

# The Impact of Corporation Social Responsibility Disclosure on Financial Performance in the Hotel Industry\*

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## Abstract

This study is conducted based on the awareness that corporate social responsibility has become extremely important for enterprises in today's business environment. The disclosure of corporate social responsibility is a critical issue in enterprises' financial reports. It can be expected that the disclosure of corporate social responsibility have a significant and positive impact on the financial performance of enterprises as it helps to improve corporate image to customers, maintain favorable relationship with community, and retain employees that become proud of belonging to an admirable firm. Despite this estimation, an empirical study has not existed in the hotel literature. Thus, this study aims to examine whether the disclosure of corporate social responsibility affects financial performance of hotel firms. The sample of this study is composed of publicly traded firms in the lodging industry respectively.

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## I. Introduction

In the current few decades, the world economy has grown rapidly; however, along with the economic development, environmental pollution and unethical business behaviors increase dramatically at the global level. Such problems become the barriers for the sustainable development of enterprise. Within this context, an increasing attention to corporate social responsibility has been drawn (Grougiou et al, 2014; Herzig and Moon, 2013). The disclosure of corporate social responsibility, for example, through financial reports of publicly traded firms appears frequently with strategic intentions. It reflects the fulfillment of corporate social responsibility, which may affect financial performance. For example, the disclosure of corporate social responsibility has become an important component of the annual reports of various companies, such as Nestlé, Unilever, Coca Cola, and so on. In the hotel industry, the disclosure of corporate social responsibility has also become a focused activity. For instance, international hotels such as Hilton and Marriott international, Inc. have invested greatly on corporate social responsibility and prevalently disclose their commitments to socially responsible behaviors.

Regarding the relationship between corporate social responsibility and financial performance, different people hold different opinions. Some argue that the fulfillment of corporate social responsibility will take up the resources of enterprises and reduce their profitability (Vance, 1975); others believe that the disclosure of corporate social responsibility is conducive to build positive corporate images and consequently will improve the financial performances of enterprises (Hansen, 2008; Choi and Young, 2010). Based on different opinions, enterprises may show different attitudes towards the disclosure of corporate social responsibility. While based on the former argument, enterprises are unwilling to fulfill or disclose corporate social responsibility, the latter perspective encourages enterprises to actively engage in and disclose corporate social responsibility. It may be reasonable that the disclosure of corporate social responsibility can influence financial performance of enterprises positively or negatively, because declaring or informing critical activities such as corporate social responsibility

makes difference in decision making of various stakeholders, including investors, customers, employees, and communities. However, this is only a hypothesis since empirical evidence is lacking in the hotel research. Hence, this study attempts to examine this hypothesis in the hotel industry context.

Although limited research has been conducted particularly in the hotel to test the relationship between the disclosure of corporate social responsibility and financial performance, the general impact of corporate social responsibility on financial performance of enterprises has been examined. For example, Preston and O'Bannon (1997) compare the social performances of 67 American large-sized enterprises with their financial performances during the period between 1987 and 1992, and find out that social performance has a close relation with financial performance. Ruf (2001) also confirms that the performance of corporate social responsibility has a positive relationship with an enterprise's financial performance. However, other scholars also argue that corporate social responsibility has no significant impact on financial performance. For example, McWilliams and Siegel (2000) take financial performance as dependent variable; and take corporate social responsibility, industry, and development investment as independent variables to examine their relationships. The result shows that corporate social responsibility has no significant relationship with financial performance. This reveals that the specific relationship between corporate social responsibility and financial performance still vary significantly according to diverse confounding factors.

Acting corporate social responsibility and disclosing it may be different. Base on the efficient market hypothesis and full disclosure principle, disclosing critical information to financial markets and external users of accounting reports influences perception and decision making of entities that determine firm performance, regardless of just engagement in corporate social responsibility of the firm. Hence, an empirical examination of whether the disclosure of corporate social responsibility affects firm performance is expected to theoretically and practically contribute to the hotel industry, in which corporate social responsibility is especially important and prevalent.

