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# CORPORATE SOCIAL RESPONSIBILITY AND PERFORMANCES OF FIRMS OPERATING IN THE TOURISM AND HOSPITALITY INDUSTRY

Gianluca Goffi , Lorenzo Masiero and Tonino Pencarelli

## Abstract

**Design/methodology/approach.** A web survey was submitted to tour operators worldwide. A large sample of tour operators worldwide participated in the survey. Principal component analysis was performed and a regression model was developed to analyze the relationship among variables.

**Purpose.** The purpose of the study is to assess whether a relationship exists between corporate social responsibility (CSR) engagement and tour operators' performances.

**Findings.** Empirical evidence indicates that tour operators with high CSR engagement experienced a significantly higher short-term growth of profits and sales volume. Results also show that applying CSR principles, facilitating CSR values, and fostering local economic linkages have a positive and significant influence on tour operators' performances.

**Practical implications.** Tour operators should cultivate a sustainable corporate culture requiring a commitment to sustainability of the company and its suppliers. The findings contradict with the tendency of "enclavisation" of package tourists within self-sufficient tourism complexes and suggest that locals are part of the tourism place-product.

**Originality/value.** This research reviews the literature on the relationship between CSR and firms' performances in tourism and hospitality. The relevance of this study is its focus on tour operators, a context with a fundamental importance for the sustainability of the tourism industry worldwide. Tour operators are the players that mostly reflect the variety of sectors within the tourism industry, combining travel services such as accommodation, food, transports, entertainment and excursions. This is the first time that a study on the relationship between CSR and firms' performances has been developed on tour operators worldwide. The paper is based on the data collected through a survey on 201 companies from 42 countries from all continents.

**Keywords:** Tour operators, Package tourism, Organized vacations, CSR engagement, Sustainable initiatives and practices, Business performance.

# **CORPORATE SOCIAL RESPONSIBILITY AND PERFORMANCES OF FIRMS OPERATING IN THE TOURISM AND HOSPITALITY INDUSTRY**

## **1. Introduction**

A growing consensus has emerged on the fact that a firm should be socially and environmentally responsible while pursuing its economic and financial objectives and balancing external and internal stakeholders' interests (Dahlsrud, 2008). Carrol (1999) argued that the Corporate Social Responsibility (CSR) concept comprises legal, economic, discretionary, and ethical dimensions. Economic responsibilities are the foundation, as they are the fundamental concern in a firm. Without them, the other responsibilities are unachievable. He further pointed out that managers will be unlikely to decide engaging in CSR initiatives without seeing positive returns in terms of FP. The key question to address is whether a positive relationship between CSR engagement and FP exists.

A long line of research and an enormous interest have existed among academic researchers concerning the relationship and effect of CSR on firms' performance (FP) (Endrikat, Guenther, Hoppe, 2014; Orlitzky, Schmidt, and Rynes, 2003; Margolis and Walsh, 2003; Friede, Busch, and Bassen, 2015; Wang, Dou, and Jia, 2016; Hang, Geyer-Klingeborg, and Rathgeber, 2019). Investment in CSR initiatives involves employing resources and considering the interests of stakeholders other than shareholders.

CSR research in tourism and hospitality has witnessed relevant growth in the last two decades (Coles, Fenclova, Dinan, 2013). Font and Lynes (2018) reported over 350 published papers about CSR in tourism and over two thirds of them in the last seven years. However, as pointed out by Dodds and Kuehnel (2010), CSR research has mostly concentrated on hospitality operations. Several studies explored the impact of CSR on FP in tourism and hospitality. Despite the extensive literature focusing on such relationship, some research gaps are identified.

Although previous studies have focused on a variety of tourism and hospitality sectors, including hotels, guesthouses, restaurants, casinos, ski resorts, and airlines, the focus has not been placed on tour operators (TOs) yet. TOs greatly affect the international flows of tourists (Andriotis, 2003), to the extent that "whether the tourism sector becomes more sustainable depends to a large extent on the TOs" (Van Wijk & Person, 2006, p. 381). Moreover, TOs are the players that mostly reflect the variety of sectors within the tourism and hospitality

industry, combining travel services such as accommodation, food, transports, entertainment, and excursions. They own, manage, or coordinate a number of companies and activities (e.g. hotels, restaurants, tour guides, travel agencies, transportation companies) belonging to the tourism sector. Additionally, studies on CSR-FP relationship in tourism and hospitality using primary data sources have focused on single countries and on single tourism sectors (mostly hotels). A study with a worldwide coverage remains missing.

The current study aims to fill these research gaps. Consequently, this paper addresses the following research objectives: first, to investigate whether TOs' engagement in CSR affects their performances; second, to explore the influence of different CSR dimensions on TOs' performances.

The remainder of the paper is structured as follows. The next section is devoted to set the theoretical framework. Section 3 outlines research methodology. The findings of this paper are discussed in Section 4. The concluding remarks and implications are provided in Section 5.

## **2. Theoretical Framework**

### **2.1 Corporate Social Responsibility and Firms' Performances**

CSR concept has been extensively used in the corporate world (Mihalic, 2016). As argued by Carrol (1999), CSR, which was initially viewed from a social and philanthropic perspective, has evolved into a more comprehensive concept that stresses the social, environmental, and economic responsibilities of companies. Dahlsrud (2008) identified 37 different (and sometimes divergent) definitions of CSR and recognized that they are commonly referring to five dimensions, namely environmental, social, economic, stakeholder, and voluntariness. More than three decades of debates have clarified that sustainability is composed of at least three dimensions: environmental, social, and economic (Swarbrooke, 1999). Hence, the concepts of CSR and sustainability are anchored on the same three pillars. The CSR concept extends the sustainability concept at firm level by adding the stakeholder dimension – policies, practices, and initiatives adopted by a company toward its main stakeholders, such as shareholders, employees, customers, suppliers, and the local communities – and the voluntariness dimension, by which companies voluntarily contribute to a better society and environment.

