, investment in hygiene protocols and promotion of inclusive customer service practices (Loehr et al., 2021). During the COVID-19 pandemic, these measures took on heightened significance, serving not only to protect stakeholders but also to signal responsible corporate behavior under conditions of acute risk and uncertainty. As Coles et al. (2013) and TOURISM 4 SDGs (n.d.) note, the ability of organizations to respond effectively to stakeholder welfare concerns is a core indicator of CSR maturity and reputation al resilience. In sum, social responsibility in the hospitality industry is both a normative expectation and a strategic imperative. The sector's direct reliance on human capital and community trust means that socially responsible practices are critical to maintaining legitimacy, ensuring service quality and securing long-term viability. Integrating social responsibility into CSR frameworks reflects the industry's recognition that people — both employees and external stakeholders — are central to value creation in hospitality. As such, organizations that invest in stakeholder welfare and community integration are better positioned to adapt, compete and thrive in an increasingly accountability-driven environment.

3.3.3. Governance and Transparency

Governance and transparency form the third foundational pillar of CSR within the hospitality sector. These elements underpin ethical conduct, stakeholder accountability and organizational credibility, acting as structural enablers for the effective implementation of CSR across all operational levels (Pucelj & Bohinc, 2024). Strong governance frameworks facilitate the integration of CSR into strategic management processes, while transparent reporting ensures that these efforts are verifiable, credible and accessible to both internal and external stakeholders (Pucelj

& Bohinc, 2024). At the core of governance-related CSR is the principle of ethical leadership and institutional accountability. Leadership commitment to responsible business conduct sets the tone from the top, shaping organizational culture and establishing behavioral expectations across all departments (Iqbal & Parray, 2025). This includes clearly defined executive responsibilities for sustainability, the formal integration of CSR into board-level governance charters, and the presence of oversight mechanisms to monitor compliance and performance. Kang et al. (2016) emphasize that governance structures play a critical role in determining CSR effectiveness, particularly when sustainability objectives are embedded into strategic decision-making at the highest levels of leadership. In this way, governance is not merely administrative, but instrumental in institutionalizing CSR as a core component of long-term business strategy. Zientara and Bohdanowicz-Godfrey (2018) extend this view by highlighting that effective governance in hotels also relies on structured measurement tools and verification mechanisms, such as sustainability audits and performance dashboards, which help boards and executives track progress against clearly defined sustainability objectives.

Equally important is the structured adoption of CSR reporting mechanisms and the use of ESG metrics. Transparent and standardized disclosure of CSR-related activities allows external stakeholders — including regulators, investors, partners and consumers — to evaluate an organization's ethical stance and sustainability progress (Khamisu & Paluri, 2024). In response to mounting calls for accountability, many hospitality firms have begun aligning their reporting practices with global frameworks such as the Global Reporting Initiative (GRI) (Bernard et al., 2025). These frameworks provide consistency, comparability and rigor to reporting processes, thereby enhancing organizational legitimacy. Theodoulidis et al. (2017) argue that credible ESG reporting not only builds stakeholder trust but also serves as a source of competitive differentiation in service industries where transparency is valued as a marker of corporate integrity. According to Zientara and Bohdanowicz-Godfrey (2018), such reporting must be complemented by internal mechanisms that ensure data accuracy and stakeholder responsiveness. They stress that without internal validation processes and cross-departmental oversight, ESG disclosures risk being perceived as symbolic rather than substantive.

In addition to leadership and reporting, responsible governance also encompasses robust anti-corruption policies and regulatory compliance mechanisms (Khamisu & Paluri, 2024). As hospitality operations frequently span multiple jurisdictions with varying legal and ethical standards, governance frameworks must include clear safeguards against misconduct. Key measures include internal audit systems, risk assessment procedures, employee ethics training and whistle blower protection mechanisms (Khamisu & Paluri, 2024). Zientara and Bohdanowicz-Godfrey (2018) note that such internal control tools are integral to credible sustainability governance, ensuring that hotels can demonstrate not only policy adoption but also operational integrity through independent verification and regular performance reviews. These controls not only serve to mitigate reputation al risk but also demonstrate an organization's commitment to principled business conduct. According to TOURISM 4 SDGs (n.d.), such initiatives are especially vital in globalized service sectors, where reputation al damage can quickly translate into financial losses and stakeholder alienation. In sum, governance and transparency are not merely procedural obligations but strategic assets that reinforce the integrity of CSR in the hospitality industry. By embedding sustainability into formal governance structures and embracing transparent, accountable communication practices, organizations enhance their ability to manage risk, foster trust and sustain long-term stakeholder relationships. Integrating measurement tools and reporting mechanisms, as emphasized by Zientara and Bohdanowicz-Godfrey (2018), ensures that governance is linked directly to performance outcomes, enabling the hospitality sector to move beyond aspirational statements toward demonstrable and verifiable sustainability achievements. These mechanisms ultimately contribute to a more resilient, ethically grounded, and strategically aligned hospitality sector capable of meeting both current and emerging sustainability challenges.

3.4. CSR Performance Measurement in the Industry

3.4.1. ESG Ratings and Third-Party Indices

In recent years, the use of ESG ratings has gained prominence as a quantitative method for evaluating CSR performance across industries, including hospitality (Lin et al., 2024). While ESG metrics hold considerable appeal for benchmarking and research purposes, their application in the hospitality context presents a mixture of advantages and limitations that must be carefully considered. Zientara and Bohdanowicz-Godfrey (2018) note that in the hotel industry, such third-party metrics are most effective when paired with internal measurement mechanisms and external verification processes, ensuring that reported performance reflects both operational realities and stakeholder expectations.

Leading agencies such as Refinitiv, Sustainalytics, and MSCI aggregate extensive datasets to generate ESG ratings based on multiple dimensions of corporate performance (Billio et al., 2021). These ratings are derived from publicly available information, regulatory filings, corporate disclosures, and sometimes stakeholder input. As Theodoulidis et al. (2017) emphasize, such indices facilitate cross-sectional comparisons between firms and regions and provide a valuable foundation for empirical analysis. Their structured, numeric format allows researchers to systematically test relationships between CSR and financial outcomes using econometric techniques, thus enhancing the rigor of CSR–CFP research. However, as Zientara and Bohdanowicz-Godfrey (2018) argue, ESG ratings alone cannot capture the qualitative dimensions of sustainability practice. They highlight that without clear methodological links to internal audits, eco-certification schemes, and balanced scorecard approaches, ratings risk oversimplifying complex sustainability efforts.

However, despite their utility, ESG ratings pose notable challenges when applied to the hospitality industry. One major limitation is the lack of comprehensive ESG reporting among smaller or privately held hospitality firms, many of which fall outside the coverage of major rating agencies (Bernard et al., 2025). As a result, the available ESG data may be biased toward larger, publicly traded firms, limiting generalizability and representativeness in sector-wide studies. Moreover, the standardized indicators used in ESG frameworks may fail to capture industry-specific CSR practices that are central to hospitality operations. Important aspects such as community engagement, local sourcing, guest well-being and cultural sensitivity may be under-represented or entirely omitted from the evaluation criteria — despite being highly relevant to service-based sectors (Coles et al., 2013). This critique aligns with Zientara and Bohdanowicz-Godfrey’s (2018) observation that many sustainability rating tools prioritize easily measurable indicators, overlooking context-specific practices that are vital for an authentic assessment of hotel sustainability.

A further concern lies in the methodological inconsistencies across ESG rating agencies. Different providers utilize divergent weighting systems, assessment frameworks and thresholds, leading to significant discrepancies in how the same organization is rated (Escrig-Olmedo et al., 2019). These inconsistencies can create confusion among stakeholders and undermine the credibility of ESG scores as decision-making tools. For instance, an organization may receive a high score from one provider and a much lower score from another, depending on the emphasis placed on particular indicators. This lack of standardization can erode stakeholder trust, complicate investment decisions, and weaken the ability of firms to benchmark themselves effectively (TOURISM 4 SDGs, n.d.). Zientara and Bohdanowicz-Godfrey (2018) reinforce this concern, noting that without harmonized reporting mechanisms, even well-intentioned sustainability metrics can produce fragmented and potentially misleading pictures of organizational performance.

Efforts to harmonize ESG disclosure standards are ongoing, with initiatives such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) seeking to promote greater consistency and transparency (Elidrisy, 2024). However, despite these developments, significant variability in ESG methodologies persists. Until convergence is achieved, users of ESG data must remain cautious and critical in interpreting results, especially in sectors where non-financial performance is nuanced and multidimensional (Elidrisy, 2024). Nonetheless, ESG ratings continue to serve as a valuable — albeit imperfect — tool for assessing CSR performance in the hospitality sector (Lu et al., 2025). Their growing adoption reflects institutional pressures for greater transparency, accountability and standardized disclosure, even as debates continue regarding their relevance, validity and methodological robustness. As Zientara and Bohdanowicz-Godfrey (2018) conclude, the credibility of these indices depends on their integration with on-the-ground measurement tools and verification practices, ensuring that ratings move beyond symbolic reporting toward a genuine reflection of sustainability performance in hotels. As

CSR gains further strategic importance, the refinement and contextualization of ESG assessment tools will be essential for ensuring their meaningful application in hospitality research and practice.

3.4.2. Industry Benchmarks and Standards

To enhance the consistency, reliability and comparability of CSR performance evaluations, hospitality organizations are increasingly aligning their sustainability practices with industry-specific benchmarks and internationally recognized reporting standards (Muslim et al., 2023). These frameworks offer structured guidance on how to report CSR activities and evaluate ESG performance across diverse operational areas. By standardizing measurement and disclosure, such benchmarks play a critical role in promoting transparency, strengthening stakeholder confidence and supporting strategic decision-making (Liang et al., 2025). Among the most widely adopted frameworks is the Global Reporting Initiative (GRI), which provides detailed sustainability reporting standards, including sector-specific indicators tailored to hospitality (Franklin, 2024). The GRI framework encourages firms to identify and disclose material topics — those deemed significant by both the organization and its stakeholders — and to report on performance using consistent indicators (GRI Standards, 2021). According to the GRI Standards (2021), organizations are required to prepare a GRI content index and reference the location of each disclosure (e.g., page numbers or hyperlinks). GRI 3: Material Topics 2021 further specifies that firms must not only list the topics they consider material but also explain why other potential topics are not material. Its structured format facilitates cross-organizational comparisons and strengthens the integrity of CSR reporting. The GRI Standards also distinguish between reporting “in accordance with” and reporting “with reference to”, clarifying the level of compliance and completeness expected. Where information is omitted, acceptable reasons — such as legal prohibitions, confidentiality concerns, or unavailability — must be explicitly stated. In addition, the GRI promotes stakeholder engagement as a core component of sustainability disclosure, requiring firms to consult with relevant groups when determining reporting priorities. This process enhances both the relevance and credibility of reported data (Luque-Vílchez, Cordazzo, Rimmel & Tilt, 2023).

However, research by Guix, Bonilla-Priego and Font (2017) shows that, in practice, many international hotel groups report limited detail on how stakeholders are identified and prioritized, and provide little evidence of responsiveness to stakeholder concerns. Their findings are still relevant today in that, despite adherence to frameworks like GRI, sustainability reporting often serves a symbolic or legitimizing function rather than delivering full accountability. These detailed procedural requirements embedded in the GRI Standards help ensure that sustainability reports in hospitality are not only comprehensive but also transparent about their scope and limitations, which aligns closely with growing stakeholder demands for verifiable ESG disclosures. Zientara and Bohdanowicz-Godfrey (2018) argue that while voluntary frameworks such as GRI provide essential structure, effective sustainability reporting in the hotel sector also depends on a combination of internal management tools (e.g., sustainability audits and balanced scorecards) and external verification mechanisms. They emphasize that reliable measurement must integrate both quantitative indicators (such as energy and water use) and qualitative assessments of management practices. Building on these reporting principles, Guix and Font (2020) propose the Materiality Balanced Scorecard (MBSC), which integrates stakeholder-led materiality assessment with the traditional balanced scorecard approach. The MBSC encourages organizations to link material sustainability topics identified through stakeholder dialogue to concrete strategic objectives and performance indicators, ensuring that reporting is not only comprehensive but also strategically actionable (Guix & Font, 2020).

According to Zientara and Bohdanowicz-Godfrey (2018), the hotel industry benefits from multi-tool approaches that include performance dashboards, eco-labels, certification schemes and integrated reporting systems. These tools enable hotels not only to meet investor expectations but also to demonstrate a culture of continuous improvement in sustainability performance. Complementing the GRI is the Sustainability Accounting Standards Board (SASB), which focuses on financially material ESG issues specific to each industry (Ibrahim et al., 2024). For the hospitality sector, SASB provides performance metrics that link sustainability initiatives directly to financial outcomes — such as energy efficiency, food waste management and labor practices. This approach appeals particularly to investors and financial analysts, who seek to evaluate CSR performance in terms of its long-term economic impact (TOURISM 4 SDGs, n.d.). Both GRI and SASB contribute to a more harmonized landscape of CSR reporting and offer tools that help hospitality organizations transition from generalized sustainability claims to verifiable, data-driven accountability. The MBSC complements these frameworks by going beyond disclosure to embed material issues into internal management systems. Guix and Font (2020) argue that this integration supports decision-making by balancing stakeholder priorities with financial and operational perspectives, offering a more holistic view of organizational performance. Beyond global frameworks, sector-specific guidance issued by hospitality-focused institutions has also played a pivotal role in shaping CSR practice (Luque-Vílchez, Cordazzo, Rimmel & Tilt, 2023). Organizations such as the United Nations World Tourism Organization (UNWTO) and the World Travel and Tourism Council (WTTC) have developed benchmarking initiatives, sustainability tool kits and voluntary certification schemes explicitly designed for the unique needs of hospitality operators (Durband, 2021). These initiatives aim to create a shared understanding of responsible business conduct within the industry, offering practical road maps for improving performance and embedding CSR into core operations. According to Coles et al. (2013), these sectoral guidelines support not only regulatory alignment but also foster voluntary innovation and collaborative learning across organizations.

A crucial component of these frameworks is the use of Key Performance Indicators (KPIs), which allow firms to monitor progress and communicate outcomes. Common KPIs within the hospitality sector include energy consumption per guest night, water usage, employee turnover rates, customer satisfaction scores, and waste diversion percentages (Voukkali et al., 2023). The GRI Standards provide explicit disclosures that can guide these KPIs, such as GRI 302 for energy, GRI 303 for water, and GRI 401–404 for employment practices, ensuring that reported metrics align with internationally recognized indicators. Zientara and Bohdanowicz-Godfrey (2018) also highlight that KPIs are most effective when embedded within broader sustainability management systems that include staff training, internal audits and third-party assessments. Without these supporting mechanisms, KPIs risk becoming superficial metrics rather than drivers of meaningful environmental and social improvements. Within the MBSC framework, such KPIs are not treated in isolation; rather, they are aligned with stakeholder-defined material topics across multiple dimensions (financial, customer, internal processes, and learning and growth) (Guix et al., 2017). This alignment ensures that sustainability metrics drive strategic improvements rather than merely fulfilling reporting requirements. Nevertheless, Guix et al. (2017) caution that even where indicators are reported, the underlying processes for engaging stakeholders or acting on their feedback are often unclear, limiting the transformative potential of these disclosures. These metrics provide concrete benchmarks against which performance can be tracked over time. However, as noted by Theodoulidis et al. (2017), challenges remain regarding data quality, indicator consistency and implementation fidelity. The absence of uniform KPI adoption across firms continues to limit the reliability of comparative assessments and may obscure meaningful differences in sustainability commitment (Theodoulidis et al., 2017).

To conclude, despite these challenges, industry benchmarks and reporting standards remain vital for fostering meaningful CSR disclosure in hospitality. They provide essential tools for structuring sustainability strategies, guiding performance monitoring and enabling stakeholders to assess CSR integration in a systematic, evidence-based manner. As expectations for transparency continue to rise, the adoption of these frameworks will be increasingly important for organizations seeking to demonstrate authentic CSR engagement and to build trust in a competitive and visibility-driven market environment. Incorporating approaches like the MBSC can further enhance this trust by demonstrating a clear link between stakeholder input, materiality, and the organization's strategic scorecards, moving hospitality firms from compliance-focused reporting to genuine, stakeholder-led performance management. As Zientara and Bohdanowicz-Godfrey (2018) conclude, the combination of recognized standards and operational tools can transform sustainability reporting from a symbolic exercise into a comprehensive management process that reinforces accountability and long-term value creation in the hotel industry.