The purpose of this study is to examine the relationship between the disclosure of corporate social responsibility and the financial performances of hotel enterprises to

understand how the disclosure of corporate social responsibility affects enterprises' financial performances. Practically, due to data availability, this study attempts to compare the difference in financial performance between enterprises that disclose corporate social responsibility and enterprises that do not disclosure corporate social responsibility. In addition, this study will investigate the impact of disclosure of corporate social responsibility on firm performance in the lodging industry separately, considering idiosyncratic characteristics of each industry. Based on the findings of the examination, the impact of corporate social responsibility disclosure on firm performance will be revealed, and hence, this study will fill the void in the hotel literature and provide guidance for practitioners in hotel firms who conduct corporate social responsibility strategically.

## II. Literature Review

The concept of corporate social responsibility was proposed at the beginning of the 20<sup>th</sup> century. Oliver Sheldon (1924) in his book "The Philosophy of Management" pointed out that the objective of enterprises is not to simply produce commodities, but to produce valuable products for a part of people in the society. He related corporate social responsibility with enterprise operators' responsibilities to satisfy the needs of people within and outside enterprises, and argued that corporate social responsibility includes moral factors. Davis and Blomstrom (1975) argue that enterprise managers should take the responsibility to protect and improve social welfare when they pursue their own benefits. Carroll (1979) divides corporate social responsibility into economic responsibility, legal responsibility, philanthropy responsibility, and ethical responsibility (see fig 2.1). This opinion has profound impact on further research on corporate social responsibility (Uhlener et al, 2004). Steiner (1980) divides corporate social responsibility into internal social responsibility and external social responsibility. Internal social responsibility means that enterprises should select, train, promote, and dismiss employees equally; and provide an equal and pleasant environment for employees. External social responsibility means that enterprises should make effort to create



welfare for social groups, such as the recruitment of disabled people.

Stakeholder theory, social contract theory, and Transaction Cost Theory are the main theories that interpret corporate social responsibility. They not only illustrate why the fulfillment of corporate social responsibility is important for enterprises, but also help to understand the components of corporate social responsibility. This section introduces these theories to understand the theoretical bases of corporate social responsibility. These theories generally believe that corporate social responsibility is positively associated with financial performance.

Stakeholder theory was proposed in early 20<sup>th</sup> century. According to Clarkson (1995), stakeholder theory provides a conceptual framework to interpret corporate social responsibility. In this conceptual framework, corporate social responsibility is built on the relationship between enterprises and related stakeholders.

Stakeholder theory believes that enterprise in essence is an organization that impacted by both market and the society. Therefore, enterprises not only should consider the benefit of shareholders, but also should consider the benefits of other stakeholders. Freeman (1984) suggests that stakeholders would impact the achievement of the organizational goals of enterprises. Stakeholders play important role in the process to achieve organizational goals. This suggests that any individual or groups that involved in the process to achieve enterprises' organizational goals should be included in stakeholders. Based on this, government, environment, and community are all the stakeholders of enterprises.

Along with the development of stakeholder theory, many scholars start to interpret corporate social responsibility from the perspective of stakeholder theory. Frooman (1997) suggests that social responsibility can be defined as the social actions that selected by enterprises and such actions would impact on the welfares of social stakeholders. Wood and Jones (1995) argue that stakeholders play the following roles in corporate social responsibility: a) stakeholders are the receivers of enterprises' social actions; b) stakeholders make comments on enterprises' social actions; c) stakeholders have expectations over enterprises' social actions; d) stakeholders promote enterprises to fulfill corporate social responsibility according to their own benefits, expectations,

and acceptance levels.

Subroto (2003) points out that stakeholders for whom enterprises are responsible include employees, customers, suppliers, competitors, community, environment, and investors. Deborah (2005) believes that enterprises should be responsible for all stakeholders rather than only one or several stakeholders. This suggests that it is essential and important for enterprises to fulfill corporate social responsibility in order to meet the benefits of different stakeholders.

Theoretically, the fulfillment of the responsibility to meet shareholders' requirements has contribution to improving financial performance as enterprises need to ensure their profitability in order to fulfill this responsibility (Carroll and Buchholtz, 2009). However, it should be also realized that the fulfillment of this responsibility depends on good business performance. Hence, it is also essential for enterprises to develop good relationships with other stakeholders.

In short run, the fulfillment of the responsibility to meet creditors' benefits would take up the capital of enterprises; but in long run, the fulfillment of this responsibility will increase enterprises' credit rating. Furthermore, the fulfillment of this responsibility also helps to provide convenience for further financing and reduce financing cost. As a consequence, it can improve enterprises' financial performance particularly when the enterprises are in the shortage of capital.