The social, environmental and ethical aspects of companies, under the concepts of CSR, corporate sustainability, sustainable development, triple bottom line, corporate responsibility, have received noteworthy attention in the last three decades. They have resulted in various definitions and interpretations (Mebratu, 1998). According to Devinney et al. (2013) such concepts tend to converge. According to Kolk (2016), these concepts refer to the same pillars. Mihalic (2016) reasoned that all concepts converge as they refer to a common framework. As claimed by Montiel (2008, p. 260), “the conceptualization of CSR that integrates economic, social, and environmental dimensions and the triple bottom line conceptualization of corporate sustainability, which comprises economic, social, and environmental dimensions, are very similar. Both show that firms must balance the three elements of the triple bottom line to achieve long-term sustainability and social responsibility”. Although the concepts of corporate sustainability and CSR have different origins, they share the same vision, balancing economic, environmental and social responsibilities (Montiel, 2008). Liu (2003) argued that the two concepts are similar enough to be commonly used interchangeably.

The proliferation of definitions and the lack of concordance among researchers have prevented a thorough implementation of the CSR concept (Van Marrewijk, 2003). CSR can be considered as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” (European Commission, 2001, p. 6). This definition comprises the five main dimensions of CSR and has gathered the greatest consensus among researchers (Dahlsrud, 2008).

The relationship between CSR and FP is a long debated issue in the business literature. Different and contrasting theories have been formulated to explore such relationship. Based on agency theory, firms should engage in CSR activities only if they generate quantifiable profits, as they could reduce resources for core functions and other profitable investments (Friedman, 1970). According to Friedman (1970, p. 1), “the social responsibility of business is to increase its profits,” and managers should act in pursuing the interest of their shareholders: environmentally and socially responsible investments result in additional tangible costs and in opportunity costs greater than the expected financial benefits, thus weakening FP. Therefore, CSR would constitute an agency cost, as managers could use CSR activities to benefit the company’s stakeholders in exchange of supporting their own position (personal objective) rather than to favor their shareholders.

Stakeholder theory questions this perspective, with the following argument: through the implementation of CSR activities, a firm is also capable of pursuing its financial goals

(Freeman, 1984). According to such theory, companies should consider shareholders and stakeholders' expectations, such as suppliers, employees, local communities, environment, and customers. Owing to the fact that stakeholders are progressively concerned about environmental and social impacts of firm's activities, CSR is a way to meet their expectations and thus enhance firm reputation and ultimately, FP (Freeman, 1984). CSR can help firms forge strong relationships with stakeholders, increasing credibility and mutual trust and reducing transaction costs, thus expanding market opportunities (Barnett & Salomon, 2012). Through CSR engagement, a company can establish good, solid, and trustworthy relationships with stakeholders (Wicks, Berman, & Jones, 1999) and gain competitive advantage (Jones, 1995).

Research in CSR and FP has also been conducted under the Resource Based View (RBV) perspective. RBV theory stressed the relevance of an organization's internal variables over external ones as a driver of competitive advantage and FP (Amit & Schoemaker, 1993). Each company is distinctive because it consists of a unique combination of resources. According to RBV, the competitive advantage does not derive from investments to stay ahead of competitors but from better efficiency and from the availability and development of rare, valuable, and non-imitable resources (Barney, 1991). Firms are productive when they are under proper and organized management to meet market demand (Eisenhardt & Martin, 2000). Under the RBV perspective, the resources and capabilities related to CSR can serve as a basis for competitive advantage, leading to favorable FP (Leonidou et al., 2013).

McWilliams and Siegel (2001) argued that CSR decisions should be treated as other investment decisions. The key question is demonstrating the payoff to firms' investments in CSR. Such issue has attracted scholars' attention for several decades. Margolis and Walsh (2003) reviewed over one hundred papers published between 1972 and 2000 and found that half of the articles (54) revealed a positive CSR-FP relationship and only 7 papers a negative one (28 a non-significant relationship, 20 a mixed set of findings). This finding corroborated previous review studies, such as Pava and Kraus (1996) who reviewed 21 papers from 1972 to 1992 (12 positive, 1 negative and 8 neutral association) and Ulman (1985) (8 positive, 1 negative, and 4 neutral association). Orlitzky et al. (2003)'s meta-analysis of 52 studies covering the period 1972–1997 confirmed the predominance of a positive CSR-FP association, especially when FP is measured by accounting indicators rather than market-based ones. They also found that the way in which CSR and FP are measured moderates their association and that social responsibility generally has a higher effect than environmental responsibility on FP. Margolis, Elfenbein, and Walsh (2009)'s meta-analysis of 251 case

studies from 214 papers found an overall small and positive effect of CSR on FP. As in previous studies, the meta-analytic review of Dixon-Fowler et al. (2012) of 72 studies in US firms generally confirmed a significant and positive relationship and suggested that small firms appeared to have the higher benefits; moreover, the strongest influence was observed on market measures of FP.

Few more recent meta-analyses were developed in recent years. Endrikat, Guenther, and Hoppe (2014), based on the results of 149 studies, revealed a positive and somewhat bidirectional relationship between environmental social responsibility and FP; they also found that such relationship is stronger in the case of proactive companies than the reactive ones. Wang, Dou, and Jia (2016) reviewed 42 empirical papers on the CSR-FP relationship and corroborated previous evidence regarding the ability of CSR to enhance FP; however, different from Endrikat, Guenther, and Hoppe (2014), their analysis did not corroborate the reverse relationship, that is, prior level of FP has no significant effect on future CSR engagement. Hang, Geyer-Klingenberg, and Rathgeber (2019)'s meta-analysis showed that financial resources have a significant impact on CSR in the short term, whereas no significant impact was detected in the long term. Conversely, they found that corporate environmental performance positively and significantly affects long-term FP, with no short-term effect. Friede et al. (2015) conducted an analysis of the results of more than 2,200 studies about environmental, social, and governance and FP: nine over ten studies showed a non-negative relationship, with most of the studies reporting a positive relationship, thus confirming stakeholder theory.

## **2.2 Review of Journal Publications on Corporate Social Responsibility and Firms' Performances in Tourism and Hospitality**

Several studies analyze the CSR-FP relationship in tourism and hospitality firms, including hotels, restaurants, airline companies, ski resorts, and airlines. A detailed review summarizes the scope of published research (see Table 1).

**Table 1. Here**

In line with Chon and Zoltan (2019), a detailed and comprehensive search was conducted in several databases. The analysis aimed at the identification of articles focusing on the relationship between CSR and FP. Given that the environmentally responsible management (ERM) is a key component of CSR (Theodoulidis et al., 2017), the search was extended to articles analyzing the relationship between ERM and FP (n = 9 papers, marked with an asterisk [\*] in Table 1). A total of 34 papers published from 2007 to 2021 were included in the analysis.