3.5. CSR and Financial Performance in Hospitality

3.5.1. Existing Sector-Specific Empirical Studies

Empirical research dedicated exclusively to examining the relationship between CSR and CFP within the hospitality industry remains comparatively limited, although scholarly interest in this area has been steadily growing. Given the unique characteristics of the industry — particularly its high degree of stakeholder visibility, labor intensity and service-based complexity (Zientara, Kujawski & Bohdanowicz-Godfrey, 2015) — such research offers important insights into how CSR operates in practice and how it may influence financial outcomes under sector-specific conditions. Several studies have provided evidence in support of a positive association between CSR and financial performance in hospitality settings. For instance, Theodoulidis et al. (2017) conducted a study on hotel chains and found that strategically communicated CSR initiatives contributed not only to enhanced stakeholder trust but also to improved reputation al and financial outcomes. Their findings suggest that CSR visibility and stakeholder engagement are critical pathways through which performance gains may be realized. In a related contribution, Kang et al. (2010) examined US-based hospitality firms and identified a positive relationship between CSR initiatives and return on assets (ROA), although the magnitude of the effect was found to vary depending on stakeholder group focus and the specific CSR dimension under analysis.

Further refinement of these relationships has been explored through disaggregated ESG (Environmental, Social, and Governance) analyses. Lee and Park (2009), for example, examined distinct CSR categories and reported that initiatives tied to environmental management and community engagement had stronger financial linkages than philanthropic or purely promotional activities. These results imply that stakeholders do not perceive all CSR efforts equally and that targeted, strategically aligned CSR components may yield more tangible financial benefits. This distinction underscores the importance of moving beyond broad CSR constructs to analyze individual ESG elements that may differ in their economic relevance and stakeholder resonance. However, despite these generally positive findings, inconsistencies and null results also feature prominently in the empirical literature. Some studies report statistically insignificant relationships between CSR and financial performance, while others highlight variability based on contextual variables such as organizational size, geographic region, quality of CSR disclosure and the salience of specific stakeholder groups (Coles et al., 2013). These variations highlight the complex and contingent nature of the CSR–CFP relationship, suggesting that institutional, cultural and operational factors may play a moderating role.

Additionally, the methodological approaches employed in many earlier studies may limit the generalizability and interpretability of findings (Du et al., 2023). A number of contributions rely on cross-sectional designs that capture CSR and financial data at a single point in time, thus constraining the ability to assess dynamic or lagged effects (Lee et al., 2023). Furthermore, inadequate control for endogeneity and omitted variable bias can obscure causal inferences, leaving open questions about whether CSR drives financial performance or vice versa (Liu et al., 2021). These methodological limitations point to the need for empirical designs capable of capturing the interplay between CSR engagement and financial outcomes over time. In summary, while existing empirical studies in the hospitality sector tend to support the proposition that CSR can enhance financial performance, the evidence remains mixed and highly context-dependent.

3.5.2. Observed Trends and Patterns

A review of empirical studies examining the relationship between CSR and CFP in the hospitality sector reveals several recurring trends and emerging patterns. Although findings remain mixed and at times inconclusive, a number of consistent observations have surfaced. These include the differentiated financial impact of various CSR components (Casado-Díaz et al., 2014), the moderating influence of organizational characteristics (Hamad & Cek, 2023) and the importance of regional and institutional contexts (Xie et al., 2017). Collectively, these insights underscore the complexity of the CSR–CFP relationship and reinforce the need for disaggregated, context-specific analyses within the sector. One of the clearest patterns in the literature is the unequal financial impact of different ESG (Environmental, Social, and Governance) components (Back, 2024). Among these, environmental and governance-related initiatives tend to exhibit stronger and more consistent associations with positive financial outcomes. For example, Lee and Park (2009) reported that environmentally sustainable practices — such as eco-certification, resource efficiency and energy conservation — are frequently linked to cost savings and improved customer perceptions, thereby contributing directly to profitability. These environmental efforts are often viewed by stakeholders as tangible, measurable indicators of corporate responsibility, enhancing organizational credibility and reducing operational risks.

Similarly, Kang et al. (2016) found that governance structures marked by ethical leadership, transparency and stakeholder accountability were associated with favorable financial performance. Robust governance practices help reduce informational asymmetries, improve decision-making and strengthen stakeholder trust — all of which are critical in high-contact service sectors like hospitality (Yao et al., 2024). These findings collectively suggest that stakeholders, including investors and consumers, tend to place greater value on CSR activities that are concrete, verifiable and strategically embedded, as opposed to philanthropic or symbolic gestures that may lack operational relevance. Organizational characteristics, particularly firm size and brand visibility, also emerge as significant determinants of CSR outcomes (Li, Morris & Young, 2019). Larger hospitality organizations often have greater financial and institutional capacity to design and implement comprehensive CSR strategies (Peña-Miranda et al., 2022). They also tend to attract more scrutiny from the public, regulators and media, thereby facing heightened pressure to demonstrate ethical conduct and social responsiveness (Font & Lynes, 2018). As Theodoulidis et al. (2017) observe, brand reputation serves as a mediating variable in the CSR–CFP nexus, particularly in consumer-facing industries where service delivery and corporate values are both highly visible and routinely evaluated by external audiences.

Regional context further complicates the relationship between CSR and financial performance. CSR adoption and effectiveness can vary considerably across geographical regions, shaped by differing regulatory environments, institutional pressures, market maturity and cultural expectations (Khojastehpour & Jamali, 2021). For instance, Coles et al. (2013) highlight that organizations operating in jurisdictions with robust environmental and social governance standards are more likely to adopt formalized CSR practices, which in turn may produce stronger financial outcomes. Conversely, in regions where regulatory frameworks are weaker or where stakeholder expectations are less developed, CSR may be less institutionalized, potentially diminishing its financial salience (Kostova & Marano, 2023). In summary, the CSR–CFP relationship in hospitality is not universally positive or uniform but is shaped by a combination of ESG focus, firm-specific characteristics and regional institutional settings. The observed trends indicate that CSR effectiveness is highly dependent on what is being implemented, by whom, and where. These findings support the argument for more granular empirical approaches that disaggregate ESG dimensions, incorporate firm-level variables, and control for regional differences. The present thesis responds to these requirements by employing a longitudinal panel dataset, applying separate ESG metrics and segmenting analysis by COVID and non-COVID periods — thereby contributing to a more refined understanding of CSR–CFP dynamics within the global hospitality industry.

3.5.3. Gaps in the Literature

Despite the growing volume of empirical research examining the relationship between CSR and CFP within the hospitality sector, several critical gaps remain. One of the most significant and recurring gaps in the literature is the limited use of longitudinal research designs (Oikonomou, Brooks, & Pavelin, 2012). A substantial portion of existing studies relies on cross-sectional data, capturing CSR and financial performance at a single point in time. While such approaches can reveal associations, they fall short of establishing causality and do not allow for the assessment of temporal dynamics (Oikonomou, Brooks, & Pavelin, 2012). CSR initiatives often take time to influence stakeholder perceptions and financial outcomes, making short-term snapshots inadequate for capturing their full impact (Al-Asfour, 2025). Longitudinal methodologies, which track firms across multiple periods, are better suited for identifying lagged effects and understanding the evolving nature of the CSR–CFP relationship (Feyisetan et al., 2025). Nonetheless, such designs remain underutilized in hospitality research, where the complexity of CSR implementation warrants more temporally sensitive analysis.

A second notable gap concerns the insufficient use of disaggregated ESG data (Keeley et al., 2022). While some scholars apply composite CSR indices, relatively few studies attempt to distinguish the individual effects of E, S and G components on financial outcomes. This lack of granularity limits the ability to identify which dimensions of CSR are most financially salient and which may have negligible or even adverse effects. Both Lee and Park (2009) and Theodoulidis et al. (2017) have highlighted the analytical value of disaggregating CSR measures, particularly in service sectors where stakeholders may value certain types of engagement more than others.

A third critical omission in the literature is the lack of crisis-sensitive analysis, particularly in relation to how global disruptions such as the COVID-19 pandemic alter the CSR-CFP dynamic (Hasan et al., 2023). The hospitality industry, heavily reliant on international mobility and consumer confidence, was among the hardest hit during the pandemic (Kaushal & Srivastava, 2021). Crises of this magnitude can significantly shift stakeholder priorities, magnify reputation al risk, and redefine the perceived value of CSR initiatives (Jhunjhunwala, 2023). Yet most empirical studies fail to incorporate such shocks into their research frameworks, overlooking the potential for external events to mediate or moderate the CSR–CFP relationship. This oversight leaves a significant gap in understanding how CSR functions as a resilience mechanism under conditions of uncertainty, volatility and reputation al stress.

Finally, there is a marked shortage of large-sample, firm-level studies using listed organizations in the hospitality sector (You et al., 2025). Much of the existing literature relies on small sample sizes, qualitative case studies or region-specific analyses, which may offer useful insights but lack generalizability (You et al., 2025). The reliance on narrow datasets limits the robustness of statistical conclusions and weakens the external validity of the findings. To date, relatively few studies have leveraged comprehensive panel datasets that include listed hospitality firms across multiple regions and years. The absence of such large-scale analysis restricts the ability to draw broader inferences and undermines the formulation of sector-wide recommendations.

The present thesis directly addresses these methodological and empirical gaps. By employing panel data covering a 17-year period (2008–2024), disaggregating ESG scores, and segmenting the analysis between COVID (2020–2021) and non-COVID (2008–2019, 2022–2024) periods, this study contributes a more refined, context-sensitive understanding of the CSR–CFP relationship.

3.6. CSR During the COVID-19 Pandemic

3.6.1. Industry Response and Stakeholder Pressures

The COVID-19 pandemic constituted an unprecedented systemic shock to the global hospitality industry, resulting in operational shutdowns, workforce reductions and severe financial disruption (Liu et al., 2023). In response to these challenges, hospitality organizations across the globe were compelled to rapidly deploy a wide array of CSR activities aimed at safeguarding stakeholder welfare, mitigating reputation al risk and maintaining business continuity (Zhao, 2021). These initiatives were not merely symbolic or reputation al exercises, but rather strategic responses to heightened stakeholder pressures under crisis conditions. The pandemic served to intensify scrutiny and demand for responsible corporate conduct, thereby reinforcing the role of CSR as a critical mechanism for organizational legitimacy and resilience (Liu et al., 2023). A prominent area of CSR intervention during the COVID-19 period centered on the implementation of comprehensive health and safety protocols (Asante Antwi et al., 2021). Hospitality firms introduced enhanced sanitation practices, physical distancing guidelines, contactless technologies, and stricter hygiene regimes in an effort to protect guests, employees and suppliers. These measures were essential in rebuilding consumer confidence and sustaining operations in a context marked by fear, uncertainty and heightened risk sensitivity (Asante Antwi et al., 2021). The adoption of visible, proactive safety initiatives reflected a strategic realignment with shifting stakeholder expectations, whereby responsible conduct was not optional but essential for retaining trust and avoiding reputation al damage (TOURISM 4 SDGs, n.d.). Adding to this, evidence from “Hospitality managers in turbulent times” highlights that general managers (GMs) were central to designing and enforcing these operational responses. The study found that GMs adapted decision-making structures, revised standard operating procedures, and relied heavily on informal communication channels to coordinate rapid safety implementations and staff redeployments (Giousmpasoglou et al., 2021). This managerial agility reinforced the sector's capacity to meet stakeholder expectations under unprecedented conditions.

In parallel with these crisis responses, sustainability reporting practices within the hospitality sector were also evolving. Guix et al. (2025) show that large hotel groups gradually shifted from a market logic — focused primarily on investor and financial market expectations — towards a stakeholder logic that emphasizes accountability to a broader range of stakeholder groups. Their longitudinal analysis reveals that between 2014 and 2021, transparency improved in areas such as stakeholder inclusiveness, engagement methods, and materiality assessments, although progress remained uneven (Guix et al., 2025). This change reflects external pressures similar to those experienced during the pandemic, as reporting frameworks like the GRI and emerging EU directives increasingly demand that hotels demonstrate how they identify, prioritize and respond to stakeholder concerns. The managerial perspective provided by Giousmpasoglou, Marinakou and Zopiatis (2021) further shows that during COVID-19, many GMs acted as "institutional entrepreneurs," balancing financial survival with employee well-being and guest confidence. They reported heightened emotional labor, the need for empathy in decision-making, and creative use of resources to sustain operations—factors that directly shaped how CSR initiatives were implemented on the ground (Giousmpasoglou, Marinakou & Zopiatis, 2021).

In addition to operational adjustments, organizations intensified support for employees and local communities — two stakeholder groups particularly vulnerable during the crisis (Canhoto & Wei, 2021). CSR responses included the provision of mental health resources, emergency financial support, furlough schemes, redeployment opportunities and flexible work arrangements. Community-focused initiatives, such as food donations, shelter provision and support for healthcare services, were also widely observed (Canhoto & Wei, 2021). Larger hotel chains, due to their resource endowment and institutional capacity, were often able to implement these initiatives more extensively and visibly. As Coles et al. (2013) contend, organizational responsiveness to stakeholder needs during crises plays a vital role in strengthening long-term resilience and shaping future performance trajectories. The findings of Guix et al. (2025) complement this view by evidencing how stakeholder-oriented reporting logics have become more prominent over time, enabling stakeholders to better assess companies' crisis responses and long-term sustainability commitments. The authors highlight that hotel groups adopting a stronger stakeholder logic disclosed broader stakeholder lists, clearer engagement rationales, and more detailed materiality processes – practices that align with the heightened transparency expected during and after systemic disruptions like COVID-19 (Guix et al., 2025). Giousmpasoglou, Marinakou, and Zopiatis (2021) likewise report that GMs viewed employee welfare measures, such as mental health support and flexible rostering, as essential components of crisis management. These micro-level decisions helped build trust and demonstrate authentic commitment to social responsibility, complementing the broader organizational CSR strategies captured in sustainability reports.

It is important to note that these CSR activities were not driven solely by intrinsic organizational values or normative commitments. Rather, they were heavily influenced by external legitimacy pressures from stakeholders including customers, investors, policymakers and civil society. In high-contact, visibility-driven sectors such as hospitality, firms were subject to immediate public evaluation, and their responses to the crisis were judged not only on efficacy but also on ethical adequacy (Liu et al, 2023). Theodoulidis et al. (2017) emphasize that CSR during crisis periods becomes a reputation al and strategic imperative, as organizational conduct is amplified under stakeholder scrutiny. Guix et al. (2025) further argue that these pressures shape not only operational CSR practices but also the way companies articulate their accountability through sustainability reporting, with a clear trend toward adopting stakeholder-driven logics that emphasize inclusiveness and responsiveness. The GM-focused study by Giousmpasoglou, Marinakou, and Zopiatis (2021) reinforces this, concluding that visible, on-site leadership was pivotal in aligning day-to-day decisions with stakeholder expectations, demonstrating that CSR effectiveness in crises depends as much on frontline managerial agency as on high-level corporate policy. In this way, the pandemic catalyzed a shift toward more stakeholder-aligned, transparent and institutionally coherent CSR practices. In summary, the COVID-19 pandemic functioned as a real-time stress test of CSR effectiveness in the hospitality sector. It revealed both structural vulnerabilities and latent adaptive capacities within organizations. The sector's response underscored the role of CSR not simply as a reputation al instrument, but as a vital governance and stakeholder engagement tool under conditions of systemic disruption. The longitudinal evidence provided by Guix et al. (2025) indicates that these crisis-driven adaptations are part of a wider evolution in hospitality reporting and practice, where stakeholder logics are gradually replacing purely market-driven approaches, reinforcing transparency as a cornerstone of future CSR strategies. Insights from Giousmpasoglou, Marinakou, and Zopiatis (2021) suggest that such evolution must also recognize the decisive contributions of hospitality managers in turbulent times, whose hands-on leadership and innovative practices shaped operational resilience and safeguarded stakeholder trust throughout the crisis. The lessons drawn from this period have implications for future CSR strategies, suggesting that flexibility, responsiveness and stakeholder integration are critical to navigating high-impact crises and sustaining legitimacy in an increasingly demanding institutional environment.

3.6.2. Acceleration of or Setback for CSR?

The COVID-19 pandemic introduced a critical inflection point for CSR in the hospitality sector, raising the central question of whether the crisis accelerated progress towards more deeply embedded CSR practices, or conversely, represented a setback by shifting focus and resources away from sustainability agendas. Empirical and anecdotal evidence suggests that both dynamics were simultaneously present, with outcomes largely shaped by organizational capacity, stakeholder pressure and the degree of CSR integration prior to the crisis (Liu et al., 2023).

On one hand, the pandemic can be interpreted as a catalyst for advancing CSR within hospitality organizations. The urgency and visibility of the crisis compelled firms to adopt more integrated, stakeholder-focused approaches, particularly concerning the social dimension of CSR (Gutterman, 2023). Enhanced health and safety protocols, increased investment in employee well-being and broader stakeholder outreach reflected a more substantive engagement with CSR principles. These initiatives often exceeded basic compliance requirements and were instead indicative of a heightened awareness of stakeholder expectations and a growing recognition of CSR as fundamental to organizational resilience and business continuity (TOURISM 4 SDGs, n.d.). Additionally, the pandemic intensified the demand for transparency, leading firms to communicate their social and environmental efforts more proactively as part of reputation management and trust-building strategies. Theodoulidis et al. (2017) note that this shift marked a transition from symbolic CSR towards more authentic, accountable practice.