In the current 21<sup>st</sup> century, human resource has been recognized as the most valuable asset for enterprises. It is the core competitiveness of enterprises. This requires enterprise to attach high attention to employment management. Effective staff management would increase the productivity and efficiency of enterprises, and reduce production cost and administrative expenses (Foote and W. Rouna, 2008). More importantly, it is suggested that the way in which enterprises treat their employees would determine the way in which they treat customers. In other words, good employment relationship allows enterprises to build good relationships with customers. As a consequence, financial performance can be also improved with the good employment relationship. This suggests that the fulfillment of the responsibility to meet the needs of employees has positive impact on financial performance.

Along with the increase in market competitive pressure, the satisfaction of customer demand becomes the basis for enterprises to sustain the development. Under this condition, enterprises should place customer demand in the first position. The fulfillment of the responsibility to meet customer demand is also one of the most important components of corporate social responsibility (Gildea, 1995). Good customer relationship is the basis for enterprises' sustainable development.

The survival and development of enterprises depend on the environment. In the past decades, the development of enterprises depends on the victim of the environment. This makes environmental pollution a global environmental problem. Under this circumstance, increasing attention has been attached to environmental protection. It is required that enterprises should take their environmental responsibility in the operation (Spence & Rutherford, 2003). Although the fulfillment of environmental responsibility would increase the financial pressure for enterprises in short run, it would help enterprises to build good images among consumers and consequently improve business performance.

Government is another important stakeholder of enterprises. For this stakeholder, enterprises need to take the responsibility to obey the law, pay taxes according to law, and accept the supervisor from the government. The development of enterprises has close relation with the laws and regulations that issued by the government. Therefore, the good relationship between enterprises and the government would help enterprises to gain support and favorable policies from the government. This improves the external environment in which enterprises run. As a consequence, enterprises' financial performance would be also improved.

The investment to community and public welfare is also a critical component of corporate social responsibility. The fulfillment of the responsibility to create welfare for the public and community is the reflection of the willingness to fulfill social responsibility (Brown et al, 2005). It allows enterprises to build positive images in the society. Hence, more potential customers can be attracted by the good images. This further contributes to improving enterprises' financial performance.

The concept of social contract was proposed by the Economic Development Commission

in America in 1971. It means that enterprise is the connections of various contracts and the legal entity that formed by both implicit and explicit contracts (Jesen and Mecking, 1976). Therefore, it is essential for enterprises to respond to the social system in which enterprises implement business activities and take the social responsibility. The contracts that form enterprises include the contract between managers and owners, the contract between managers and employees, the contract between creditors and debtors, the contract between suppliers and customers, and so on.

Social contract theory provides an implication on the research on the relationship between corporate social responsibility and financial performance. As Cornell and Shapiro (1978) suggest, stakeholders' requests of corporate resources can be divided into implicit and explicit requests. Therefore, corporate financial performance not only depends on the cost of implicit request, but also depends on the cost of explicit request. Corporate social responsibility is included in implicit request. If enterprises fail to fulfill corporate social responsibility, stakeholders with implicit request will turn their implicit request into explicit request. Hence, the financial cost will increase. This suggests that enterprises should take corporate social responsibility to protect the benefits of various stakeholders in order to improve financial performance.

According to transaction cost theory, corporation and market are the two complementary resource configuration mechanisms (Williamson, 2009). Due to the existence of uncertainties and opportunism in market, the transaction cost in the market is often high. In order to reduce transaction cost, corporation becomes an important transaction form to replace market as a resource configuration mechanism. Moreover, in order to promote transactions, contractual relationship becomes the basis of transactions. Under this condition, various stakeholders, such as shareholder, employee, supplier, consumer, and community are involved in enterprises' transactions. Therefore, it is necessary for enterprises to meet the requirements of such stakeholders. In other words, the fulfillment of corporate social responsibility is a requirement of enterprises.