A growing popularity of the topic exists, as three quarters of the papers (n = 25) concentrated in the last nine years. The papers were applied in the following contexts: hotels (n = 10); restaurants (n = 7); hotels and restaurants (n = 2); hotels and casinos (n = 1); hotels and travel agencies (n = 1); airlines (n = 2); casinos (n = 1); ski resorts (n = 1); family tourism firms (n = 1); small tour operators (n = 1); and tourism industry in general (n = 7).

Nearly half of the papers (n = 17) analyzed the direct effect of CSR on FP. Rodriguez and Cruz (2007) offered one of the earliest proofs of a positive CSR-FP relationship, with FP measured as return on assets (ROA), in the hotel context. Lee and Park (2009a) findings showed support for a positive CSR-FP relationship in hotels, whereas for the casino industry, no significant relationship was found. According to Molina-Azorín et al. (2009) and to Pereira-Moliner et al. (2015), environmental proactive hotels achieved higher performance levels than the reactive ones. Garay and Font (2012) identified significant correlations between CSR practices and FP in small-medium accommodation companies. Ghaderi et al. (2019) also found a positive correlation in four and five stars' hotels. Bagur-Femenías, Martí, and Rocafort (2014) validated that CSR has an impact on firms' competitiveness and subsequently on FP in hotels and restaurants.

Kim and Kim (2014) found different effects of CSR-strengthening and CSR-concerning actions on systematic risk and equity returns on restaurants. Yoon and Chung (2018) showed that internal and external CSR practices have a different impact on short-term and future profitability in the restaurant industry. Singal (2014) found that CSR investments by tourism family firms positively affect their future FP. Kang, Lee, and Huh (2010) and Inoue and Lee (2011) obtained a mixed set of findings depending on the type of company (hotels, restaurants, airlines, and the casino industry) and on the dependent variable considered. Lee and Park's results (2009b) revealed a linear and positive effect of CSR on value performance in the airline industry. Vong and Wong (2013) found a positive impact in the context of the casino industry. Hamid, Isa, and Kiumarsi (2021) showed that the implementation of sustainable business and destination management practices influences small TOs'



performances. Goncalves, Robinot, and Michel (2016) showed that a proactive environmental strategy is not more positively correlated with FP in ski resorts than a reactive strategy.

Moneva, Bonilla-Priego, and Ortas (2019) tested the bidirectional linkage between CSR and FP within the tourism. They found a neutral impact of CSR on FP and a negative impact of FP on CSR commitment. Park and Lee (2009) observed a curvilinear association between CSR and restaurants' performances over time, with return on equity that increases in the long term. Franco et al. (2019) observed a curvilinear U-shaped association in terms of CSR effort, that is, hospitality firms must surpass a threshold of CSR effort to start obtaining financial gains.

A second group of papers ( $n = 10$ ) analyzed the factors that moderate or mediate the CSR-FP relationship. Concerning the restaurant sector, Lee, Singal, and Kang (2013) analyzed the effect of general economic conditions (whether recessionary periods or not), obtaining mixed results. Youn, Hua, and Lee (2015) and Rhou, Singal, and Koh (2016) introduced firms' size and stakeholders' CSR awareness as potential moderators, respectively, and the results confirmed their hypotheses. Perramon et al. (2014) found that operational performance and firms' competitiveness mediate the ERM-FP relationship. Concerning the hospitality industry, Leonidou et al. (2013) tested if competitive intensity and market dynamism moderate the ERM-FP relationship and found a positive effect of the former and no effect of the latter. In Úbeda-García et al. (2021), green human resources management and environmental effects were considered the mediators of the CSR-FP relationship, and in Franco et al. (2019), quality management was considered the moderator of the CSR-FP relationship. Both studies confirmed the relationships. Zhu, Sun, and Leung (2014) showed the positive relationship between ethical leadership and CSR and the indirect effect of CSR on FP via firm reputation in hotels and travel agencies. Tan et al. (2017) investigated the moderating effects of slack resources on ERM-FP relationship in tourism firms, and their results support such effect. Lee, Seo, and Sharma (2013) distinguished CSR activities related to firm's core operation and other CSR activities and demonstrated the mediating role of oil prices in the CSR-FP relationship in the airline industry.

A third group of studies ( $n = 5$ ) identified CSR as a mediator between some aspects of firms' management and FP. Pereira-Moliner (2012) investigated the potential of ERM to influence the link between quality management and FP in hotels. Assaf et al. (2017) explored the potential of CSR to affect the link between advertising spending and FP in hotels and restaurants. González-Rodríguez et al. (2019) argued that integrating CSR practices into hotels' organizational culture is necessary and analyzed the effect of the latter on the former

and subsequently the effect of CSR on FP. Uyar et al. (2020) explored whether board characteristics are likely to affect the CSR and whether CSR plays a role in enhancing FP in tourist firms. Wang, Li, and Xu (2019) explored the mediating role of CSR on the path from the lifestyle-oriented motivation of small guesthouses' entrepreneurs and FP. In all the above studies, positive and significant results were found among constructs.

Finally, one paper (Theodoulidis et al., 2017) tested first the direct effect of CSR and firm strategy on FP, then, the moderating effect of CSR between firm strategy and FP, and alternatively, the mediating role of firm strategy between CSR and FP. They found that firms' strategy has a direct effect on FP also moderated by CSR.

The most used statistical methodologies were regressions ( $n = 12$ ), panel analyses ( $n = 10$ ), and structural equation models ( $n = 9$ ). The three remaining papers applied cluster analysis, correlation, and data envelopment analysis. The majority of the papers ( $n = 19$ ) are based on secondary data sources (in particular, the panel data from KLD STATS dataset, a widely used dataset that includes several qualitative dimensions of CSR). A total of 14 papers relied on data from primary data sources. All of them have focused on tourism and hospitality firms in single countries, mostly in Spain ( $n = 9$ ), and the five remaining papers in Greece, Iran, Macau, and China.