On the other hand, the crisis also exposed structural fragilities and in some cases prompted a de-prioritization of CSR activities (Liu et al., 2023). For organizations with limited financial reserves, CSR was often viewed as a discretionary expenditure and subsequently scaled back or suspended altogether in the interest of cost control and survival (Chiu et al., 2021). Budget reductions, workforce downsizing and a focus on immediate liquidity often left little room for non-essential activities, including sustainability reporting or community outreach (Mujtaba & Parrino, 2025). In such instances, CSR was relegated to a reputation al function — reactive rather than strategic. Coles et al. (2013) suggest that during periods of acute external pressure, organizations may default to short-termism, thereby undermining long-term value creation and institutional learning. This behavior reinforces the notion that CSR maturity is uneven across the sector and closely tied to both financial capacity and institutional readiness.

The divergence in organizational responses highlights the heterogeneity of CSR engagement within the hospitality industry. Firms that had already embedded CSR into governance structures, strategy and stakeholder relations were more capable of maintaining or even enhancing their CSR commitments during the crisis (Zhao, 2021). These organizations viewed CSR not as a separate function but as an integral part of operational resilience. Conversely, firms lacking such institutionalization were more susceptible to de-prioritizing CSR under financial duress, treating it as an ancillary function rather than a strategic necessity (Liu et al., 2023). In conclusion, the COVID-19 pandemic acted simultaneously as both an accelerator and a constraint for CSR in the hospitality sector. Its net impact depends on whether the adaptations made during the crisis are formalized into enduring practices or abandoned once immediate pressures recede. The crisis has demonstrated the strategic value of CSR in navigating stakeholder relations under conditions of systemic risk. However, the long-term trajectory of CSR will hinge on the degree to which organizations institutionalize these lessons and integrate CSR as a central pillar of post-crisis business strategy, rather than reverting to pre-pandemic norms.

This chapter has examined the distinctive role and evolving dynamics of CSR within the hospitality industry. Positioned as one of the most visible, labor-intensive and resource-dependent sectors of the global economy, hospitality presents a context where CSR is not a peripheral consideration, but rather a strategic necessity. Its direct engagement with a broad array of stakeholders — ranging from employees and guests to local communities and regulators — amplifies both reputation al risks and opportunities, thereby elevating the importance of responsible conduct as a determinant of legitimacy and long-term organizational performance (Lee & Park, 2009; Theodoulidis et al., 2017). The chapter began by identifying the sector-specific structural characteristics that enhance the salience of CSR, including its reliance on human capital, exposure to environmental scrutiny and the immediacy of stakeholder feedback in public-facing service encounters. These features were shown to reinforce the need for organizations to embed CSR into core operational strategies. The drivers of CSR adoption were then reviewed, including regulatory obligations, investor and stakeholder expectations, and the strategic pursuit of competitive differentiation. Together, these forces have contributed to a growing trajectory of CSR maturity within the sector, progressing from ad hoc philanthropic initiatives to formalized policies and eventually to fully integrated sustainability strategies.

The discussion then turned to key CSR practice areas aligned with the ESG framework. This included a detailed evaluation of environmental sustainability initiatives — such as energy efficiency and waste reduction — social responsibility practices aimed at labor standards and community engagement, and governance mechanisms involving ethical leadership and transparent reporting. The growing use of third-party ESG ratings and sector-specific benchmarks (e.g., GRI, SASB, WTTC guidelines) was highlighted as a means of promoting standardization, accountability and comparability across the industry (Coles et al., 2013; TOURISM 4 SDGs, n.d.). In parallel, this chapter synthesized existing empirical findings on the CSR–CFP relationship in hospitality. While the evidence remains mixed, there is a discernible trend indicating that disaggregated ESG components — particularly those related to environmental and governance dimensions — tend to have stronger positive associations with financial performance. Additionally, organizational characteristics such as firm size, brand prominence and geographic context emerged as influential variables shaping the effectiveness of CSR strategies (Kang et al., 2016). Nonetheless, major gaps in the literature persist, including the underutilization of longitudinal data, insufficient disaggregation of ESG variables, and limited research into the effects of crisis conditions such as the COVID-19 pandemic.

The COVID-19 crisis was discussed as both a disruptor and a catalyst for CSR. On one hand, the pandemic prompted organizations to adopt more stakeholder-focused, transparent and socially responsive practices, reinforcing the relevance of CSR under systemic risk (Liu, Cheng, Liao & Yang, 2023). On the other hand, financial strain and short-term survival imperatives led some firms to suspend or scale back CSR initiatives, particularly in cases where CSR was not institutionally embedded (Liu et al., 2023). These divergent organizational responses underline the sector's heterogeneity in CSR maturity and highlight the strategic advantage of pre-existing CSR frameworks during periods of uncertainty and disruption. In conclusion, this chapter has laid the theoretical, sectoral and empirical groundwork for the analysis that follows. The next chapter presents the research methodology and findings of this thesis, which empirically examines the CSR–CFP relationship using a large panel dataset of listed hospitality organizations spanning 2008 – 2024. By disaggregating ESG scores and applying a segmented analysis of COVID and non-COVID years, the study addresses the key empirical gaps identified here and contributes to a more granular understanding of CSR effectiveness in a complex, stakeholder-sensitive industry context.

Chapter 4: ESG–CFP results in global hospitality and hotels: Panel evidence 2008–2024

The current chapter 4 will present the empirical analysis conducted with the intention of examining the relationship between CSR and CFP within the worldwide hospitality industry. Building on the contextual foundation established during Chapter 3, this section outlines the present study's research design, data sources, variable construction and also the statistical models used to investigate the CSR – CFP link. This analysis is guided by the research objectives outlined during Chapter 1, which include assessing the effect of both aggregate (ESG) and disaggregated (E, S and G) scores on two financial performance proxies, namely ROA and NIAT. To address theoretical and empirical gaps identified in the literature review, the study adopts a panel data approach, which encompasses a large sample of publicly listed hospitality organizations.

Chapter 4 begins by presenting the conceptual framework and hypotheses before discussing the philosophical position and research strategy, which justifies the positivist and deductive orientation underpinning the quantitative methodology. It then introduces the data sources and sample composition, which includes the use of Refinitiv Eikon ESG datasets and financial metrics. Next, the variables are defined and operationalized, covering both independent CSR measures and dependent financial outcomes, along with relevant control variables. Subsequent sections of the chapter will detail the model specification whilst explaining the rationale for using fixed-effects regression and the temporal structure of the analysis. The models are designed to test the CSR – CFP relationship both in aggregate form via Model A and disaggregated form via Model B, with an additional segmentation of COVID versus non-COVID years. This chapter also addresses robustness checks including tests for multicollinearity, heteroskedasticity and serial correlation. The findings of this empirical framework are presented in Section 4.3. Empirical Results, followed by a theoretical and practical discussion in Section 4.4. Discussion of Findings. Together, these analyses have the objective of providing a rigorous assessment of the financial implications of CSR in on of the world's most stakeholder-sensitive industries.

4.1. Conceptual Framework and Hypotheses

This section outlines the conceptual model and hypotheses that guide the thesis's empirical analysis. The model draws upon the theories discussed earlier (in particular stakeholder and legitimacy theory), the multi-dimensional nature of CSR via the ESG framework and the empirical patterns observed in previous literature, which includes the sector-specific dynamics of hospitality and the importance of temporal segmentation.

Conceptual Framework

The current thesis builds on a multi-theoretic foundation and applies a disaggregated ESG structure in order to assess CFP. The model is structured to address both the direct relationship between CSR (as ESG performance) and CFP, and how this relationship may vary depending on: 1) The dimensionality of ESG (aggregate versus E, S and G), 2) The time lag between CSR actions and financial outcomes, 3) The sectoral sample (full hospitality sample versus hotel-only subset and 4) The contextual period (non-COVID versus COVID).

The conceptual framework is operationalized via a panel data design that uses both ROA and NIAT as dependent variables, whilst the independent variables include Refinitiv ESG scores, both aggregate and disaggregated, with control variables for organization size, year, leverage and fixed-effects.

Hypotheses

Based on the literature review and sectoral reasoning presented in Chapter 2 and 3, the present thesis posits the following hypotheses:

H1: There is a positive relationship between aggregated ESG scores and CFP as measured by ROA and NIAT in the hospitality industry.

H2: The environmental dimension has a stronger positive association with CFP than the (a) social and (b) governance pillars.

H3: The strength of the CSR – CFP relationship is greater during the COVID-19 crisis (2020 – 2021) as compared to during non-COVID periods (2008 – 2019, 2022 – 2024).

These hypotheses are evaluated using a structured sequence of panel regressions (Model A and Model B), incorporating different lags to capture both short-term and long-term effects.

4.2. Research Design and Methodology

4.2.1. Philosophical Position and Research Strategy

The present research adopts a positivist philosophical stance and a deductive research strategy, in-line with its aim which is to test the hypothesized relationships between CSR and CFP using empirical data. Positivism is appropriate given this thesis's emphasis on observable phenomena, quantifiable variables and generalizable results derived from statistical analysis. This approach reflects a belief in the existence of objective reality and the capacity to uncover systematic patterns via scientific investigation. The present research is deductive in nature, as it begins with established theories (primarily stakeholder theory and legitimacy theory) and derives testable hypotheses regarding the effects of CSR on financial outcomes. These hypotheses are informed by prior literature reviewed in Chapter 2 and are refined via the industry-specific context which was explored during Chapter 3. For this study, quantitative methodology is employed, which is based on panel data analysis. This method enable the investigation of cross-sectional and temporal variations within CSR and CFP across a wide sample of listed hospitality organizations. The choice of panel data allows for the control of unobserved heterogeneity and thus improves the reliability of estimated effects. In light of this research's focus on measurable constructs, namely ESG scores and financial indicators (ROA and NIAT) the positivist, deductive and quantitative alignment ensures internal consistency across the research design. This approach additionally enhances transparency and replicability, which facilitates future research in similarly complex and heterogeneous service-based sectors.

4.2.2. Data Sources and Sample

The empirical analysis in this study is based on a panel dataset of publicly listed organizations within the worldwide hospitality industry. The sole source of the data is Refinitiv Eikon which is a financial and ESG database widely used in both academic and professional research. Refinitiv provides standardized ESG ratings and financial indicators across multiple time-frames which enables the construction of a longitudinal dataset suitable for panel regression analysis. The dataset was complied by the extraction of organization-level data from Refinitiv under the Industry Classification Benchmark (ICB) categories related to Hotels, Restaurants & Leisure and Quick Service Restaurants, whilst both financial holdings and investment companies were excluded. This filtering ensured that only operating organizations directly engaged in hospitality activities were retained. A manual screening process was undertaken to verify the relevance of each organization to the sector, which resulted in the exclusion of organizations whose core business did not align to the present study's focus.

The final dataset comprised 20 995 organization-year observations across 1235 unique organizations, spanning the time-frame of 2008 to 2024. The sample covers multiple regains, including Europe, North America, Asia-Pacific and Latin America, reflecting the worldwide nature of the hospitality industry. In order to preserve consistency and data integrity, only organizations with at least two years worth of data on both ESG and ROA and NIAT were retained. Moreover, organizations were only included if they were publicly listed, which ensures data availability and comparability. This focus also aligns with the increasing relevance of ESG disclosure in listed organizations, given regulatory and investor demands. The large sample size and extended time coverage allow for robust statistical testing, including both sectoral and temporal subsample analyses, which are further explored in subsequent sections.

4.2.3. Variable Definition and Measurement

The current section outlines the operational definitions of the dependent, independent and control variables used in the empirical analysis. All data were sourced from Refinitiv Eikon and are consistent across the full 2008 – 2024 study period.

Dependent Variables

Two measures of CFP are employed: 1) **Return on assets (ROA):** Calculated as net income divided by total assets. ROA captures operational efficiency and is commonly used in CSR – CFP research as a short-term performance indicator and 2) **Net Income after Taxes:** Represents the organization's absolute profitability after accounting for all expenses and tax obligations. NIAT offers a broader measure of financial performance and complements ROA by focusing on profit generation.

Independent Variables

CSR is measured using Refinitiv's ESG performance scores, which are available both in aggregate form and disaggregate form: 1) **Model A:** Uses the overall ESG score combined, which reflects the organization's total performance across environmental, social and governance components and 2) **Model B:** Uses the disaggregated E, S and G scores separately, enabling assessment of the unique financial impact of each CSR dimension.

All ESG scores range from 0 through to 100, with higher values indicating stronger CSR performance.

Control Variables

To isolate the CSR–CFP effect, all regressions include organization and year fixed effects with two-way clustered standard errors (entity and year). Two observable firm-level controls are entered in every model:

1. Organization size (Employees). Headcount proxies operating scale and resource capacity.

2. Financial structure (Debt). Total debt captures leverage and capital-structure exposure.

Measurement and handling. Employees and Debt are taken from the annual accounts at the same fiscal year as the outcome (ROA or NIAT). Firm identifiers and fiscal years were harmonized before merging; models use list-wise deletion per equation after the sample filters described earlier. CSR variables are lagged 0–3 years; controls remain contemporaneous with the outcome.

Collinearity and diagnostics. Variance inflation factors for all specifications are low (mean ≈1.3–1.7; maximum ≈2.0), indicating no material multicollinearity. Model-diagnostic tests (R^2 within/between/overall, F-tests of joint significance, Wooldridge serial correlation, Pesaran CD, and group-wise heteroskedasticity) are reported in Appendix A; inference throughout uses the clustered SEs noted above.

Notes. Total Assets was prepared as an alternative size proxy and is available for robustness checks, but is not included in the main specification to avoid redundancy with Employees. No other time-varying controls met coverage and consistency thresholds across the full panel after the cleaning rules applied.

4.2.4. Descriptive Statistics and Correlation Matrix

The present research is based on a panel dataset containing 20 995 organization-year observations drawn from 1235 organizations which operated in the global hospitality industry between the years of 2008 and 2024. The dataset comprises annual measures of CSR captured via ESG scores and CFP, measured using both ROA and NIAT. Additionally, two firm-level controls — Employees and Debt — were included; all regressions also use organization and year fixed effects with two-way clustered SEs

Table 1: Sample overview by panel.

label	entities	obs	years_min	years_max	years_span
Full sample	1235	20995	2008	2024	17
Hotels only	306	5202	2008	2024	17
COVID 2020–2021	1235	2470	2020	2021	2
Non-COVID 2008–2019 & 2022–2024	1235	18525	2008	2024	15

Note. Entities = unique firms; obs = firm-years; span = earliest to latest year. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

The full sample covers 1235 firms and 20 995 firm-years from 2008 - 2024. Hotels-only comprises 306 firms and 5202 observations. The COVID period (2020–2021) contains 2470 observations; the non-COVID years account for 18 525 observations (2008–2019 and 2022–2024; 15 years) Table 1 above summarize these figures. Means and dispersion for ESG, ROA and NIAT by panel are reported in Appendix D.

Dependent Variables Summary

1. **ROA**

ROA is available for 16,387 of the 20,995 firm-year observations in the full sample. The mean ROA is −61.68% with a standard deviation of 6,472.01%. Values range from −826,396% to 6,091.18%, indicating a highly dispersed, heavy-tailed distribution with extreme outliers consistent with episodes of financial distress and denominator effects when total assets are very small. As illustrated in Figure 1, the distribution is strongly negatively skewed with a small number of extreme negative observations, underscoring the heterogeneity of profitability across hospitality organizations.