Based on the review of previous literatures about the relationship between the disclosure of corporate social responsibility and financial performance, hypotheses to be tested can be developed for the current research. It has been suggested that corporate

social disclosure enables enterprises to maintain good reputations. The main reason for CSR reporting is to enhance corporate image and credibility with stakeholders. Society is increasingly expecting companies to do more than make money. There would be great value in examining the processes of social and ethical reporting. And, improving corporate accountability on ethical, social and environmental impacts leads to better performance(Adams, 2002). Recent research shows that firms with good CSR performance disclosure gain benefits in the capital market. Specifically, Dhaliwal et al. (2011) find that voluntary disclosure of CSR activities subsequently experience a lower cost of equity capital if they also demonstrate better CSR performance. CSR disclosure can attract dedicated institutional investors and analyst coverage, and these analysts achieve lower absolute forecast errors and dispersion following such disclosure. Also, corporate social disclosure can improve market share. Corporate social responsibility (CSR) has gained momentum in recent times as a means of sustaining competitive advantage in business. (Cheah et al, 2007). This indicates that corporate social responsibility disclosure can improve financial performance. Therefore, it can be hypothesized that corporate social responsibility has a positive and significant impact on financial performance. In other words, accounting-based measurements and financial market-based measurements of financial performance in enterprises that disclose corporate social responsibility would be significantly higher than enterprises that do not disclose corporate social responsibility.

### III. Methodology

The sample of this study is composed of publicly traded firms in the hotel industry. This research is conducted using secondary data. Dependent variable in this study is firm performance. In this study, ROA is used, in turn, as accounting based measure of firm performance and PER (Price to Earnings Ratio) is adopted to represent financial market based measure of firm performance. Main independent variable in this study is the disclosure of corporate social responsibility, which is measured by whether corporate social responsibility activities are declared in 10-K (annual report) of a ho-

tel firm. Components of financial performance (i.e., total assets, net income, stockholders' equity, and earnings per share)'are collected from financial statements in 10-K of each firm through Electronic Data Gathering Analysis and Retrieval(EDGAR) system. The sample period of this study spans from 1993 to 2013 to comprehensively examine the study purpose.

To examine whether there is a significant mean differences in financial performance exists between enterprises that disclose corporate social responsibility and enterprises that do not disclose corporate social responsibility, dummy regression an analysis conducted with the disclosure of corporate social responsibility measured by 1 if the disclosure exists and 0 if not. Since this study employs a panel data in which firm-year observations exist, this study includes firm dummies and year dummies that take into account firm specific and year specific heterogeneities to mitigate omitted variable bias. And, clustered standard errors are used to avoid possible autocorrelations and heteroscedasticity problem.

The general dependent variable in this research is financial performances of lodging firms. In order to examine the impact of corporate social responsibility in detail, financial performance in this research is further divided into accounting based measure of financial performance and financial market based measure of firm performance. ROA is employed as accounting based measure of firm performance and PER, in turn, is used as financial market based measure of firm performance. Financial market based measure of firm performance can be an unbiased estimate of firm performance that reflects investors' expectation in financial markets. PER is calculated as year-end stock price divided by earnings per shares outstanding. On the other hand, accounting based measure of firm performance can supplement financial market based measure of firm performance by directly reflecting a firm's return. ROA is measured by net income divided by total assets is measured by net income divided by stockholders' equity, all of which are readily available in financial statements.

CSR that represents corporate social responsibility disclosure is the main independent variable in this research. The relationship between this independent variable and the dependent variable will be tested in this research. The corporate social responsibility

disclosure as the independent variable is a categorical dummy variable, based on the disclosure of corporate social responsibility in 10-K of each sampled hotel firm. That is, if corporate social responsibility activities or policies are declared in 10-K, 1 is assigned for this variable, otherwise, 0 is assigned.

Considering that the impact of corporate social responsibility disclosure on firm performance may be confounded by several third factors, SIZE, LEVERAGE, YEAR DUMMY, and FIRM DUMMY are included as control variables in this research. Specifically, other than the disclosure of corporate social responsibility, a firm's size and capital structure (i.e., leverage) may influence firm performance. Thus, to examine the separate effect of corporate social responsibility disclosure, holding the effect of firm size and leverage constant, this study includes firm size and leverage as control variables. In this study, SIZE is measured by total assets and LEVERAGE is measured by debt to assets ratio. Firm dummies and year dummies are included to mitigate omitted variable bias that may arise when conducting panel regression.