Tobin's Q ( $n = 12$ ) and ROA ( $n = 10$ ) are the two most used objective-dependent variables. Considering the studies that used perceptual dependent variables in most of the papers ( $n = 7$ ), respondents were asked to evaluate them in the last one to three years. Conversely, in the remaining papers, respondents were asked to assess FP relative to the performance of industry competitors ( $n = 4$ ).

Nearly two thirds of the papers reported the positive effect of CSR activities on FP ( $n = 21$ ), whereas the remaining studies ( $n = 12$ ) reported mixed results (mostly positive/non-significant), thus confirming the general trend reported in management literature and in line with the assumptions of stakeholders' theory.

### **2.3 Corporate Social Responsibility and Firms' Performances in the Tour Operating Business**

Until the 1990s, TOs have had few motivations to invest in CSR practices within the context of low demand for sustainable products and little regulatory pressure (Curtin & Busby, 1999). In the last two decades, the package tourism business has experienced tumultuous changes, including the growing pressure from competitors and the entrance of

new competitors in the market such as online TOs, new distributions channels, information technology innovations, a growing number of independent tourists, and change in customers' lifestyle. In recent years, TOs have become more active in pursuing efforts in the area of CSR (Goffi, Masiero, & Pencarelli, 2018; Milwood, 2020). However, TOs would thoroughly engage in CSR initiatives if these were beneficial for their business (Tepelus, 2005). TOs will choose an action or strategy if it is more convenient than other alternatives (Miller, 2001). Baniya, Thapa, and Kim (2019) showed that future intention in CSR engagement by TOs is largely determined by two key motivations: i) the perceived demand for sustainability and ii) the economic convenience.

Concerning the first one—consumer pressure—in the 1990s, a widespread perception among TOs regarding the irrelevance of sustainable tourism in market demand (Curtin & Busby, 1999; Forsyth, 1995) inhibited the implementation of CSR initiatives. Subsequently, some TOs chose to undertake CSR initiatives in a bid to avoid being judged as irresponsible (Tepelus, 2005). Other TOs, recognizing the increasing disapproval of tourists toward unsustainable tourism development, have developed sustainable policies but without a long-term commitment to CSR (Budeanu, 2009). In the last few years, noteworthy changes have occurred in package tourism. Tourism posed a threat to natural resources of many destinations worldwide, especially coastal areas (Escudero-Castillo et al., 2018; Petrișor et al., 2020). A growing number of tourists are interested in sustainable holidays (Goffi et al., 2020) and have increased willingness to pay for sustainable experiences (Moeller, Dolnicar, & Leisch, 2011; López-Sánchez & Pulido-Fernández, 2017; Durán-Román, Cárdenas-García, & Pulido-Fernández, 2021). Sustainability is becoming a key issue among package tourists, as it affects their satisfaction and revisiting intentions (Goffi et al., 2019; Solís-Radilla et al., 2019).

TOs are crucial players in the tourism system and the sustainability of the tourism industry cannot be attained if large-scale tourism will not incorporate CSR tourism practices (Budeanu, 2005). Although several past studies focused on CSR in the tour operating business (Curtin & Busby, 1999; Forsyth, 1995; Holden & Kealy, 1996; Carey, Gountas, & Gilbert 1997; Tapper, 2001; Miller, 2001) the role of CSR on FP has not been investigated yet. Hence, the trigger toward a genuine CSR engagement in tour operating business stays missing because a second key motivation is needed, that is, the demonstration of a positive and significant relationship between CSR engagement and TOs performances.

In light of the above statements, this paper aims to answer the following two research questions:

RQ1. Does engagement in CSR affect TOs' performances?

RQ2. What is the influence of different CSR dimensions on TOs' performances?

Performance estimation is a challenging issue for researchers, particularly with online surveys. The challenges include the difference in accounting procedures among firms and the availability of confidential information (Dess & Robinson, 1984). Wall et al. (2004) demonstrated the similarity between the findings for subjective and objective counterparts. Subjective measures of profit, sales, and customers' growth are frequently used as standard measures of performance in business research, as managers tend to prefer to deliver such data subjectively (Song et al., 2005), especially in the case of small companies (Wall et al., 2004; Sapienza et al., 1988). Song et al. (2005) underscored the reliability of subjective data in measuring the company's performances because they allow considering companies from different contexts, sizes and countries. As reported in Table 1, studies that adopted perceptual variables to measure FP in tourism and hospitality referred to either a subjective evaluation for a recent time period, or a subjective comparison with the performance of industry competitors. This study focused on a subjective evaluation of FP in the previous two years.

### **3. Research Design**

#### **3.1. Survey Instrument**

The research is part of a large study about package tourism and sustainability (Goffi et al., 2018). TOs managers were asked to state their engagement in the implementation of 23 practices related to CSR using a 5-point scale ("not at all engaged, not engaged, neutral, engaged, and strongly engaged"). They were asked about their level of agreement regarding the growth of their profits and sales volume in the last two years. Rangan, Chase, and Karim (2015) pointed out that CSR should be tailored to the specific factors of the sector in which the company operates. As advocated by Farrington et al. (2019), CSR research in hospitality has translated the approach of the general management literature without adapting it to the peculiarities of the sector.

Therefore, the measurement scales were identified after a review of the pertinent literature of sustainability/CSR in tour operating business as well as from indicators developed by international programs aimed at driving the tour operating business toward a

more sustainable direction. Specifically, the five main dimensions of CSR as identified by Dahlsrud (2008) – stakeholder, environmental, social, economic, and voluntariness – were operationalized into 26 CSR attributes.

The stakeholder dimension includes attributes related to awareness among tourists, training staff, and introducing guidelines to suppliers and partnering companies (Forsyth, 1995). It further includes attributes related to the engagement in consultation with local stakeholders and association, the use of locally owned accommodations and workers (Holden and Kealy, 1996) as well as the partnership with local NGOs and associations, the education of customers, and the supply chain efforts (Dodds and Keunel, 2010). The environmental, social and economic dimensions, which permeate most of the CSR attributes considered in the model, were given considerable attention following the attributes identified by international programs toward CSR in TO business. The United Nation Environmental Program (UNEP), together with the World Tourism Organization (WTO) and the UNESCO developed the program, “TOI, Tour Operators Initiative for Sustainable Tourism Development,” which introduced guidelines for environmental and socioeconomic practices aimed at improving sustainability performance of the tour operating business (UNEP, 2003; 2005). The “Travelife Certification standard” was also introduced to integrate sustainability criteria into the supply chains of European TOs (Travelife Sustainability in Tourism, 2020). The Global Sustainable Tourism Council (GSTC) proposed a set of suggested performance indicators for TOs to minimize negative environmental impacts and maximize socioeconomic benefits on the local community (GSTC, 2016). Finally, the voluntariness dimension is represented by several attributes such as the support of local initiatives, the development of local conservation projects, and the promotion of tourists’ donations.