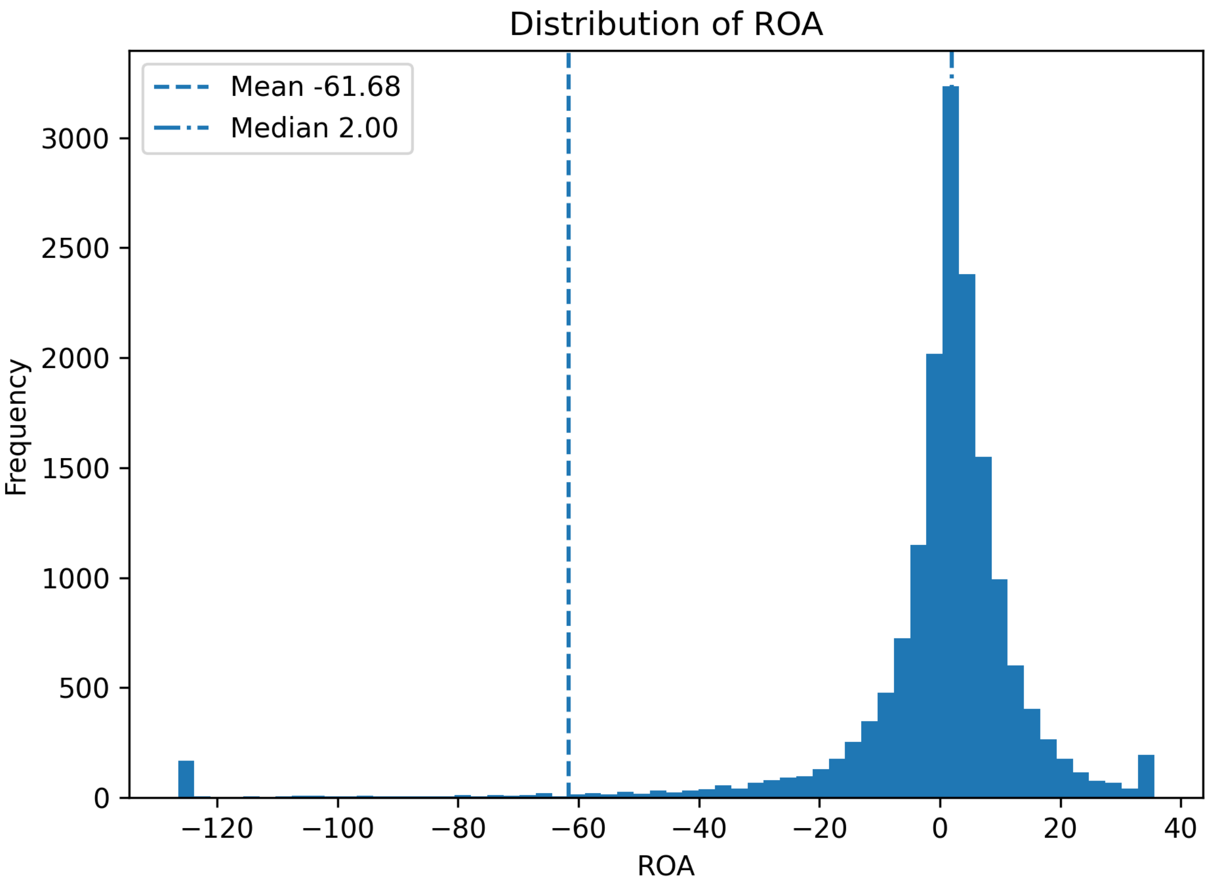


Figure 1: Distribution of ROA – Full Sample

Note. Distribution of ROA for the full sample (20,995 firm-years; 16,387 non-missing ROA). The histogram is trimmed to the 1st–99th percentiles for readability; the vertical lines show the full-sample statistics: mean −61.68% and median 2.00%. The distribution is negatively skewed owing to a small number of extreme negative observations consistent with denominator effects when total assets are very small. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

2. NIAT

NIAT is measured in US dollars. In the final panel of 20,995 firm-years across 1,235 firms, valid NIAT is available for 17,004 observations (~81%). The distribution is strongly right-skewed, with a mean of $1,339,869,605 and a median of $10,866,500. This indicates that a small number of very large organizations raise the average while most firms report more modest profits; several observations are negative, reflecting loss-making years.

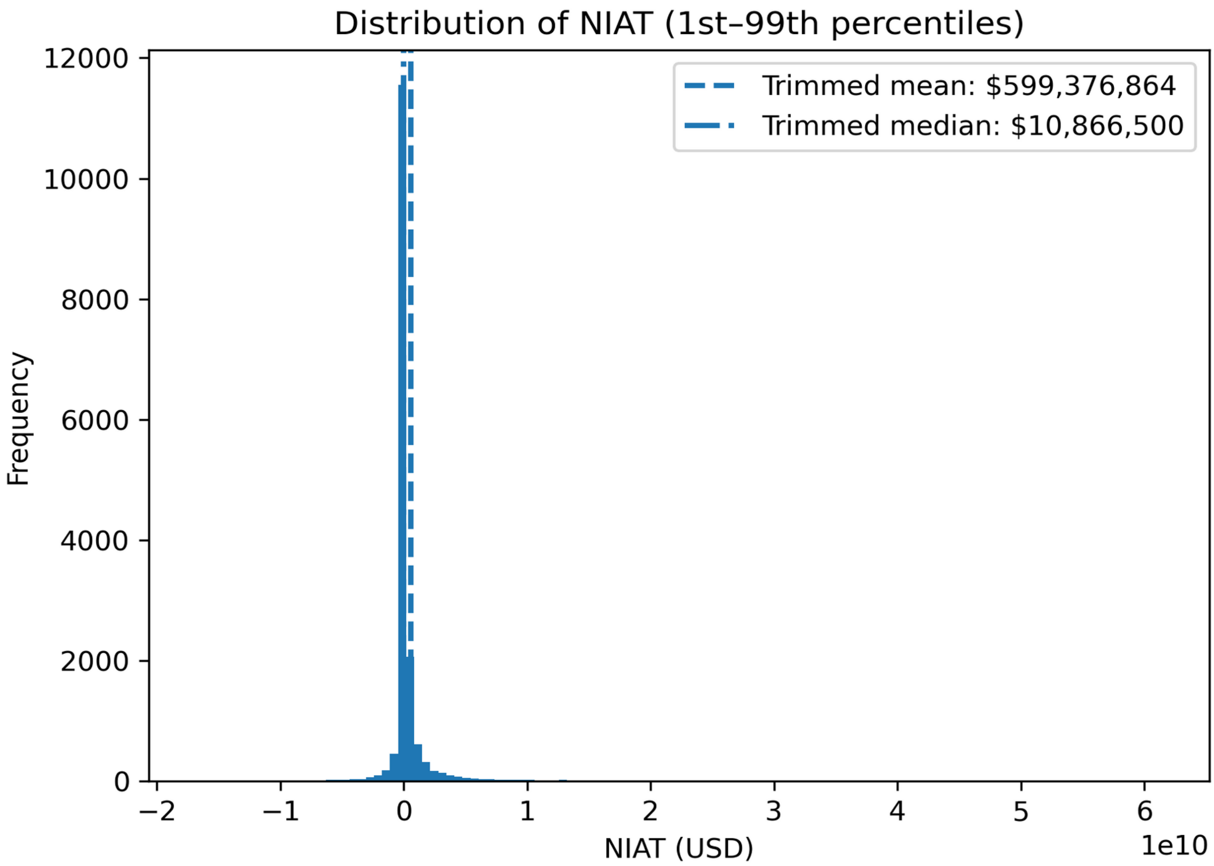


Figure 2: Distribution of NIAT (2008–2024)

Note. Distribution of NIAT (2008–2024), central 1st–99th percentiles shown for readability (N = 17,004). Vertical lines mark the trimmed mean ($599,376,864) and the trimmed median ($10,866,500). Full-sample mean is $1,339,869,605. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Figure 2 shows that NIAT exhibits an extremely right-skewed distribution even after trimming to the 1st–99th percentiles. Most firm-year observations cluster close to zero, while a small number of cases generate very large positive profits, producing a long upper tail. The trimmed mean therefore substantially exceeds the trimmed median, indicating that a few highly profitable firm-years exert a strong influence on the overall distribution of NIAT.

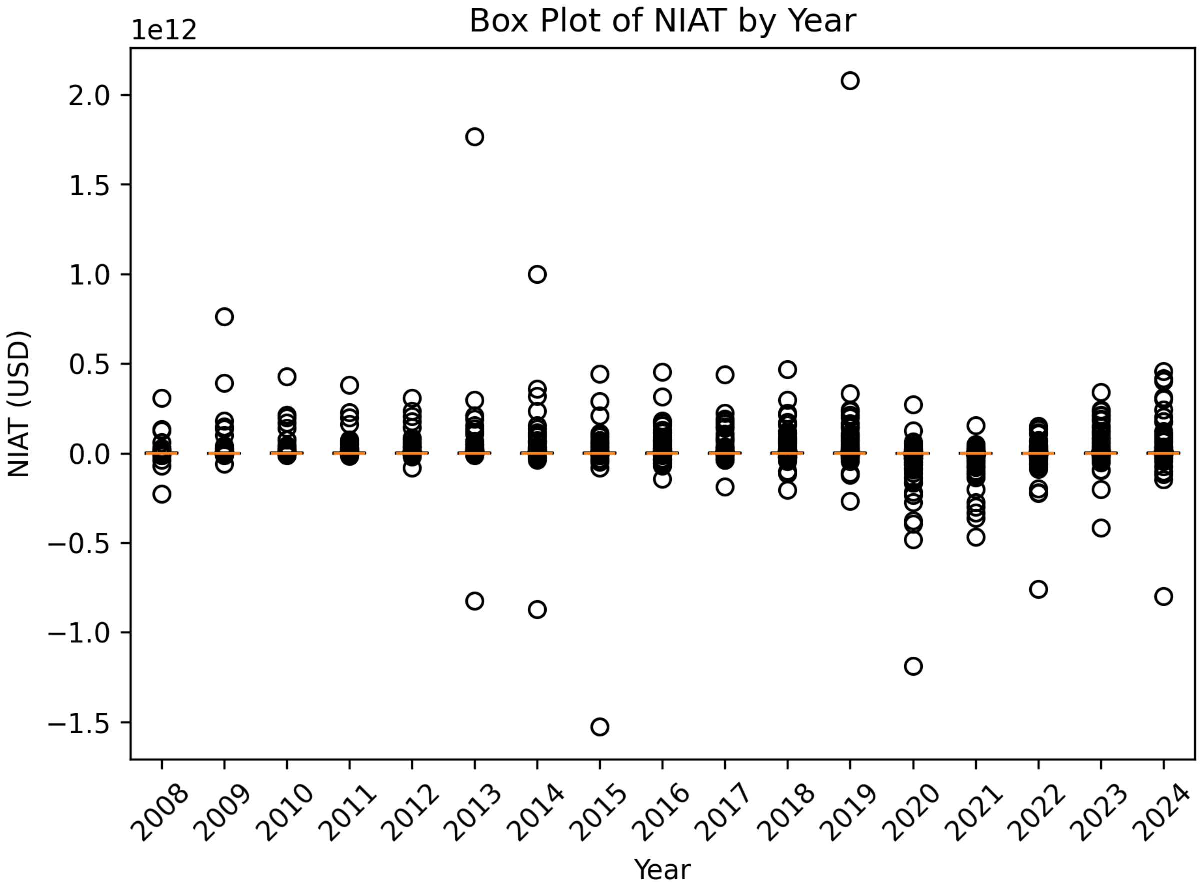


Figure 3: Box Plot of NIAT by year (2008-2024)

Note. Box Plot of NIAT by year (2008–2024). Annual spreads show persistent right-skew and varying dispersion. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Figure 3. shows that dispersion in NIAT is not constant over time. Years with visibly wider boxes and many/extreme outliers include 2014 and 2020–2021 on the positive side, and 2015 and 2018 with large negative observations, whereas years such as 2011–2013 and 2016–2017 display tighter clustering. This time-varying heterogeneity supports the inclusion of year fixed effects in the empirical model.

Independent Variables Summary

1. **Combined ESG Score**

In the final panel, the combined ESG score (column ESG_Score) is available for 2,266 of 20,995 firm-year observations (10.79%). The distribution is wide (mean = 43.71; SD = 21.46; median = 42.77; IQR = 26.31–61.21) with values ranging from 2.85 to 91.68. This dispersion indicates substantial heterogeneity in ESG performance across firms and years in the hospitality sample.

2. **Environmental Score**

The environmental pillar score is available for 1,927 of 20,995 firm-year observations (9.18%). The distribution is wide (mean = 44.59; SD = 27.07; median = 43.92; IQR = 20.88–68.83) with values from 0.09 to 97.59. Large firms (≥ median employees) score higher on average than small firms (56.21 vs 32.82). The environmental pillar correlates strongly with the social pillar (r = 0.75) and with the combined ESG score (r = 0.86). Large firms score higher on average; the highest sector is Cruise Lines and the lowest is Brewers (NEC).

3. **Social Score**

The social pillar score is available for 2,266 of 20,995 firm-year observations (10.79%). Mean = 45.80; SD = 24.14; median = 44.69; IQR = 26.37–64.45; range = 0.48–97.25. Large firms outperform small firms on average (58.23 vs 36.72). The social pillar shows the strongest alignment with the combined ESG score (r = 0.92) and is highly correlated with the environmental pillar (r = 0.75). Large firms score higher on average; pattern by sector mirrors ESG.

4. **Governance Score**

The governance pillar score is available for 2,266 of 20,995 firm-year observations (10.79%). Mean = 45.62; SD = 22.06; median = 45.49; IQR = 27.76–63.29; range = 0.74–96.66.

Large firms score higher than small firms (52.37 vs 40.57). Governance correlates moderately with the environmental (r = 0.37) and social (r = 0.41) pillars, and with the combined ESG score (r = 0.67). Large firms score higher on average; governance is less aligned with E and S than the other pairings.

Comparative patterns in ESG and pillars (brief)

- Top ESG performers. Highest ESG scores are concentrated in a few large, global service firms: NH Hotel Group SA, Sodexo SA, Meliá Hotels International SA, Minor International PCL and Yum China Holdings Inc.

- Profile of leading firms. These firms are major brands with extensive international operations and formal ESG reporting, suggesting that structured CSR governance supports higher composite ESG scores.

- Sector contrasts. Mean ESG is highest in Cruise Lines and lowest among Brewers (NEC); accommodation and food-service sectors lie between these extremes, indicating clear cross-sector differences.

- Within-sector dispersion. ESG scores vary widely inside each sector; some firms match the top performers, while others remain far below sector averages, showing strong intra-industry heterogeneity.

- Firm-size differences. Large firms (≥ median employees) score higher than small firms on overall ESG and on each of the E, S and G pillars.

- Cross-pillar alignment. ESG correlates most strongly with Social (r = 0.92), then Environmental (r = 0.86), and least with Governance (r = 0.67).

- Implications for pillar emphasis. Improvements in social and environmental practices appear more strongly reflected in ESG scores than governance changes alone.

- Link to subsequent analysis. These patterns justify treating sector, firm size and ESG pillar scores as key comparative dimensions in the subsequent panel regression models.

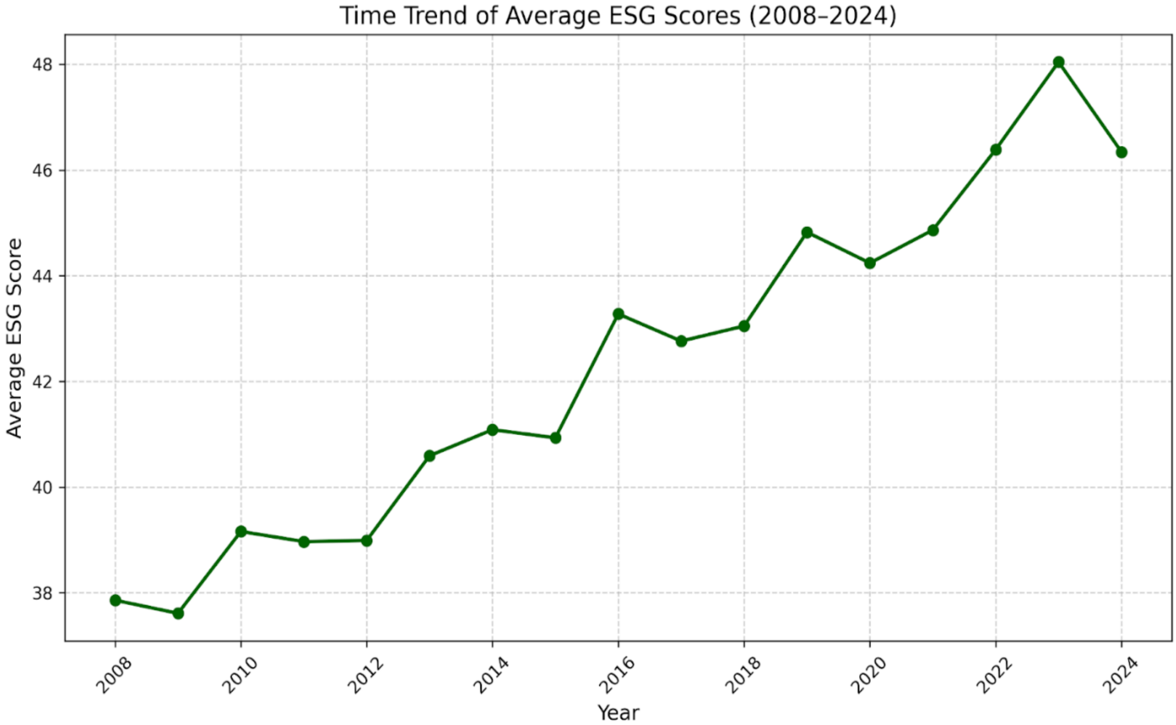


Figure 4: Time Trend of Average ESG Scores - Full Sample (2008–2024)

Note. Time Trend of Average ESG Scores - Full Sample (2008–2024) A general upward trend of ESG performance is illustrated on the chart, most notably post-2015 to a peak in 2023. This spike may be the result of growing institutional pressures, increased stakeholder attention to sustainability and more stringent regulatory compliance. From the beginning of COVID, ESG scores increased until 2023. Observations with ESG available (N = 2,266 firm-years; n varies by year). Source: Author, Refinitiv Eikon. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Figure 4. is presented above to aid understanding in temporal shifts in CSR practices, which shows the pattern in average ESG scores during the studied period (2008-2024). The graph displays a consistent upward trajectory, which in turn demonstrates a broad-based improvement in CSR performance across the hospitality industry. This is most evident from 2015 onwards, which can be argued to reflect the increasing influence of global sustainability frameworks, evolving stakeholder expectations and enhanced reporting practices. A dip is observed in 2024 that either requires further

investigation, or perhaps might be the result of incomplete annual reporting at the time of data extraction.