The following two formulas are developed for this research in order to achieve the research objectives:

$$ROA = \alpha_0 + \alpha_1 CSR + \alpha_2 SIZE + \alpha_3 LEVERAGE + \alpha_4 YEAR\_DUMNY + \alpha_5 FIRM\_DUMNY$$

This formula tests the impact of corporate social responsibility disclosure on accounting-based measurement of financial performance.

$$PER = \alpha_0 + \alpha_1 CSR + \alpha_2 SIZE + \alpha_3 LEVERAGE + \alpha_4 YEAR\_DUMNY + \alpha_5 FIRM\_DUMNY$$

This formula attempts to test the impact of corporate social responsibility disclosure on financial market-based measure of financial performance.

In those equations, CSR represents the disclosure of CSR, for which 1 is assigned if corporate responsibility exists in 10-K, and 0 is assigned, otherwise, SIZE represents a firm's size measured by the log of total assets, and LEVERAGE represents a firm's capital structure measured by debt to assets ratio. YEAR DUMMY and FIRM DUMMY represent dummy variables for a specific year and firm, respectively.

## IV. Results

Before conducting multiple regression analysis, descriptive analysis is performed on the collected data to have a preliminary understanding of the financial situations of selected enterprises in hotel industry. Result of the descriptive analysis is presented below. It shows that the mean value of ROA is about .001. As  $ROA = [\text{Net income} + \text{interest} * (1 - \text{tax rate})] / \text{total assets}$ , the result means that enterprises on average could create .1 % with per unit of asset. The mean of PER (price-earnings ratio) is about -100.31. This negative value suggests that the average performances of enterprises in stock market are not satisfactory. The mean values of size and leverage are 5.834 and .779 respectively. Mean (standard deviation) of CSR in ROA model for the hotel industry is 0.4 (0.5). The minimum value of CSR activities is commonly 0; the maximum value of CSR is 1. The minimum value of ROA is -4.687 and the maximum value is 18.163. The minimum value of PER is -40019.511 and the maximum value is 1877.614. All variables show sufficient degrees of standard deviations enough to conduct regression analyses.

〈Descriptive Statistics〉

Variables	N	Mean	Std. deviation	Min	Max
CSR	339	.40	0.500	0	1
ROA	339	.001	0.359	-4.687	18.163
PER	338	-100.310	0.472	-40019.511	1877.614
Size	339	5.834	0.490	.029	9.710
Leverage	339	.779	0.638	.008	7.791
Valid N (listwise)					

To examine the relationship among variables, correlation analysis is performed on the collected data. The correlation analysis determines the coefficients of association between all dependent variables and independent variables. The result presents that coefficient of association between ROA and CSR is -.011. This reveals the correlation is negative, and the 11% of the change of ROA could be explained with the disclosure of CRS. Coefficients of association of ROA with size and leverage are -.023 and -.026



respectively. It means that 23% and 26% of the changes of ROA can be explained with corporate size and leverage.

Coefficient of association between ROA and leverage is -.26 and the correlation is not significant. This suggests that the association is negative. The correlations of PER with leverage and size are positive correlation and significant. It indicates that PER has a significant relationship with leverage and size. 12% of the changes of PER could be interpreted with the change of leverage.

〈Correlations Analysis〉

		CSR	ROA	PER	Size	Leverage
CSR	Pearson Correlation	1	-.011	-.070	.331**	-.085
	Sig. (2-tailed)		.835	.200	.000	.119
	N	339	339	338	339	339
ROA	Pearson Correlation	-.011	1	.000	-.023	-.260**
	Sig. (2-tailed)	.835		.994	.678	.000
	N	339	339	338	339	339
PER	Pearson Correlation	-.070	.000	1	-.047	.012
	Sig. (2-tailed)	.200	.994		.388	.827
	N	338	338	338	338	338
Size	Pearson Correlation	.331**	-.023	-.047	1	-.260**
	Sig. (2-tailed)	.000	.678	.388		.000
	N	339	339	338	339	339
Leverage	Pearson Correlation	-.085	-.260**	.012	-.260**	1
	Sig. (2-tailed)	.119	.000	.827	.000	
	N	339	339	338	339	339