### **3.2. Sampling and Methodology**

A web survey was submitted to TOs worldwide. More than 2,000 emails were drawn from the websites of international associations of TOs. Two reminders were sent to increase the study response. Accordingly, TOs’ managers (nearly 10% response rate) completed 201 questionnaires. The questionnaire was tested for validity, reliability, and user-friendliness by a selected group of tourism researchers, managers of travel agencies, and TOs.

Table 2 displays the sample descriptive statistics. The majority of the TOs in the sample are small independent companies: over two thirds of the respondents have a yearly turnover of less than 1 million US dollars, and 82% of the sample normally serve less than 5,000

tourists per year. In less than 40% of the cases, the companies are located in Africa and nearly 30% in Europe and Asia (a residual number in America and Oceania).

Given the consistent heterogeneity of TOs in the sample, we relied on subjective measures to proxy FP. In particular, two perceptual measures were used, one operational indicator (growth of sales volume) and one financial indicator (profit growth). As recommended by Margolis, Elfenbein, and Walsh (2009), establishing a sequential link is necessary between CSR and FP, despite their finding that only 37% of previous studies implemented a temporal sequence between CSR and FP measures. Accordingly, CSR engagement was measured at time  $t-1$  (from five to three years before the submission of the survey), whereas the performances were measured at time  $t$  (in the last two years).

### **Table 2. Here**

The items associated with the implementation of CSR practices were reduced by performing a principal component analysis (PCA). The components were extracted using the Equimax rotation and considering Kaiser's rule (eigenvalues  $> 1$ ). Items with factor loadings under 0.5 were considered practically insignificant (Hair et al., 2010) and were excluded from the analysis. The study derived the weighted average component scores from the component loadings, and used them in performing a k-mean cluster analysis to separate the tour operators in the sample into two distinct segments. Hypothesis testing was then conducted to check whether segments with different levels of CSR engagement were associated with different levels of FP. Furthermore, the standardized and uncorrelated component scores were used successively in an ordered logistic regression aimed at exploring the relationship between CSR engagement dimensions and the performance growth indicators of TOs.

## **4. Empirical Results**

The PCA performed on the CSR engagement items resulted in five components describing 63% of the total variance. Table 3 shows the items included in each component.

### **Table 3. Here**

The first component explains 14.9% of the total variance and includes six items concerning the sustainability standards for suppliers, the environmental certifications, and sustainability communication and reporting. The first component was labelled “applying CSR principles,” as it includes items related to sustainability standards for suppliers and to internal and external sustainability communication. The second component, “supporting local initiatives” (variance explained 13.3%), is associated with five items such as cooperation with local stakeholders, associations or NGOs, development of conservation projects, and promotion of tourists’ donations. The third component refers to five items concerning “facilitating CSR values” (13.3%) such as increasing tourists’ sustainability awareness, training the staff, and monitoring environmental and social impacts. The fourth component, “connecting tourists to local businesses” (11.4%), covers three items, namely, the promotion of typical foods, products, and culture. The fifth component, “fostering local economic linkages” (10.1%), encompasses four items associated with the use of local goods, accommodation, and labor.

Table 4 reports the specification of the two segments identified by the k-mean cluster analysis along with their characterization in terms of FP indicators. A clear separation in terms of CSR engagement emerges by comparing the TOs in the first segment (low CSR engagement) and those in the second segment (high engagement). The second segment is slightly bigger in size (52.7%). The relationship between CSR engagement, according to the two groups identified, and FP is measured. The comparison of the indicators of performances across the two segments indicates that TOs with high CSR engagement declared higher growth of profits and sales volumes than TOs with low CSR engagement. The differences in the growth of profits, and to a smaller extent in the growth of sales volume, are statistically significant ( $\alpha < 0.01$ , and  $\alpha < 0.10$ , respectively). A possible explanation for this finding is that a high CSR engagement is likely to attract tourists with high sustainability awareness. As the sample is mostly composed of small non-generalist TOs, such market segment might have a high return in terms of profitability, as “pro-sustainable” tourists tend to have a high willingness to pay for a sustainable vacation (López-Sánchez & Pulido-Fernández, 2017).

#### **Table 4. Here**

This study estimated a set of regression equations to assess the impact of CSR engagement dimensions on the performance growth indicators of TOs. Table 5 displays the estimates of the ordered logistic regressions. The results indicate that the components “applying CSR

principles,” “facilitating CSR values,” and “fostering local economic linkages” significantly affect the growth of profits and sales volume. These findings suggest that CSR engagement not only helps TOs conserve the environmental and socio-cultural assets of a destination but also enhance their performances.

**Table 5. Here**

## **5. Discussion and implications**

### ***5.1 Theoretical implications***

The study contributes to the understanding of the relationships between CRS strategies and performance by providing an original analysis of the tour-operating sector. This is the first time that a study on the relationship between CSR and firms' performances has been developed on TOs worldwide. The paper is based on the data collected through a survey on 201 companies from 42 countries from all continents. The relevance of this study is its focus on TOs, a context with a fundamental importance for the sustainability of the tourism industry worldwide. The study findings advance the literature on CSR by offering new insights on the effects of specific CSR practices on TOs' performance. It also provides additional evidence in recognizing the multifaceted nature of the CSR concept in the tourism industry.

These results are in line with stakeholder theory, under which companies should be socially and environmentally responsible, while simultaneously pursuing their financial goals (Freeman 1984). Empirical evidence shows that considering and balancing the interest of the main local stakeholders, including local businesses, communities, employees, and associations, leads to an increase in FP. Our analysis shows that stakeholder theory can provide a robust theoretical framework for explaining the role of CSR in affecting TOs' performance. Confirming such theory, these findings suggest that TOs should include CSR among their priorities. They can further motivate TOs to integrate the CSR dimension into their strategies. To mitigate negative tourism impacts, TOs should determine new ways of managing their activities. They could prioritize policies and strategies that effectively balance economic/financial objectives with social and environmental issues at the local level. The aim



should include the preservation of the environmental, social, and cultural heritage, which form the capital base of the company.