Control Variables Summary

1. **Employees**

Coverage is 10,795 of 20,995 firm-years (51.42%). The distribution is highly right-skewed (mean = 8,775.71; SD = 37,710.15; median = 820; IQR = 232–3,604; min = 1; max = 596,452). This captures wide size dispersion across groups and chains. Note the skew; if a log-size variant is used in the regressions, state it in the methods.

2. **Net Debt**

- Debt: available for 14,927 firm-years (71.10%). Mean = 18.99bn; median = 0.414bn; IQR = 0.0407–3.086bn; range = −35k to 2.961trn. Occasional small negatives indicate net-cash positions or reporting artefacts; values are heavy-tailed.

- Assets: available for 17,005 firm-years (81.00%). Median = 1.739bn; IQR = 0.215–9.908bn; range = 70 to 9.715trn.

- Leverage (Debt/Assets): defined when both are present (N = 14,918). Median = 0.28; IQR = 0.11–0.46; mean = 0.73 with extreme outliers. Use medians/IQR in text and consider winsorization in robustness; document any winsor rules where applied.

3. **Year**

Year is complete for all 20,995 observations and spans 2008–2024. Year fixed effects are included to absorb period shocks (regulatory changes, macro shocks, COVID).

Data Distribution and Skewness

In the 20 995-row panel, both financial outcomes are heavy-tailed and skewed. ROA is extremely left-skewed: N = 16,387 (78.05%), median = 2.00, IQR = −2.58 to 6.41, range = −826,396 to 6,091; 34.7% of observations are negative and 11.70% fall outside the 1.5×IQR "outlier" bounds; skewness ≈ −127, kurtosis ≈ 16,221. NIAT is strongly right-skewed: N = 17,004 (80.99%), median = 10.87 m, IQR = −7.23 m to 192.52 m, range = −1.52668 bn to 2.08114 bn; 35.0% are losses and 25.22% are beyond the 1.5×IQR bounds; skewness ≈ 10.37, kurtosis ≈ 1,164. These properties justify reporting fixed effects with robust standard errors and noting robustness checks for extreme values (e.g., winsorized outcomes) where used.

Although log-transformations are often used to reduce skewness in financial variables, ROA and NIAT are not log-transformed in this thesis. Both measures are accounting-based outcomes that include values close to zero and substantial negative observations for loss-making firms. A log transformation would therefore be undefined for non-positive values or would require an arbitrary constant shift, making results harder to interpret and less comparable with prior CSR–CFP studies that use ROA and profit measures in levels. Instead, skewness and heavy tails in ROA and NIAT are handled by emphasizing medians and interquartile ranges in the descriptive statistics, trimming extreme values in graphical displays (for example, the ROA histogram restricted to the 1st–99th percentiles), and estimating all panel regressions with heteroskedasticity-robust standard errors. Retaining the original units allows the regression coefficients to be interpreted directly as percentage-point changes in ROA and level changes in NIAT.

Correlation Analysis

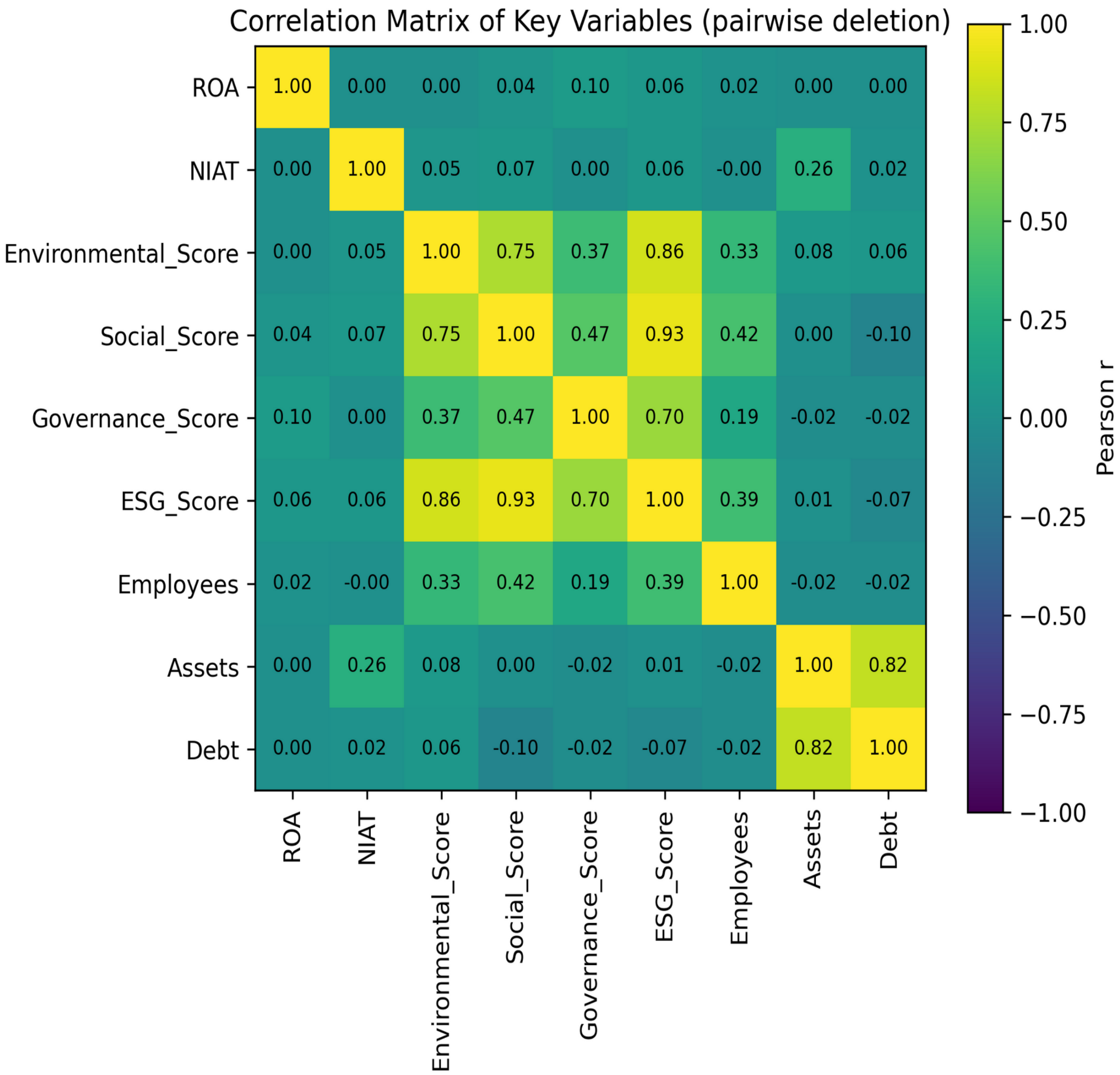
To enhance understanding of the interrelationships among the key variables, the below correlation matrix was constructed (Figure 5).

The three ESG pillars co-move strongly. Social aligns most closely with the combined ESG score (r = 0.93), followed by Environmental (0.86) and Governance (0.70); the pillars correlate at

Social–Environmental 0.75, Social–Governance 0.47, and Environmental–Governance 0.37. ROA and NIAT show no linear association with one another (≈ 0.00). Correlations between the financial outcomes and ESG variables are small in absolute value (|r| ≤ 0.10). Among the control variables, Assets and Debt are strongly positively correlated (0.82), while Employees shows near-zero correlation with both Assets and Debt (−0.02 each). These coefficients are based on the full panel of 20,995 firm-year observations with pairwise deletion, so the effective N differs by cell.

The comparatively low bivariate correlations between ESG scores and accounting returns are not unexpected in a large, multi-country financial panel where profitability is driven by many firm-specific and macroeconomic factors. Simple Pearson correlations capture only unconditional linear associations and do not adjust for unobserved firm heterogeneity, time shocks, or standard control variables. Prior CSR–CFP research similarly reports modest effect sizes and emphasizes that the ESG–performance link is best evaluated in multivariate models rather than in raw correlations alone (e.g. Orlitzky et al., 2003; Kang et al., 2010). In this study, the potential association between ESG and financial performance is therefore examined primarily through the panel regression framework set out in Section 4.2.5, which incorporates firm and year effects together with the chosen controls. The strong co-movement of the ESG pillars is accommodated by estimating separate specifications with either the aggregate ESG score (Model A) or the three pillars jointly (Model B), so multicollinearity does not distort the main regression results.

Taken together, the correlation matrix serves primarily as a diagnostic rather than an explanatory tool. The strong within-ESG correlations confirm that the three pillars capture a common underlying construct, whereas the weak associations with ROA and NIAT suggest that any ESG–CFP relationship is unlikely to be revealed by simple pairwise correlations alone. At the same time, the absence of very high correlations between ESG variables and the control variables (apart from the expected co-movement of Assets and Debt) indicates that multicollinearity is unlikely to bias the regression estimates. This descriptive evidence therefore motivates the subsequent model specifications: ESG is analyzed both as a composite indicator and as separate pillars, while firm size, leverage and workforce scale are included as standard controls. The next subsection turns to the panel data estimation strategy used to test the CSR–CFP hypotheses more formally.



	ROA	NIAT	Environmental_Score	Social_Score	Governance_Score	ESG_Score	Employees	Assets	Debt
ROA	1.00	0.00	0.00	0.04	0.10	0.06	0.02	0.00	0.00
NIAT	0.00	1.00	0.05	0.07	0.00	0.06	-0.00	0.26	0.02
Environmental_Score	0.00	0.05	1.00	0.75	0.37	0.86	0.33	0.08	0.06
Social_Score	0.04	0.07	0.75	1.00	0.47	0.93	0.42	0.00	-0.10
Governance_Score	0.10	0.00	0.37	0.47	1.00	0.70	0.19	-0.02	-0.02
ESG_Score	0.06	0.06	0.86	0.93	0.70	1.00	0.39	0.01	-0.07
Employees	0.02	-0.00	0.33	0.42	0.19	0.39	1.00	-0.02	-0.02
Assets	0.00	0.26	0.08	0.00	-0.02	0.01	-0.02	1.00	0.82
Debt	0.00	0.02	0.06	-0.10	-0.02	-0.07	-0.02	0.82	1.00

Figure 5: Correlation matrix of key variables

Note. Correlation matrix of key variables (ROA, NIAT, Environmental, Social, Governance, ESG, Employees, Assets, Debt). Pearson correlations using pairwise deletion; N varies by pair. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

4.2.5. Model Specification and Estimation

To investigate the relationship between CSR and CFP, this study employs panel data regression models with fixed-effects estimation. This approach accounts for unobserved heterogeneity across organizations and controls for time-invariant organization-specific characteristics that may bias the results.

Two model specifications are applied to capture both aggregated and disaggregated effects of CSR: 1) **Model A:** Uses the overall ESG combined score as a single proxy for CSR engagement. This model tests the net effect of a organization's consolidated environmental, social and governance practices on financial performance and 2) **Model B:** Used the disaggregated dimension of CSR, namely E (environmental), S (social) and G (governance), thus estimate their individual impacts on CFP.

Both models are estimated using organization fixed-effects and year dummies, thus controlling for both intra-organization variation and also common temporal shocks. The use of fixed-effects also mitigates concerns of omitted variable bias arising from time-invariant organization characteristics.

The general form of the models is expressed as:

$$CFPit=\alpha+\beta CSRit+\gamma Xit+\delta t+\mu i+\epsilon it$$

Where: 1) CFPit is either **ROA** or **NIAT** for organization i in year t, 2) CSRit is the ESG score (Model A) or E, S, G components (Model B), 3) Xit is the vector of control variables (organization size, financial structure), 4) δt represents year fixed effects, 5) μi captures organization fixed effects, and 6) ϵit is the error term.

All models are estimated using robust standard errors, clustered at the organization level, to account for potential heteroskedasticity and autocorrelation. The longitudinal nature of the data permits within-organization comparisons over time, thus enhancing the internal validity of the estimations.

4.2.6. Estimation Techniques and Robustness

The empirical analysis estimates both Fixed-Effects (FE) and Random-Effects (RE) panel models to examine the CSR–CFP relationship. To select the appropriate estimator, the Hausman specification test was applied at lags 0–3 for both ROA and NIAT. For the full hospitality sample, the Hausman tests are significant for all lags and both outcomes (Appendix B), so FE is preferred throughout. For the Hotels-only subsample, FE is preferred for NIAT at all lags and for ROA at lags 0 and 3; RE is not rejected for ROA at lags 1–2 (Appendix B). All main results are reported using organization and year fixed effects. If desired: We retain FE for Hotels-only ROA at lags 1–2 for comparability across models and to absorb time-invariant heterogeneity.

Multicollinearity was evaluated using Variance Inflation Factors (VIFs) for all explanatory variables (overall ESG, E/S/G pillars, Employees, Debt). Mean VIFs across all models ranged from 1.32 to 1.67, and the highest individual VIF was 2.01, indicating no material multicollinearity.

Data preparation and verification ensured panel suitability for estimation:

1. Scope and sources. ESG and financial data were merged at the organization–year level for the hospitality sector as a whole; a Hotels-only subsample was analyzed separately. Financial holding and investment companies were excluded.

2. Coverage and span. 1,294 candidate organizations across 116 sectors, 2008–2024 (17 years).

3. Integration. Records were date-matched from the master sheet to build the panel, producing producing an intermediate file (Cleaned_Data.csv) and the final modeling file (final_data_including_controls.csv).

4. Identity and period checks. Firm identifiers were harmonized, duplicate firm–year rows removed, and fiscal-year alignment verified.

5. Filter rule. Firms with fewer than three years of full data were dropped.

6. Variable construction. ROA and NIAT used consistent accounting definitions. Alternative size proxies (Employees and Total Assets) were prepared. Debt was aligned by fiscal year. CSR lags for 1–3 years were created.

7. Range and integrity checks. ESG and pillar score bounds were enforced; impossible values and non-finite numerics were dropped; units and signs were standardized.

8. Sample formation and missingness. List-wise deletion was applied at the equation level, so N varies by model. The final estimation panel comprises 1235 organizations × 17 years = 20 995 firm-year observations; the Hotels-only subsample is derived from this panel.

9. Reproducibility and hand-off. The cleaning pipeline and diagnostics are scripted and versioned; 2 Cleaned_and_Filtered_Data.csv is the hand-off file used for estimation.

Appendix A. reports the Hausman χ^2 statistics, degrees of freedom, p-values, and FE/RE decision for each outcome and lag for both samples.

Model diagnostics. For each FE model (ROA and NIAT) I report R^2 within, between, and overall, the F-statistic for overall significance, and three specification tests: Wooldridge (serial correlation), Pesaran CD (cross-sectional dependence), and a group-wise heteroskedasticity test. The diagnostics indicate significant serial correlation, cross-sectional dependence, and heteroskedasticity ($p<0.01$ in at least one outcome). Accordingly, all models are estimated with organization and year fixed effects and two-way clustered standard errors by entity and year. Full statistics are shown in Appendix C.

4.3. Empirical Results

4.3.1. Main Regression Results – Full Sample

CSR–CFP Link in the Hospitality Industry Employing Model A

The current subsection presents the results of the panel regression models that assessed the relationship between CSR, proxied by ESG scores and CFP, as measured by both ROA and NIAT across the full hospitality sample. All models comprised organization and year-fixed effects and control for organization size (employees) and financial structure (debt). Model A analyses the relationship using the combined ESG scores, whilst Model B runs the regressions with separate E, S and G components.

Model A: ROA Results

For the ROA results, ESG scores consistently displayed a negative relationship across each of the valid lag structures. More specifically, ESG was found to be statistically significantly negatively associated with ROA at the 1- and 2-year lags ($p < 0.01$ in each case) – Table 1. These results may imply that higher ESG performance might be linked with reduced short-term operational efficiency, potentially reflecting the delayed financial payoff of CSR initiatives, or greater compliance related costs. Moreover, the 3-year lags were forced to be omitted from this analysis as a result of insufficient usable observations following data cleaning and lagging procedures. The consistent strength and direction of the observed effects at both the 1- and 2-year lags reinforce the robustness of the negative ESG - ROA relationships within the full hospitality industry sample. All ROA specifications include Employees and Net Debt as controls; coefficients are suppressed for brevity and reported in Appendix A (Controls & Diagnostics). Models use firm and year fixed effects, with standard errors clustered by firm.