The results also support the RBV, under which CSR helps develop resources that can have a sustainable competitive advantage (Branco & Rodrigues, 2006). Different from other sectors, sociocultural and natural resources are strategic assets of the tour-operating business and part of the product sold to tourists, helping TOs enhance such capital base (Goffi, Masiero, & Pencarelli, 2018). Indeed, TOs can obtain internal benefits in developing close relationships with local stakeholders, both in terms of innovation and organizational culture (Howard-Grenville, Hoffman, and Wirtenberg 2003). This can lead to a growth in FP in the short term and to a sustained competitive advantage in the long term (Barnley 1991). These results support the idea that CSR can provide economic benefits to the tour operating industry through the creation of value-added products by retaining an optimal balance between utilization and preservation of resources.

## ***5.2 Managerial and practical implications***

The results corroborate that three components referred to the CSR concept are significant in explaining the short-term growth of profits and sales volume. The component “applying CSR principles” is identified as a determinant of the growth of profits and sales volume. The variables included in this component suggest the importance of a sustainable supply chain policy in tour operating business. TOs should cultivate a sustainable corporate culture requiring a commitment to the sustainability of its suppliers. This idea may represent a challenge for TOs working with a large number of suppliers from different countries and legislations. TOs’ managers should focus on developing sustainable products and services, selecting suppliers according to international sustainability standards, and introducing sustainable guidelines for partners. As claimed by Schwartz, Tapper, and Font (2008), a TO is sustainable as long as its suppliers are sustainable. TOs’ supply chain comprises several sectors, such as accommodation, attractions, entertainment, transport, and food and beverage. They should play a primary role in the management of a sustainable supply chain (Richards and Font, 2019), providing suppliers with training programs and technical support in the adoption of sustainability practices. A variable included in such component is related to eco-certifications. Such certifications have a positive effect on the sustainability orientation of a company because they set quantifiable and measurable environmental standards and criteria. Independent environmental certifications also serve to communicate a strong company

commitment to sustainability to all levels and departments of the company as well as to tourists and potential customers (Jarvis, Weeden, & Simcok, 2010). In total, two variables regard CSR communication. In the sustainability reporting, specifying the objectives and actions implemented is crucial for each area of the company and for each activity of the supply chain (Van Wijk & Persoon, 2006). Moreover, reports should include all relevant information on CSR activities for external stakeholders. This process could help potential customers gain a better understanding of the company's CSR orientation while reinforcing their sustainability awareness.

A second CSR component that explains TOs' performances is associated with the facilitation of CSR values. This component encompasses variables related to the training of the staff and the education of tourists toward the preservation of the natural, social, and cultural resources. This finding stresses the importance of increasing sustainable tourism awareness among both employees and customers. TOs should invest in educating their staff through formal and periodic activities intended at improving employee awareness and behavior toward sustainability. TOs should develop clear policies against exploitation and harassment of local communities and vulnerable groups. Package tourists should also be educated in recognizing the effects of their behavior because they are the final players in the challenges associated with being a sustainable tourism sector. Establishing a sort of "responsibility partnership" with the customers is necessary. Tourists should receive a clear idea of the destination's sociocultural peculiarities to raise their awareness of possible impacts of their behaviors. Such learning process about local sociocultural issues may also allow them to enable full enjoyment of their vacation experience. It should also be emphasized that the interest of companies to sustainability largely derives from the growing attention of consumers to environmental and sustainability issues. Hence, CRS strategies could generate an impact on the perception of tourists about the quality and value of the travel products offered by tour operators. The component also contains variables connected to the monitoring of environmental and socioeconomic impacts. TOs should implement measures and reporting systems to track progress against sustainability targets. To establish monitoring systems, developing objectives and indicators together is important. The monitoring system should also consider the social and economic impacts at the local level.

The regression analysis reveals that the component "fostering local economic linkages" significantly explains the growth of profits and sales volume. To strengthen local economic linkages, TOs should preferentially select providers and products that provide local employment, working with local companies and using local goods and labor. In this regard,

TOs should leverage on local tours and excursions to boost the economy of marginalized communities in developing countries (Erskine & Meyer, 2012). By developing excursions in collaboration with local communities and stakeholders, TOs could facilitate local empowerment and provide different livelihood options in the peripheral and rural areas. The lack of demand from package tourists for local products is due to the lack of information (Torres, 2002). Linkages between visitors' demand for food and local agriculture are essential to generate important multiplier effects for host communities and maximizing local benefits (Rogerson, 2012). These findings contradict with the tendency of "enclavization" of tourists within self-sufficient resort complexes. Local communities are part of the tourism place-product, which allows TOs to sell vacations that are more uplifting than traditional standardized holidays, something unique and rooted in the territory. The introduction of tourism "in isolation" inexorably results in a partial picture at best. Tourism has the potential to complement other economic activities, but it must fit into an existing social system when introduced. Tourism can also enhance local skills and promote local empowerment, providing different livelihood options in self-run enterprises that bring local culture closer to tourists. Two variables included in this component concern the use and the setting of proper standards for local labor. TOs should establish voluntary regulations, especially in developing countries, where national labor regulations are generally very loose and somehow unclear. The identification of standards for local labor should go beyond the regulation of minimum wage levels. The International Labour Office, a specialized agency of the United Nation, summarizes the "guidelines on decent work and socially responsible tourism" (ILO, 2017). According to the data published by the World Travel and Tourism Council (WTTC, 2019a, 2019b), compared to other sectors, a larger share of workers in the tourism sector are women and young people. Among the ILO (2017) guidelines, a prominent role should be given to the equal remuneration for both genders and maternity protection, to the implementation of systems of childcare and supporting services for families, and to the eradication of child labor.

### **5.3 Final remarks and future research**

The findings of this study that features a sample of over two hundred TOs worldwide, contribute to the ongoing debate on the CRS-FP relationship by corroborating that CSR commitment pays off in terms of higher growth of performances in the tour operating business. The comparison of growth of profits and sales volume by pairs of groups shows that

TOs with high engagement in CSR obtained significantly higher performances than TOs with low CSR engagement.

The study is not free from limitations. Our analysis can be extended in several ways. First, although, we tried to capture as much as information we could, yet the survey is not exhaustive, given the multidimensional nature of CSR. Extending the number of variables related to CSR is possible by considering further activities related to sustainability. Second, developing quantitative measures of CSR, particularly concerning the environmental dimension, can complement the analysis with an objective assessment of the CSR engagement and thus avoid the social desirability bias. Third, most of the TOs in the sample are small and medium in size. Future studies should focus on large TOs as they can play a leading role for a more sustainable tourism industry. Furthermore, future studies could investigate the existence of links between CSR and the impact on the perceived quality of travel products. Moreover, the current pandemic situation is pushing the tourism industry to transform itself into a more equitable and sustainable one (Benjamin, Dillette, & Alderman, 2020), thus strongly encouraging future research into CSR in the tour operating business.

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**Table 1. Review of journal publications on CSR and firms' performance in tourism and hospitality**

Reference	Context	Research Model	Statistical Model	Type of relationship	Data Source	Dependent Variable
Rodriguez and Cruz (2007)	Hotels	Direct effects	Regression	Linear positive	Primary (Spain)	ROA
Lee and Park (2009a)	Hotels and casinos	Direct effects	Regression	Positive/Non-significant	Secondary	ROA, ROE, AMV
Lee and Park (2009b)	Airlines	Direct effects	Regression	Positive/Non-significant	Secondary	ROA, ROE, ROS, AMV, EMV
*Molina-Azorín et al. (2009)	Hotels	Direct effects	Cluster and regression	Positive	Primary (Spain)	10 perceptual variables (vs. competitors)
Park and Lee (2009)	Restaurants	Direct effects	Regression	U-shaped	Secondary	TSR, TA, ROE, LR
Kang, Lee, and Huh (2010)	Airlines, Casinos, Hotels, Restaurants	Direct Effects	Regression	Mixed results	Secondary	ROA, ROE, Tobin's Q, PER
Inoue and Lee (2011)	Airlines, Casinos, Hotels, Restaurants	Direct Effects	Regression	Mixed results	Secondary	ROA, Tobin's Q
Garay and Font (2012)	Accommodation SMEs	Direct effects	Correlation	Positive	Primary (Spain)	2 perceptual variables (last 2 years)
*Pereira-Moliner et al. (2012)	Hotels	CSR as a mediator	Structural equation model	Positive	Primary (Spain)	3 perceptual variables (vs. competitors)
Lee, Seo, and Sharma (2013)	Airlines	CSR-FP mod./med. by	Panel analysis	Linear positive	Secondary	Tobin's Q
Lee, Singal, and Kang (2013)	Restaurants	CSR-FP mod./med. by	Regression	Non-significant	Secondary	Tobin's Q
*Leonidou et al. (2013)	Hotels	CSR-FP mod./med. by	Structural equation model	Positive	Primary (Greece)	8 perceptual variables (last year)
Vong and Wong (2013)	Casinos	Direct effects	Regression	Linear positive	Primary (Macau)	ROA, ROI, EPS, GM, NPM, OM, Prof, Rev
*Bagur-Femenías, Martí, and Rocafort (2014)	Hotels and restaurants	Direct effects	Structural equation model	Linear positive	Primary (Spain)	Perceptual 7 variables (last 2 years)
Kim and Kim (2014)	Restaurants	Direct effects	Regression	Mixed results	Secondary	Systematic risk, Tobin's Q
*Perramon et al. (2014)	Restaurants	CSR-FP mod./med. by	Structural equation model	Positive	Primary (Spain)	Perceptual X variables (last 2 years)
Singal (2014)	Family tourism firms	Direct effects	Panel analysis	Linear positive	Secondary	Credit rating
Zhu, Sun and Leung (2013)	Hotels and travel agencies	CSR-FP mod./med. by	Regression	Linear positive	Primary (China)	4 perceptual variables (vs. competitors)
*Goncalves, Robinot, and Michel (2016)	Ski resorts	Direct effects	Data envelopment analysis	Mixed results	Secondary	3 sector-specific objective variables
*Pereira-Moliner et al. (2015)	Hotels	Direct effects	Cluster	Positive	Primary (Spain)	5 perceptual variables (vs. competitors)
Youn, Hua, and Lee (2015)	Restaurants	CSR-FP mod./med. by	Panel analysis	Linear positive	Secondary	Tobin's Q
Rhou, Singal, and Koh (2016)	Restaurants	CSR-FP mod./med. by	Panel analysis	Linear positive	Secondary	Tobin's Q
Assaf et al. (2017)	Hotels and restaurants	CSR as a mediator	Regression	Linear positive	Secondary	Sales, MVA
*Tan et al. (2017)	Airlines, Casinos, Hotels, Restaurants	CSR-FP mod./med. by	Panel analysis	Mixed results	Secondary	Tobin's Q
Theodoulidis et al. (2017)	Airlines, Casinos, Hotels, Restaurants	Both mod. by and moderator	Panel analysis	Mixed results	Secondary	ROA, Tobin's Q
Yoon and Chung (2018)	Restaurants	Direct effects	Panel analysis	Positive/Non-significant	Secondary	ROA, Tobin's Q
Franco et al. (2019)	Hotels, Motels and Cruise Lines	CSR-FP mod./med. by	Panel analysis	U-shaped	Secondary	ROE
Ghaderi et al. (2019)	Hotels	Direct effects	Structural equation model	Positive	Primary (Iran)	4 perceptual variables (last year)
González-Rodríguez et al. (2019)	Hotels	CSR as a mediator	Structural equation model	Positive	Primary (Spain)	Prof, RevPOR, RevPAR
Moneva, Bonilla-Priego and Ortas (2019)	Airlines, Casinos, Hotels, Restaurants	Bidirectional linkage	Panel analysis	Non-significant	Secondary	ROA, Tobin's Q
Wang, Li, and Xu (2018)	Small guesthouses	CSR as a mediator	Structural equation model	Positive	Primary	5 perceptual variables (last year)
Uyar et al. (2020)	Casinos, Cruise, Hotels, Restaurants	CSR as a mediator	Panel analysis	Non-significant	Secondary	ROA, Tobin's Q