Model A: NIAT Results

Contrastingly, NIAT was found to be uniformly positively related to ESG at all valid lag levels, however, importantly statistically insignificant across each of the valid lagged levels. Whilst the magnitude of the coefficients differs, none of the lags resulted in p values below the conventional threshold of $p < 0.05$ – Table …. The findings may suggest that ESG activities might support long term profitability for particular organizations, however the effect is inconsistent across the broader hospitality sample. As was necessary with the ROA analysis, the 3-year lag model was also excluded for the same reason of insufficient number of organization year observations meeting the panel regression requirements.

Table 2: Model A: ROA & NIAT Results - Full Sample.

Year Lag	Outcome	R^2 (within)	Coefficient	p-value
0	ROA	0.0210	-0.0504	0.1282
0	NIAT	0.0605	106253707.5	0.389
1	ROA	0.0321	-0.086	0.0025
1	NIAT	0.0341	28499222.82	0.7398
2	ROA	0.0367	-0.0984	0.0012
2	NIAT	0.0323	31645406.82	0.7352

Note. Model A panel regression findings for the relationship between ESG scores and ROA and NIAT across the full hospitality industry sample. Models include organization and year fixed effects with controls for Employees and Debt. Standard errors are clustered by firm. Statistically significant negative effects were observed for ROA at 1- and 2-year lags; lags beyond 2 years were excluded due to missing values and insufficient panel depth across organizations. Diagnostics (Appendix C) indicate serial correlation, cross-sectional dependence, and heteroscedasticity; inference uses firm-clustered standard errors. Control-variable results are summarized in Appendix D. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

CSR–CFP Link in the Hospitality Industry Employing Model B

The present subsection was designed to present the results of the panel regression models that assessed the impact of the three individual components of CSR, namely E, S and G scores on CFP, measured by ROA and NIAT. The purpose of Model B is to enable a more granular view of the CSR impact on CFP across the full hospitality sample. All models included both organization and year fixed effects and control variables for organization size (employees) and also financial structure (debt).

Model B: ROA Results

For ROA, when decomposing the ESG scores into their component dimensions, the most consistent and strongest effects were observed for the S score where it was found to show a significant negative impact on ROA across all valid lags. Moreover, the E score also displayed negative impacts on ROA, with significance at both the 1- and 2-year lags ($p = 0.0114$ and 0.0452 respectively). These results reinforce those discovered in Model A, the ESG (most notably the social component) may erode short term operating efficiency. Contrastingly, the G score demonstrated no significant or consistent relationship with ROA at any valid lag level. All models employed comprised fixed effects and controlled for organization size and leverage. Additionally, as with Model A, 3-year lags were omitted as a result of insufficient observations after lagging.

Model B: NIAT Results

For NIAT, a different trend emerges. More specifically, none of the ESG components showed any statistically significant effects on NIAT. The direction of relationship was found to be positive for both the E and S scores across most lags, albeit all p - values exceeding 0.14, suggesting at least weak or unstable relationships. On the other hand, the G score was discovered to be negatively related to NIAT at year lags 1 and 2, but again, not statistically significant. From this absence of consistent impacts across each component of ESG across the valid lags, the results initially suggest that ESG may not exert a uniform influence on organizational bottom lines in the hospitality industry, at least during the period under analysis. All NIAT specifications include Employees and Net Debt as controls; coefficients are suppressed for brevity and reported in Appendix A (Controls & Diagnostics). Models use firm and year fixed effects, with standard errors clustered by firm.

Table 3: Model B: ROA & NIAT Results - Full Sample

ESG Component	Year Lag	Outcome	R^2 (within)	Coefficient	p-value
Environmental Score	0	ROA	0.0092	-0.0333	0.1526
Environmental Score	0	NIAT	0.0473	78036538.69	0.2525
Social Score	0	ROA	0.0107	-0.0848	0.0031
Social Score	0	NIAT	0.0623	113958009.6	0.354
Governance Score	0	ROA	0.0023	0.025	0.2446
Governance Score	0	NIAT	0.0589	21360688.66	0.5927
Environmental Score	1	ROA	0.0201	-0.0545	0.0114
Environmental Score	1	NIAT	0.0347	47770755.6	0.1873
Social Score	1	ROA	0.0143	-0.0975	0.0003
Social Score	1	NIAT	0.0329	91706891.02	0.4106
Governance Score	1	ROA	0.0008	0.0026	0.8767
Governance Score	1	NIAT	0.0315	-42564073.3	0.2364
Environmental Score	2	ROA	0.0207	-0.0462	0.0452

Environmental Score	2	NIAT	0.0382	73979408.66	0.1447
Social Score	2	ROA	0.0166	-0.103	0.0004
Social Score	2	NIAT	0.0303	100447204	0.4198
Governance Score	2	ROA	0.0011	-0.0014	0.9371
Governance Score	2	NIAT	0.0294	-57243432.62	0.1836

Note. Models include organization and year fixed effects with controls for Employees and Debt. Standard errors are clustered by firm. Three-year lags were omitted due to insufficient observations. Diagnostics (Appendix C) indicate serial correlation, cross-sectional dependence, and heteroscedasticity; inference uses firm-clustered standard errors. Control-variable results are summarized in Appendix D. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

4.2.2. Subsample Analysis: Hotel-Only Organizations

CSR–CFP Link in the Hotel Sector Employing Model A

Model A: ROA Results - Hotel Subsample

Concerning the hotel only subsample, full period (2008 - 2024) regressions revealed no statistically significant associations between ESG performance and ROA across any of the valid lag structures. Findings showed mixed directionality in terms of coefficients, all of which remained small in magnitude, with p-values exceeding the 0.05 level in all cases analyzed ($p > 0.44$ in all relationships). These results may suggest that unlike the broader hospitality industry, CSR initiatives by hotel organizations might not systematically reduce operational efficiency when averaged across the full 2008 - 2024 period. Moreover, the explanatory power of the models were modest with R^2 values ranging from 0.25 to 0.28, further suggesting that CSR may not be a strong determinant of short-term return on assets within the hotel sector when analyzed in aggregate.

Model A: NIAT Results - Hotel Subsample

For the hotels only sample, the full period regressions revealed uniformly positive associations between ESG scores and NIAT at each valid lag length, which might suggest alignment with improved net profitability, however none of which reached statistical significance. R^2 values were modest ranging between 0.24 and 0.33, whilst p - values ranged between 0.20 and 0.79. These results suggest an unstable and weak explanatory power. These findings are consistent with the previously tested full hospitality industry sample, thus reinforcing the conclusion that CSR initiatives do not exert a measurable or robust impact on NIAT in the hotel sector across the full 2008 - 2024 time-frame.

Table 4: Model A: ROA & NIAT Results - Hotels Only.

Year Lag	Outcome	R^2	Coefficient	p-value
0	ROA	0.0141	0.0379	0.4481
0	NIAT	0.2859	15603854.3	0.2057
1	ROA	0.0064	-0.0028	0.9525
1	NIAT	0.2432	12700792.26	0.5125
2	ROA	0.0091	0.0295	0.5631
2	NIAT	0.3281	4588605.504	0.7856

Note. Model A regression results for the hotel sector displaying the association between ESG scores and financial performance across the full period of 2008 - 2024. Findings include lags of 0, 1 and 2 years with 3-year lags omitted due to insufficient observations following filtering. Organization and year fixed effects were included in all models, as were control for organization size (via employees) and capital structure (via debt). No statistically significant impacts were observed across any combination. Hotels-only subsample. SEs two-way clustered by entity and year. Diagnostics (Appendix C) indicate serial correlation, cross-sectional dependence, and heteroskedasticity. Employees and Debt are included; coefficients omitted for brevity. Standard errors are two-way clustered by entity and year. Control-variable results are summarized in Appendix D. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

CSR–CFP Link in the Hotel Sector Employing Model B

Model B: ROA Results - Hotel Subsample

Concerning the hotel only subsample, full period (2008 - 2024) regressions using ESG individual components found no statistically significant associations across any of the lag structures of component parts. More specifically, neither E, S nor G scores were discovered to meaningfully predict short term operational performance from 2008 - 2024. Moreover, coefficients were directionally mixed and additionally small in magnitude, which p - values consistency exceeding 0.10. These results are in contrast to the findings observed in the broader hospitality industry analyses, where the S and E scores showed significant negative relationships with ROA. In this narrower hotel E, S and G - ROA analysis, no component part appeared to influence operational efficiency when considered in isolation.

Model B: NIAT Results - Hotel Subsample

The 2008 - 2024 hotel only sample showed no statistically significant relationships between E, S or G with NIAT at any lag year structure. Whilst coefficients for both the E and S scores were positive in most cases, all remained statistically insignificant with p - values exceeding 0.14, thus indicating weak statistical support. Moreover, G scores were not estimable as a result of insufficient valid observations and therefore excluded. Additionally, the explanatory power of the models was modest (R^2 ranging from 0.24 to 0.34) which suggests a limited capacity to explain variation in net income via ESG component parts. Therefore, these results reinforce earlier findings that CSR initiatives, when decomposed, do not systematically translate into improved profitability in the hotel sector.

Table 5: Model B: ROA & NIAT Results - Hotels Only.

Component	Year Lag	Outcome	R^2	Coefficient	p-value
Environmental Score	0	ROA	0.0112	0.0009	0.9768
Environmental Score	0	NIAT	0.2901	19438968.78	0.1539
Environmental Score	1	ROA	0.0146	-0.0359	0.258
Environmental Score	1	NIAT	0.2523	26412765.46	0.2016
Environmental Score	2	ROA	0.0114	-0.0291	0.3207
Environmental Score	2	NIAT	0.3367	24307247.34	0.2261
Social Score	0	ROA	0.0105	0.0191	0.5737
Social Score	0	NIAT	0.2863	14359616.78	0.1471
Social Score	1	ROA	0.0066	-0.0063	0.8521
Social Score	1	NIAT	0.243	10378070.66	0.4965
Social Score	2	ROA	0.0064	0.0122	0.7523
Social Score	2	NIAT	0.3286	7309149.625	0.6329

Governance Score	0	ROA	0.016	0.03	0.5182
Governance Score	0	NIAT	0.2831	-2208371.205	0.7395
Governance Score	1	ROA	0.0119	0.0245	0.5622
Governance Score	1	NIAT	0.2421	-4868657.87	0.6785
Governance Score	2	ROA	0.023	0.0416	0.2955
Governance Score	2	NIAT	0.3312	-11852257.05	0.238

Table 5. Note: Model B regression findings from 2008 - 2024, hotel sector only between the disaggregated ESG components and ROA and NIAT. Models were estimated at 0-, 1- and 2-year lags with 3-year lag models omitted due to insufficient valid observations. Included also were fixed effects for organization and year, with controls for employee and debt. No statistically significant associations were discovered. G scores were omitted where lagged data insufficient or models failed to converge. Hotels-only subsample; SEs two-way clustered by entity and year; diagnostics (Appendix C) indicate serial correlation, cross-sectional dependence, and heteroskedasticity. Employees and Debt are included; coefficients omitted for brevity. Standard errors are two-way clustered by entity and year. Control-variable results are summarized in Appendix D. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

4.3.3. Temporal Analysis: COVID versus non-COVID Period

To understand whether the CSR-CFP relationship varied during the global COVID-19 pandemic, the panel regression models were re-estimated via segmenting the data into COVID period (2020-2021) and non-COVID period (2008-2019, 2022-2024) periods. Again, ROA and NIAT were used as dependent variables and the models' included controls for organization size (employees), financial structure (debt) and year fixed effects.

Model A: ROA Results - COVID versus non-COVID

When segmenting COVID versus non-COVID period data, a significant divergence was revealed (see Table 6. below). Specifically, during the non-COVID period, ESG scores were found to be consistently and negatively related to ROA at all valid lag levels (p = < 0.05), thus reinforcing earlier results. However, in the COVID period, no model was found to return statistically significant results. Moreover, the ESG impact on ROA during COVID was mixed in sign and also notably weaker, consequently suggesting that the pandemic and subsequent economic shock may have disrupted the operational impacts of CSR initiatives in the short term. Again, 3-year lags were forced to be omitted as a result of an insufficient number of valid observations following the segmenting and also lag application.

Model A: NIAT Results - COVID versus non-COVID

In both the COVID and non-COVID periods, NIAT maintained positive, albeit statistically insignificant relationships (see Table 6. below). Moreover, the coefficient magnitudes were slightly higher during the COVID period, yet p-values remained above conventional thresholds in all valid models. This may be interpreted as CSR supporting CFP, whilst not demonstrating statistically robust gains in bottom line performance even during the period of uncertainty across the broader hospitality industry.

Table 6: Model A: ROA & NIAT Results - Full Sample - COVID vs. non-COVID

Period	Year Lag	Outcome	R^2 (Within)	Coefficient_ESG	p-value_ESG
COVID	0	ROA	0.0625	-0.0232	0.8562
COVID	1	ROA			
COVID	2	ROA			
COVID	3	ROA			
COVID	0	NIAT	0.0356	115263414.8794	0.5749
COVID	1	NIAT			
COVID	2	NIAT			
COVID	3	NIAT			
Non-	0	ROA	0.0500	-0.0906	0.0107

COVID					
Non-COVID	1	ROA	0.0627	-0.0952	0.0012
Non-COVID	2	ROA	0.0542	-0.1074	0.0012
Non-COVID	3	ROA	0.0822	-0.1080	0.0025
Non-COVID	0	NIAT	0.0039	-9237609.5320	0.6454
Non-COVID	1	NIAT	0.0009	-9098202.3124	0.4730
Non-COVID	2	NIAT	0.0019	-9021431.9213	0.5875
Non-COVID	3	NIAT	-0.0088	-35709890.4702	0.0780

Table 6. Note: Model A fixed-effects panel regressions of the aggregate ESG score on ROA and NIAT, split into COVID (2020–2021) and Non-COVID (2008–2019, 2022–2024). Lags 0–3 are estimated; where the model is not estimable, cells are left blank. All models include firm and year fixed effects and controls for employees and financial leverage (debt). Standard errors are clustered by firm. Diagnostics (Appendix C) indicate serial correlation, cross-sectional dependence, and heteroskedasticity. Control-variable results are summarized in Appendix D. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Model B: ROA Results - COVID versus non-COVID

In the non-COVID period analyzed, both the E and the S scores were significantly negatively related to ROA across multiple lags (see Table 7. below). It was found that the S score had the most consistent effect, with statistically significant coefficient at year lags 0, 1 and 2, displaying p - values of <0.001 in all instances. Moreover, the E score was also exhibiting negatively significant relationships with ROA at lags 0 and 1 (p = 0.0328 and 0.0113 respectively). A marginal effect was observed between the E score and ROA at lag 2, with p = 0.0629. Furthermore, the G score showed no significant relationship with ROA at any valid lag. During the COVID years, no ESG component was significantly associated with ROA at any valid lag levels with coefficient directions showing as highly mixed. The negative ESG - ROA relationships point towards organization behavior and performance in more stable environments as the driving force.

Model B: NIAT Results - COVID versus non-COVID

During both the COVID and non-COVID periods, none of the ESG separate components were found to be significantly associated with NIAT (see Table 7. below). Moreover, both the E and S scores exhibited positive relationships in most lags, whilst the G score remained directionally mixed. All p - values exceeded 0.11, with explanatory power remaining low across all examined specifications. These results confirm conclusions drawn earlier that ESG factors, whether separated or aggregated, do not exert a measurable influence on CFP across the broad hospitality sample.