Hamid, Isa, and Kiumarsi, S. (2021)	Small tour operators	Direct effects	Structural equation model	Positive	Primary (Malaysia)	15 perceptual variables
Úbeda-García et al. (2021)	Hotels	CSR-FP mod./med. by	Structural equation model	Positive	Primary (Spain)	7 perceptual variables (last 3 years)

Note: \*Only environmental dimension was considered

ROS= Return on sales; ROA = Return on assets; ROE = return on equity; ROI = return on investment; PER price-earnings ratio; TSR = total shareholders' return; TA = total assets; Leverage ratio = debt-to-asset ratio; AMV = average market value; EMV = excess market value; RevPOR = Revenue Per Occupied Room; RevPAR = Revenue Per Available Room; EPS = Earning per share; GM = Gross margin; NPM = Net profit margin; OM = Operating margin; LR = leverage ratio; Rev = revenue; Prof = Profit margin; MVA = market value added (market value – capital)

**Table 2. Descriptive statistics of the sample**

<b>Company's headquarter</b>	<b>Count</b>	<b>Frequency</b>	<b>Primary target</b>	<b>Count</b>	<b>Frequency</b>
Europe	55	27.0%	Sun and sand	9	4.4%
America	5	2.5%	Culture	54	26.5%
Africa	78	38.2%	Wildlife	40	19.6%
Asia and Oceania	65	31.9%	Eco/nature	26	12.7%
Not specified	1	0.5%	Adventure	34	16.7%
<b>Annual turnover</b>			Other	12	5.9%
0-1 million dollars	138	67.6%	No specific target	27	13.2%
2-5 million	33	16.2%	Not specified	2	1.0%
6-25 million	17	8.3%	<b>Percentage of firm's business from long haul</b>		
more than 26 million	9	4.4%	0-25%	83	40.7%
Not specified	7	3.4%	26-50%	19	9.3%
<b>Number of customers per year</b>			51-75%	28	13.7%
0-5,000	168	82.4%	76-100%	68	33.3%
5,001-25,000	23	11.3%	Not specified	6	2.9%
25,001-50,000	6	2.9%	<b>Company profile</b>		
more than 50,000	6	2.9%	Independent company	181	88.7%
Not specified	1	0.5%	Member of a group	16	7.8%
<b>Travel agency owned by</b>	73	35.8%	Not specified	7	3.4%
<b>Accommodation facilities owned by</b>	100	49.0%	Not specified		

**Table 3. Principal component analysis on CSR engagement**

	Loading	Mean	Variance explained	Cronbach's alpha
<i>1. Applying CSR principles</i>		2.80	14.90%	0.90
We produce periodic reports on sustainability activities	0.834			
We contract suppliers according to sustainability contracting standards	0.725			
We have introduced sustainable tourism guidelines for the companies we work with	0.695			
We participate in eco-labelling schemes	0.590			
We communicate sustainability issues in our website and brochures	0.584			
We preferentially use sustainable means of transport	0.582			
<i>2. Supporting local initiatives</i>		3.29	13.30%	0.83
We support local cooperation/donations practices	0.720			
We develop conservation projects at destinations	0.683			
We promote tourists' donations	0.669			
We cooperate with NGOs	0.664			
We consult local stakeholders and local associations	0.623			
<i>3. Facilitating CSR values</i>		3.45	13.30%	0.87
We provide a code of conduct to our customers	0.627			
We are involved in increasing awareness on sustainable tourism in our customers	0.611			
We train staff on good environmental practices	0.608			
We monitor socioeconomic impacts of our activity	0.569			
We monitor environmental impacts of our activity	0.546			
<i>4. Connecting tourists to local businesses</i>		3.95	11.40%	0.75
We encourage our customers to eat typical foods in local restaurants	0.838			
We encourage our customers to buy handmade products directly from local producers	0.812			
We offer detailed information about local cultures	0.603			
<i>5. Fostering local economic linkages</i>		3.94	10.10%	0.76
We use local goods	0.808			
We use locally owned accommodations	0.766			
We use local labor	0.716			
We set standards for local labor	0.585			

Rotation Method: Equimax rotation a. Component loadings > 0.5 are retained. 3 items are deleted.



**Table 4. Cluster analysis on CSR engagement dimensions**

	<b>TOs with low CSR engagement</b>	<b>TOs with high CSR engagement</b>	<b>Test- statistic</b>	<b>Sig.</b>
Size (proportion)	95 (47.3%)	106 (52.7%)		
<i>Specification: Components of CSR engagement</i>				
1. Applying CSR principles	1.94	3.51	187.96	<0.001
2. Supporting local initiatives	2.53	3.96	191.57	<0.001
3. Facilitating CSR values	2.66	4.19	249.03	<0.001
4. Connecting tourists to local businesses	3.47	4.40	76.77	<0.001
5. Fostering local economic linkages	3.53	4.30	60.58	<0.001
<i>Characterization: Indicators of performance</i>				
In the last two years, we experienced growth of profits	2.64	3.15	-3.00	0.003
In the last two years, we experienced growth of sales volume	3.04	3.32	-1.69	0.093

**Table 5. Ordered logistic regression on performance indicators**

	Growth of profits	Growth of sales volume
	Coeff. (Std.err.)	Coeff. (Std.err.)
Constant	1.879 (0.139)***	2.559 (0.142)***
<i>Components of CSR engagement</i>		
1. Applying CSR principles	0.313 (0.129)**	0.226 (0.127)*
2. Supporting local initiatives	-0.068 (0.128)	-0.062 (0.129)
3. Facilitating CSR values	0.328 (0.122)***	0.277 (0.124)**
4. Connecting tourists to local businesses	0.098 (0.127)	0.134 (0.131)
5. Fostering local economic linkages	0.406 (0.129)***	0.314 (0.127)**
<i>Threshold parameters</i>		
$\mu_1$	1.345 (0.134)***	1.256 (0.146)***
$\mu_2$	2.605 (0.152)***	2.505 (0.142)***
$\mu_3$	4.104 (0.230)***	4.033 (0.189)***
<i>Model fits</i>		
Log-likelihood (model)	-300.64	-304.08
Log-likelihood (constant only)	-311.95	-296.69
Test-statistic (sig.)	22.62***	14.77**

Note: \*\*\* = prob. < 1%; \*\* = prob. < 5%; \* = prob. < 10%.