Table 7: Model B: ROA & NIAT Results - Full Sample - COVID vs. non-COVID

Period	Year Lag	Outcome	R^2 (Within)	Coefficient	p_E	coef_S	p_S	coef_G	p_G
COVID	0	ROA	0.07	-0.03	0.81	0.03	0.81	-0.02	0.82
COVID	1	ROA							
COVID	2	ROA							
COVID	3	ROA							
COVID	0	NIAT	0.04	-25152403.63	0.85	46918371.86	0.53	81444767.85	0.36
COVID	1	NIAT							
COVID	2	NIAT							
COVID	3	NIAT							
Non-COVID	0	ROA	0.07	-0.01	0.68	-0.12	0.00	0.04	0.17
Non-COVID	1	ROA	0.08	-0.04	0.13	-0.09	0.00	0.02	0.25
Non-COVID	2	ROA	0.08	-0.05	0.07	-0.09	0.00	0.02	0.13
Non-COVID	3	ROA	0.09	-0.08	0.06	-0.05	0.15	0.01	0.43
Non-COVID	0	NIAT	0.01	21579699.18	0.40	-29746831.99	0.33	-2861818.26	0.89

Non-COVID	1	NIAT	0.02	38562375.63	0.29	-23087437.75	0.23	-26096132.79	0.28
Non-COVID	2	NIAT	0.03	42152534.24	0.26	-23455763.11	0.15	-21798237.30	0.24
Non-COVID	3	NIAT	0.01	26785513.52	0.46	-27488477.69	0.39	-26036331.72	0.19

Note. Model B fixed-effects panel regressions of disaggregated ESG components on ROA and NIAT, split into COVID (2020–2021) and Non-COVID (2008–2019, 2022–2024). Lags 0–3 are estimated; where data are insufficient the model is not estimable and cells are left blank. In Non-COVID years, E and S are negatively associated with ROA (lags 0–2, $p<0.05$); G is not. During COVID, no E/S/G effects are significant. NIAT shows no significant relations in either period. All models include firm and year fixed effects and controls for employee count and financial leverage. Standard errors are clustered by firm. Diagnostics (Appendix C) indicate serial correlation, cross-sectional dependence, and heteroskedasticity. Control-variable results are in Appendix D. Source. Author’s own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

4.4. Discussion and Implications

Across 20 995 firm-years (2008–2024) from 1235 listed hospitality firms, the CSR–CFP link is weak and largely statistically insignificant. Results are consistent across 0–3-year lags and across the full hospitality sample and the hotel-only subsample.

- Model A (aggregate ESG): No robust association with ROA or NIAT in the full sample. A single context-specific effect appears in the hotel-only COVID period: ESG is positively related to ROA at the 0-year lag ($p = 0.0419$). This effect does not persist at other lags or outside the COVID period. No significant relationships with NIAT.

- Model B (E, S, G disaggregated): Environmental, Social and Governance scores show no consistent or durable associations with ROA or NIAT once lags and period splits are applied. Isolated significance does not replicate across specifications.

- Lags: No evidence that 1–3-year lags strengthen the CSR–CFP relationship.

- Outcome differences: ROA relations are directionally more positive than NIAT, but still mostly insignificant. NIAT results are weaker, likely reflecting greater noise from taxes, depreciation and one-off items.

Overall, the evidence indicates that CSR (ESG) does not uniformly enhance financial performance in global hospitality or hotels; any gains are context-dependent and short-lived.

4.4.1. Comparison with Existing Literature

The empirical findings of the present study offer a mixed and context-dependent perspective of the CSR – CFP linkage within the global hospitality industry. These results are broadly consistent with the inconclusive and varied patterns identified in prior studies, and in particular, those that emphasis sectoral differences, methodological variation and stakeholder heterogeneity. As discussed during the literature review (Section 2.5), meta-analyses by Orlitzky et al. (2003) suggests a generally positive yet modest relationship between CSR and CFP across sectors. However, these results are qualified by substantial variation which depends on industry, measurement type and also research design. This thesis's weak and inconsistent results, particularly for NIAT, align with this view because CSR costs are recognized immediately while benefits emerge with lags; CSR/ESG measures and rater disagreement dilute the signal; endogeneity and firm selection bias confound estimates; industry and institutional contexts vary the payoff; and NIAT is a noisy outcome influenced by taxes, depreciation, and one-off items.

Within the hospitality literature specifically, the results of this current study echo those of Kang et al. and (2010) and Lee and Park (2009), both of whom reported positive yet limited CSR – CFP relationships, often-times confined to specific CSR components or stakeholder groups. For example, the relatively stronger relationship between governance scores and ROA in the present thesis study parallels that of Lee and Park (2009) observation that structural CSR dimensions – such are board practices or transparency – are more likely to result in financial benefits than philanthropic or 'loosely defined' social initiatives. In a similar fashion, Theodoulidis et al. (2017) reported that stakeholder trust and reputational effects mediated the CSR – CFP link in hospitality.

Whist the present thesis study does not measure reputational capital directly, the modest position patterns in ESG scores suggest that CSR might perhaps enhance legitimacy and stakeholder goodwill, even if the financial returns are diffuse or delayed. These results support the argument, found in the hospitality-specific literature, that the primary value of CSR may actually lie in risk mitigation and trust-building as opposed to short-term profitability.

The present research also confirms prior observations concerning the importance of CSR disaggregation. Specifically, whilst earlier research often-times relied on composite CSR indices, more recent work has argued for the examination of E, S and G dimensions separately (Coles et al., 2013). The use of disaggregated ESG scores in this present thesis reveals differentiated impacts across components, with environmental and governance indicators exhibiting slightly stronger financial associations. This in turn supports calls for the literature to move beyond aggregated ESG metrics in favor of studying the operational mechanisms linking specific CSR activities to performance outputs.

Finally, concerning the COVID-19 pandemic, the present thesis's findings diverge from those who suggested that the pandemic would elevate the strategic importance of CSR. As opposed to the amplification of the CSR – CFP link, the crisis appears to have actually weakened it; a pattern that raises important questions regarding the resilience and perceived necessity of CSR during times of acute financial stress. Moreover, whilst some organizations may have leveraged CSR to signal legitimacy or to maintain stakeholder trust, the findings do not indicate any broad-based financial payoff during the COVID-19 years. In summary, the findings of the current research confirm the mixed, component-specific and also context-sensitive nature of the CSR – CFP relationship, as repeatedly emphasized in the extant literature. The present results add further weight to the position that CSR should be evaluated not merely on financial return, but also on its contribution to legitimacy, stakeholder relations and strategic positioning; particularly in visibility-intensive sectors such as hospitality.

4.4.2. Theoretical Interpretation

The findings of this thesis study can be interpreted through the lens of stakeholder theory and legitimacy theory, both of which are well placed to underpin the conceptual framework developed in Chapter 2. Whilst the empirical results do not offer consistently strong or statistically significant evidence of a CSR – CFP relationship, they do however provide a meaningful insight into how these theoretical perspectives manifest in the hospitality context. Stakeholder theory posits that organizations create value by addressing the interests of all stakeholder groups which includes, but is not limited to, employees, customers, communities and investors (Parmar et al., 2010). Within this framework, CSR is not merely symbolic or reputational, rather a strategic approach to risk management and stakeholder alignment. The modest positive associations observed between ESG scores and ROA, and to a much lesser extent NIAT, suggest that engagement in CSR activities may offer marginal performance benefits in hospitality, especially when linked to operational efficiency, customer loyalty and employee satisfaction. Although not robustly significant across all models employed, these trends are consistent with the stakeholder theory premise that responsible business conduct can enhance organization performance by reinforcing stakeholder trust and reducing conflict. Legitimacy theory provide an alternative yet complementary explanation. Specifically, it holds that organizations engage in CSR initiatives in order to secure social legitimacy; that is, acceptance by the public and alignment with prevailing societal norms (Fernando & Lawrence, 2014). This is particularly relevant in the hospitality sector where service-based delivery is highly interpersonal and visibility is high. The elevated governance scores found in the dataset – and their relatively stronger relationship with CFP – may reflect efforts by organizations to demonstrate accountability, ethical leadership and transparency; all qualities that reinforce legitimacy in the eyes of regulators, investors and of course, the general public.

From a temporal viewpoint, the weakening of the CSR – CFP relationship during the COVID period may indicate that CSR was unprioritized in favor of immediate survival strategies, or possibly that stakeholders were less responsive to CSR signals during crisis conditions. This would be consistent with legitimacy theory's assertion that strategic responses to environmental turbulence are shaped by external pressures and evolving norms. Having stated this, it also brings to surface questions concerning the durability of CSR as a long-term value-generating strategy in periods of disruption. All in all, the results suggest that CSR in the hospitality industry functions as both a stakeholder engagement tool and a legitimacy-seeking mechanism but with limited and inconsistencies in terms of CFP. It is important to understand that the present findings do not negate the relevance of CSR, rather they imply that its financial payoff may depend on context-specific factors such as organization size, regional location, ESG maturity, lag effects and crisis conditions. Whether CSR behaves more like an investment or a cost burden in this sector is therefore inconclusive. Whilst some organizations realize efficiency gains or peradventure reputational benefits, others may experience CSR as a resource-consuming activity that produces fairly limited financial returns. This nuance brings to the forefront the importance of understanding CSR not a uniform strategy, rather as a heterogenous practice of which the value depends on strategic fit, stakeholder alignment and also external legitimacy demands.

4.4.3. Managerial Implications

The results of this research hold several practical implications for management who operate in the global hospitality industry, especially those responsible for sustainability, corporate strategy or investor relations. Whilst the financial benefits of organizational engagement with CSR are not uniformly strong, or even consistent, the evidence nonetheless points to strategic advantages associated with structured and transparent CSR practices. First of all, the relatively stronger performance link observed for governance indicators may suggest that organizations should prioritize accountability structures, including shareholder rights and transparent disclosure policies. These elements may not only improve internal control and risk management, but additionally enhance credibility with regulators and investors alike and thus contribute to long-term value creation. Management may therefore benefit from embedding governance standards into wider CSR activities, even when short-term profitability gains are vague.

Secondly, whilst environmental and social scores revealed weaker financial relationships, they nonetheless remain essential from a stakeholder engagement perspective. To explain, for hospitality organizations – and in particular, those with strong consumer-facing operations – environmental practices, for example, waste reduction or energy-efficiency, and social responsibility, for example, community support or employee welfare, contribute to brand image, guest loyalty and reputational capital. Therefore, management should not ignore these indirect value pathways and should align CSR initiatives with stakeholder expectations to strengthen trust and differentiation in a competitive market.

Thirdly, the segmentation of findings across both COVID and non-COVID years implies that the financial value of CSR may actually be contingent on external conditions. During periods of crisis or market uncertainty, CSR might be perceived as secondary to survival-oriented strategies unless it is clearly integrated into core business continuity and risk mitigation plans. This lays emphasis for the need of management to institutionalize CSR by embedding it into long-term strategy as opposed to treating CSR as a discretionary, or even symbolic add-on.

Finally, the inconsistencies surrounding the CSR – CFP link across models and measures underscores the importance of realistic CSR expectations. Management should not overstate the direct financial returns of CSR activities. Rather, emphasis should be placed on non-financial benefits (e.g. reputational resilience, stakeholder alignment, regulatory preparedness and long-term strategic positioning) which are especially relevant in a sector marked by volatility, visibility and service-based intensity. To summarize, whilst CSR may not offer a guarantee in terms of improved CFP – at least in the short-term – it does remain a vital strategic function. Thus, management who institutionalize CSR with environmental, social and governance systems, are more likely to be better positioned to navigate risks, respond to stakeholder demands and maintain legitimacy in a rapidly evolving operating environment.

4.4.4. Methodological and Contextual Limitations

Whilst the current research study contributes to the comprehension of the CSR – CFP link in the global hospitality industry, it is not without limitations. It is important that these constraints should be taken into consideration whilst interpreting this results and their subsequent applicability across contexts. To start, the analysis is based exclusively on secondary data downloaded from Refinitiv Eikon, which, albeit comprehensive, imposes structural limitations. The dataset reflects only publicly listed organizations which may systematically differ from those that are private and/or small in terms of CSR strategy, stakeholder expectations and financial disclosure practices. This, in turn, limits the generalizability of the findings to the wider hospitality industry, whereby unlisted and family-owned organizations remain extremely prevalent.

Second to this, the CSR performance indicators employed, namely the aggregated and disaggregated ESG scores, are subject to known measurement limitations. These scores are complied using proprietary weighting systems and rely heavily on self-disclosed and publicly available data. As a consequence, they might be influenced by reporting intensity as opposed to underlying performance, thereby introducing potential information asymmetry or indeed bias. This is especially relevant in the hospitality sector, whereby qualitative CSR activities may not be adequately captured by standardized metrics.

Third, albeit this thesis employs a panel data design with fixed and random-effects models, it nonetheless remains correlational in nature. Specifically, causality cannot be definitively established, as omitted variables and reverse causality may still influence the outcomes. The inclusion of lagged CSR variables assists in mitigation yet does not eliminate this concern. Furthermore, whilst variance inflation factor (VIF) tests were conducted to assess multicollinearity, other diagnostic tests such as formal checks for serial correlation or heteroscedasticity were not explicitly applied or reported.

Fourth, although the research adopts a worldwide scope, covering numerous regions and institutional environments to enhance breadth, it also introduces heterogeneity in CSR norms, regulatory frameworks and stakeholder pressures, which might lead to the dilution of region-specific effects. The limited availability of granular geographical or institutional controls restricts the ability to account for these differences in the empirical model.

Fifth, the 0–3-year lag specification may be too short to capture longer CSR pay-off horizons, and the focus on accounting-based outcomes (ROA and NIAT) may understate effects that emerge in cash-flow or market-based performance.

The final limitation concerns the COVID-19 segmentation which in this thesis, is treated as a binary segmentation, distinguished only between COVID and non-COVID years. To explain, the pandemic had evolved in phases and additionally varied by region, which potentially obscures more nuanced temporal effects. The structural break analysis provides some insight yet may under-represent the complexity of organization responses to crisis conditions. To summarize, whilst the methodology is robust within the constraints of available data, the results should be interpreted with caution. Future research is welcomed to address these limitations by incorporating alternative CSR measurement tools, extending the sample to include unlisted organizations and employing mixed methods or longitudinal case studies to triangulate quantitative insights.

4.4.5. Directions for Future Research

The present findings and limitations of this thesis point to several avenues for future research that could further the clarification of the CSR – CFP relationship within the hospitality industry. To start with, future studies might benefit from the expansion of the scope of the data to include privately held organizations and/or small to medium sized enterprises. Given that the present analysis is limited to publicly listed organizations, a gap exists in the understanding of how CSR manifests in organizations with different governance structures, stakeholder pressures and reporting obligations. To incorporate alternative datasets or employing primary data collection methods such as surveys or interviews, may yield a more holistic industry perspective.

A second direction is to improve the measurement of CSR performance. Specifically, whilst ESG scores offer standardized metrics, they rely heavily on disclosed data and may not actually reflect the full range of CSR activities undertaken by organizations. Therefore future research could employ content analysis of CSR reports, third-party CSR ratings or peradventure even custom CSR indices tailored to the hospitality context. These alternative metrics might better capture sector-specific practices such as labor policies, guest safety or environmental certifications.

A third suggested direction is to strengthen causal inferences by methodological extensions. More specifically, whilst the present thesis uses panel data with lagged CSR variables to understand the time-delayed effects of CSR on CFP, future analyses could use instrumental variable techniques, difference-in-difference (DiD) designs or perhaps quasi-experimental methods to aid in the addressing of endogeneity concerns in a more direct fashion. These approaches could enhance the robustness of claims regarding the impact of CSR on CFP.

Conducting regionally or institutionally segmented analyses is a fourth suggest for future research. This thesis uses a dataset of worldwide organizations operating under diverse regulatory environments, cultural norms and stakeholder expectations. More focused research that makes comparisons with CSR – CFP dynamics within specific countries or regulatory systems could reveal trends obscured by worldwide averaging.

As a final suggestion, the effects of crisis periods, such as the currently studied COVID-19 pandemic does merit deeper investigation. Specifically, whist this thesis distinguishes between COVID and non-COVID years, future work could investigate multi-phase crisis responses, assess CSR communication strategies during unstable markets and/or also explore post-crisis CSR adaption. Longitudinal case studies or surveys that target management attitudes towards CSR during crises could enrich understanding of how organizations recalibrate their responsibility strategies whilst under pressure. To summarize, by addressing these research gaps, future research can provide a more nuanced and empirically grounded understanding of how CSR operates as a strategic, operational and reputational lever within the hospitality sectors.

This current Chapter 4 has presented the empirical results of this study which has been structured around descriptive statistics, correlational analyses, regression models and segmented subsample investigations. By utilizing panel data from 20 995 organization-year observations across

1235 listed hospitality organizations, the findings explored the relationship between CSR and CFP, measured via both ROA and NIAT. The results revealed generally weak and inconsistent associations between CSR indicators and CFP. Whilst modest positive relationships were observed in some models, in particular those involving governance scores and ROA, the majority of estimates had lacked robust statistical significance. This trend persisted across the full sample, the hotel-only subsample and the segmented analysis comparing pre-COVID and COVID periods. The theoretical interpretation positioned CSR as both a stakeholder alignment tool and also a mechanism for maintaining legitimacy in the eyes of stakeholders, though the financial benefits do appear contingent of organization-specific and contextual factors. The results were also situated within the broader literature, which confirms the mixed evidence base and highlights the importance of disaggregated CSR metrics, crisis sensitivity and stakeholder expectations. Moreover, taken from a practical viewpoint, this thesis suggested that hospitality management should adopt a realistic and strategic approach to CSR implementation and emphasizes accountability and integration as opposed to financial return alone. Chapter 4 additionally acknowledged several methodological and contextual limitations, especially regarding data scope, measurement validity and causal inference, and consequently offered recommendations for future research. Taken together, these results lay the groundwork for the final chapter, which summarizes the study’s overall contribution, theoretical and managerial implications and concluding reflections.

Chapter 5: Conclusion

This dissertation has examined the intricate and much-debated relationship between CSR and CFP within the global hospitality industry. Drawing upon a quantitative approach and supported by panel data spanning from 2008 to 2024, the study sought to provide empirical clarity on whether CSR engagement — measured through ESG scores — has a discernible financial impact on firms operating in a sector characterized by high visibility, stakeholder exposure, and operational volatility. Framed by stakeholder theory and legitimacy theory, the analysis addressed fundamental questions about whether CSR can serve as a strategic lever for financial gain, or whether its true value lies elsewhere — such as in maintaining reputational legitimacy or strengthening stakeholder relationships, particularly in times of uncertainty. The primary research aim was to assess whether CSR positively influences financial outcomes within hospitality firms. A related objective was to examine whether the disaggregated components of CSR (environmental, social, and governance) affect financial performance differently, and whether these relationships shift under the conditions of crisis, most notably during the COVID-19 pandemic. These questions were prompted by enduring ambiguities in the extant literature, which has produced mixed and often inconclusive results depending on context, methodology, and theoretical framing. Furthermore, the hospitality sector itself presents a compelling case for focused investigation: it is labor-intensive, reliant on consumer trust, frequently subject to social and environmental scrutiny, and exceptionally vulnerable to exogenous shocks. These characteristics make it a fertile ground for exploring how CSR manifests, is perceived, and ultimately impacts firm outcomes.

As outlined in Chapter 1 and operationalized in the conceptual framework of Chapter 4, the empirical analysis was guided by three core research objectives and their associated hypotheses (H1–H3). These objectives were: first, to test whether aggregated ESG performance is positively associated with accounting-based measures of corporate financial performance, namely ROA and NIAT, across a large panel of listed hospitality organizations; second, to investigate whether disaggregating ESG into environmental, social and governance pillars reveals dimension-specific effects on financial outcomes; and third, to explore whether any observed CSR–CFP relationships vary across sectoral subsamples and between COVID and non-COVID periods. These aims were translated into three hypotheses: H1 posited a positive relationship between aggregated ESG scores and CFP; H2 proposed that the environmental dimension would exhibit a stronger positive association with CFP than the social and governance pillars; and H3 anticipated that the CSR–CFP relationship would be stronger during the COVID-19 crisis than in more stable periods. The findings indicate that H1 is not supported in a robust manner, as aggregate ESG scores display predominantly weak and statistically insignificant links with ROA and NIAT; H2 receives partial support, in that environmental (and in several cases governance) indicators tend to show more consistent positive associations than the social dimension; and H3 is not supported, given that CSR–CFP relationships were not systematically stronger during the COVID-19 years than in non-crisis periods. In this way, the thesis directly revisits and evaluates its stated objectives and hypotheses, clarifying the specific conditions under which CSR does or does not translate into measurable financial gains within the hospitality context.

The findings presented throughout this study offer measured and context-specific insights rather than sweeping generalizations. Across the full sample and time period, the relationship between aggregated ESG performance and financial outcomes — measured through Return on Assets (ROA) and Net Income After Tax (NIAT) — was found to be weak or non-significant in most cases. However, once the ESG dimensions were disaggregated, more meaningful relationships began to emerge. Specifically, environmental and governance-related indicators showed stronger and more consistent associations with financial performance than the social dimension. These results suggest that not all CSR activities are equal in their financial implications, and that stakeholders — whether investors, customers, or regulators — may assign differing levels of importance to various facets of CSR engagement.

These findings have theoretical relevance within the frameworks of stakeholder theory and legitimacy theory. Stakeholder theory implies that by responding to the needs and expectations of a wide range of stakeholders, firms can enhance their long-term sustainability and performance. Yet, in this case, the weak overall financial association calls into question the assumption that stakeholders uniformly reward CSR engagement. Legitimacy theory, on the other hand, helps explain why firms may pursue CSR despite the absence of immediate financial returns. In the high-visibility, high-contact environment of hospitality, CSR may function less as a profit-maximizing tool and more as a mechanism for preserving legitimacy, especially during times of instability. The segmentation of the data into COVID and non-COVID periods offered additional depth to this perspective. Although the results remained mixed, some evidence suggested that CSR took on enhanced strategic value during the pandemic, serving to maintain stakeholder confidence and operational continuity even in the absence of clear short-term gains.

The empirical contributions of this research are rooted in its methodological rigor and data scope. It draws on a substantial panel dataset encompassing 1235 publicly listed hospitality firms across 20 995 firm-year observations, covering multiple regions and both stable and crisis periods. The analysis was conducted using fixed-effects panel regression models, allowing for the control of unobserved heterogeneity across firms and over time. The inclusion of control variables, temporal lags, and sub-sample analyses helped ensure robustness and contextual nuance. Particularly notable was the decision to disaggregate ESG scores, a methodological choice that enabled the detection of variation in financial impact across CSR dimensions — an insight that aggregate scores might have obscured. Additionally, the segmentation of the sample into COVID and non-COVID years provided a novel angle on how external shocks mediate the CSR–CFP relationship, contributing to a deeper understanding of CSR's role during crises.

Beyond academic theory and empirical design, the study has implications for practice in the hospitality industry. For firm managers, the findings underscore the need to align CSR investments with strategic goals and stakeholder expectations. Rather than treating CSR as a homogeneous or symbolic exercise, hospitality firms may benefit from targeting specific ESG areas — such as environmental sustainability or corporate governance — where the potential for financial or reputational gain is clearer. In crisis contexts, such as during a pandemic, CSR initiatives that focus on health, safety, transparency, and community support may help firms navigate reputational risks and maintain stakeholder trust. For investors, the mixed nature of the results serves as a caution against assuming that ESG ratings are straightforward indicators of financial health or performance. These findings point instead to the importance of sector-specific understanding and careful interpretation of CSR metrics. Policymakers, too, may draw from this research to consider the need for clearer CSR disclosure guidelines and standards that reflect the unique operating realities of service sectors like hospitality.

At the same time, this study acknowledges several limitations. The use of secondary data from the Refinitiv Eikon platform, while convenient and consistent, inherently restricts the analysis to those CSR activities that are measurable, disclosed, and codified in ESG scoring systems. These metrics may not fully reflect the authenticity, depth, or impact of CSR efforts, particularly qualitative aspects such as employee sentiment or local community engagement. The focus on publicly listed companies also narrows the scope, excluding many independent or privately held firms that constitute a significant portion of the hospitality sector and may engage in CSR in informal or undocumented ways. Additionally, while fixed-effects modeling and control variables help mitigate some endogeneity concerns, they cannot eliminate them entirely. The study's reliance on accounting-based performance measures also means that longer-term, reputational, or intangible outcomes remain outside the analytical frame.

Given these limitations, there is significant scope for future research to build on and complement this study. One promising avenue would be the incorporation of qualitative data — such as interviews with executives or analysis of sustainability reports — to gain a more textured understanding of how CSR is conceptualized and implemented within firms. Another would be to examine stakeholder perceptions of CSR, exploring whether and how customers, employees, or investors in the hospitality sector respond to different CSR strategies. Comparative studies across regions or between developed and emerging markets could also illuminate how institutional contexts shape the CSR–CFP dynamic. Finally, the application of alternative methodologies — such as dynamic panel data models or causal inference techniques — could provide stronger evidence on directionality and causality in the CSR–CFP relationship.

In summary, this dissertation contributes to the ongoing scholarly and practical conversation about CSR by providing a detailed, context-sensitive, and empirically grounded examination of the hospitality industry. It does not offer easy answers or universally positive results, but instead presents a more cautious and nuanced view: CSR can matter — but how, when, and why it matters depends greatly on context, stakeholder alignment, and the specific nature of the initiatives undertaken. The research reinforces the idea that CSR is not merely an instrument for financial optimization but a broader strategic and ethical commitment that can help firms build resilience, legitimacy, and stakeholder trust. In an era marked by environmental crises, global pandemics, and growing societal expectations, the importance of understanding and implementing responsible business practices in the hospitality sector will only increase. Future research, policy, and managerial strategies will need to reflect this complexity if CSR is to be truly impactful.

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Appendix A.

Table A1
Hausman Test Results for Full Hospitality Sample
Panel A. Full hospitality sample

Outcome	Lag	χ^2	df	p-value	Decision
ROA	0	9.3447	3	2.50E-02	FE
ROA	1	18.4516	3	3.55E-04	FE
ROA	2	19.5702	3	2.08E-04	FE
ROA	3	25.2742	3	1.35E-05	FE
NIAT	0	322.9275	3	0.00E+00	FE
NIAT	1	263.5805	3	0.00E+00	FE
NIAT	2	238.8653	3	0.00E+00	FE
NIAT	3	224.6386	3	0.00E+00	FE

Table A2
Hausman Test Results for Hotels-only Subsample
Panel B. Hotels-only subsample

Outcome	Lag	χ^2	df	p-value	Decision
ROA	0	55.8828	3	4.45E-12	FE
ROA	1	7.3479	3	6.16E-02	RE
ROA	2	2.6033	3	4.57E-01	RE
ROA	3	3.0302	3	3.87E-01	RE
NIAT	0	107.9286	3	0.00E+00	FE
NIAT	1	94.8081	3	0.00E+00	FE
NIAT	2	137.2268	3	0.00E+00	FE
NIAT	3	137.4955	3	0.00E+00	FE

Note. df=3 (ESG lag, Employees, Debt). Null: RE consistent; reject ⇒ FE. ‘0’ denotes p<1e-300 (machine precision). Source. Author’s own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Appendix B.

Table B1

Model-Diagnostic Tests for Fixed-Effects Models (Full Sample)

Dependent_Var	Model	Obs_used	Entities	Years	R2_within	R2_between	R2_overall	F_stat	F_pval	Wooldridge_stat	Wooldridge_pval	PesaranCD_stat	PesaranCD_pval	Wald_stat	Wald_pval
ROA	FE (entity + time)	1903	267	17	0.02871845726	-0.09355851328	-0.02603050385	5.623208608	0.000170577469	19.12804201	1.22E-05	-2.591598374	0.009553122471	4737.323589	0
NIAT	FE (entity + time)	1909	267	17	0.2465208744	0.5364014334	0.4620869898	130.1812522	1.11E-16	88.78685547	0	302.4487936	0	20151.05411	0

Note. Abbrev.: R²_w/R²_b/R²_o = within/between/overall R²; p(Wooldr) = Wooldridge p; p(Pes) = Pesaran CD p; p(Wald) = groupwise heteroskedasticity p.
Source. Author’s own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Appendix C.

Table C1

Control Variable Coefficients for Full-Sample Fixed-Effects Models (Two-Way Clustered SEs)

Controls — Full sample (FE with organisation and year effects; two-way clustered SEs by entity and year).

panel	outcome	lag	entities	obs_used	clustered_SEs	coef_Employees	p_Employees	coef_Debt	p_Debt
Full sample	ROA	0	267	1903	entity+year	8.95E-06	0.3457196041	-4.20E-11	0.03972462993
Full sample	NIAT	0	267	1903	entity+year	5336.581695	0.5741342046	-0.1489115258	0.01028170061
Full sample	ROA	1	265	1862	entity+year	5.25E-06	0.456527166	-5.97E-11	0.01712080168
Full sample	NIAT	1	265	1862	entity+year	653.6569532	0.9120098925	-0.128262592	0.02734673746
Full sample	ROA	2	255	1638	entity+year	2.17E-06	0.7661187063	-6.87E-11	0.01460200641
Full sample	NIAT	2	255	1638	entity+year	72.9022181	0.9914801704	-0.1442033034	0.0066455091

Note. Coefficients are for Employees and Debt; p values from two-way clustered SEs. Lags match the main models for this panel. Source. Author’s own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Table C2

Control Variable Coefficients for Hotels-Only Fixed-Effects Models (Two-Way Clustered SEs)

Controls—Hotels only (FE with organisation and year effects; two-way clustered SEs by entity and year).

panel	outcome	lag	entities	obs_used	clustered_SEs	coef_Employees	p_Employees	coef_Debt	p_Debt
Hotels only	ROA	0	40	303	entity+year	-8.30E-07	0.9723214044	-2.87E-11	0.008021293596
Hotels only	NIAT	0	40	303	entity+year	13802.98626	0.4450180665	-0.08920530765	0.0001617919885
Hotels only	ROA	1	40	294	entity+year	1.34E-05	0.6152782176	-2.39E-11	0.03557217147
Hotels only	NIAT	1	40	294	entity+year	7332.223094	0.5833215436	-0.09655556837	2.14E-05
Hotels only	ROA	2	38	256	entity+year	8.46E-07	0.9776451954	-3.17E-11	0.001238642985
Hotels only	NIAT	2	38	256	entity+year	5339.280512	0.616231927	-0.1199039456	0.000552513224

Note. Coefficients are for Employees and Debt; p values from two-way clustered SEs. Lags match the main models for this panel. Source. Author’s own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Table C3

Control Variable Coefficients for COVID-Years Fixed-Effects Models, 2020–2021 (Two-Way Clustered SEs)

Controls—COVID years, 2020–2021 (FE with organisation and year effects; two-way clustered SEs by entity and year).

panel	outcome	lag	entities	obs_used	clustered_SEs	coef_Employees	p_Employees	coef_Debt	p_Debt	note
COVID 2020–2021	ROA	0	218	401	entity+year	2.01E-05	0.08313406957	-2.86E-10	0.001158377929	
COVID 2020–2021	NIAT	0	218	401	entity+year	-3050.358425	0.636967673	-0.977352709	2.29E-10	
COVID 2020–2021	ROA	1	191	191	entity+year					skipped: insufficient panel
COVID 2020–2021	NIAT	1	191	191	entity+year					skipped: insufficient panel
COVID 2020–2021	ROA	2	0	0	entity+year					skipped: insufficient panel
COVID 2020–2021	NIAT	2	0	0	entity+year					skipped: insufficient panel

Note. Coefficients are for Employees and Debt; p values from two-way clustered SEs. Lags match the main models for this panel. Source. Author’s own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Table C4

Control Variable Coefficients for Non-COVID-Years Fixed-Effects Models, 2008–2019 and 2022–2024 (Two-Way Clustered SEs)

Controls—Non-COVID years, 2008–2019 & 2022–2024 (FE with organisation and year effects; two-way clustered SEs by entity and year).

panel	outcome	lag	entities	obs_used	clustered_SEs	coef_Employees	p_Employees	coef_Debt	p_Debt
Non-COVID 2008–2019 & 2022–2024	ROA	0	265	1502	entity+year	1.12E-05	0.1581660151	-2.49E-11	0.1552822748
Non-COVID 2008–2019 & 2022–2024	NIAT	0	265	1502	entity+year	5634.691158	0.5135908424	-0.1177118571	0.04123121713
Non-COVID 2008–2019 & 2022–2024	ROA	1	265	1467	entity+year	6.30E-06	0.3123497766	-4.78E-11	0.04093445543
Non-COVID 2008–2019 & 2022–2024	NIAT	1	265	1467	entity+year	-97.95884378	0.9802179329	-0.07232981371	0.1576371059
Non-COVID 2008–2019 & 2022–2024	ROA	2	251	1244	entity+year	1.22E-06	0.8367912213	-5.74E-11	0.03582433931
Non-COVID 2008–2019 & 2022–2024	NIAT	2	251	1244	entity+year	-1408.383297	0.6672902981	-0.07524610651	0.05382715686

Note. Coefficients are for Employees and Debt; p values from two-way clustered SEs. Lags match the main models for this panel. Source. Author's own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).

Appendix D.

Table D1

Descriptive Statistics for Key Variables by Panel (Means with Standard Deviations in Parentheses)

Panel	Firms	Firm-years	Years	ESG	ROA	NIAT	Employees	Debt
Full sample	1235	20995	2008–2024	43.714 (21.464)	-61.683 (6472.014)	1339869605.412 (37632470175.258)	8775.71 (37710.146)	18986644145.332 (116764491893.569)
Hotels only	306	5202	2008–2024	52.289 (22.178)	0.937 (22.373)	456726089.753 (50934723438.93)	6684.69 (23677.556)	28678793620.463 (159861629122.601)
COVID 2020–2021	1235	2470	2020–2021	44.566 (22.331)	-18.333 (244.603)	-3554739893.449 (37218116498.928)	8347.912 (35333.638)	23657330604.649 (131301568847.991)
Non-COVID 2008–2019 & 2022–2024	1235	18525	2008–2024	43.493 (21.234)	-68.653 (6972.292)	2117056475.546 (37640587631.427)	8844.373 (38079.126)	18193432738.017 (114098600970.494)

Note. Firms = unique organisations; Firm-years = organisation-year observations; Years show min–max fiscal years. Values are mean (sd). Source. Author’s own calculations based on Refinitiv Eikon ESG and financial data (2008–2024).