Using ROA as response variable and CSR, size and leverage as predictor variables multiple regression analysis is performed. The result is shown below. The results excluded year dummies and firm dummies because of the limited space in the table. The result shows that mean difference of ROA between the group that discloses CSR and the group that does not disclose CSR is not statistically significant. And, similarly, there is no significant difference of PER between two groups. Coefficient of SIZE (-.663) and LEVERAGE (-.505) in the ROA model is statistically significant at the 1% significance level. It indicates that ROA has a negative relationship with leverage

and size and as a firm's size and leverage increases, accounting-based firm performance decreases, on average

〈Regression Analysis〉

VARIABLES	ROA	PER
CSR	0.205 (0.203)	-30.84 (501.0)
SIZE	-0.663*** (0.0931)	7.992 (229.7)
LEVERAGE	-0.505*** (0.0967)	177.1 (238.6)
Constant	-0.165 (0.516)	-67.88 (1,273)
Observations	338	338
R-squared	0.389	0.128

Standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Similarly, multiple regression analysis on the relationship of PER with CSR, Size, and Leverage also show that the correlation between PER and CSR is not significant. Even adding the year dummies and firm dummies that control for specific year and firm effects, the means of ROA and PER between two groups show no differences. In summary, the hotels that disclose CSR and the hotels that do not disclose CSR have insignificant mean difference in terms of accounting-based measurement of financial performance and financial market-based measure of financial performance.

Considering that enterprises before 2000 generally do not disclose corporate social responsibility in their annual reports, this research divided the sample into two categories (before 2000 and after 2000) to further, rigorously examine the impact of corporation social responsibility disclosure on financial performance.

Result of regression analysis on the relationship between financial performance and CSR disclosure (before 2000) is shown below. Insignificant coefficients of CSR on ROA (0.615) and CSR on PER (-86.81), imply that mean differences of accounting-based measurement of financial performance and financial market-based measure of financial performance is not statistically significant between the group that disclose CSR and

the group that do not disclose CSR.

〈Regression Analysis (before 2000)〉

VARIABLES	ROA	PER
CSR	0.615 (0.795)	-86.81 (117.6)
SIZE	-0.907*** (0.193)	39.50 (28.59)
LEVERAGE	-0.591 (0.840)	-29.44 (124.3)
Observations	136	136
R-squared	0.380	0.233

Standard errors in parentheses

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

Also, fig 4.6 confirms that CSR disclosure has no significant impact on accounting-based measurement of financial performance or financial market-based measure of financial performance after 2000. Among control variables, leverage has a significant, negative impact on ROA. A potential factor to interpret this result is Degree Of Financial Leverage ( $DFL = EBIT / [EBIT - \text{interest} - \text{preferred stock dividend} / (1 - \text{rate of income tax})]$ ); therefore, the change of leverage is significantly related with ROA through EBIT.

〈Regression Analysis (before 2000)〉

VARIABLES	ROA	PER
CSR	0.0270 (0.0706)	598.0 (886.5)
SIZE	0.0161 (0.0701)	-280.2 (880.9)
LEVERAGE	-0.287*** (0.0328)	94.98 (412.1)
Constant	0.209 (0.686)	1,824 (8,622)
Observations	202	202
R-squared	0.793	0.147

Standard errors in parentheses

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

## V. Conclusion

The result of the present research contradicts the hypothesis that the disclosure of corporation social responsibility has a significant impact on financial performances of hotel companies. It contradicts various literatures that suggest corporate social responsibility is positively related with financial performance (Jeffrey, 1997; Preston and O'Bannon, 1997). The result tends to indicate that it is not plausible for hospitality enterprises to significantly improve financial performances with CSR disclosure.

The result that financial performance is not significantly related with CSR can be caused by several potential reasons. One of the possible reasons to interpret the result is that as an important service industry, customers in the hotel industry emphasize greatly on service quality rather than corporate social responsibility. Another potential reason to interpret this result is that the fulfillment of corporate social responsibility would reduce net profits of enterprises (and thus, ROA) and expectation of future performance (thus, PER) because of allocated scarce resources to non-core business activities, such as CSR. Also, especially for the aspect of the effect of CSR disclosure, stakeholders can effectively recognize CSR activities from the actual business activities of hotel firms, thus the disclosure of CSR itself in 10-K does not additionally influence stakeholders' perception of CSR. Or, considering extremely prevalent CSR activities especially in the hotel industry, disclosure of CSR in 10-K does not pose any particular impression on stakeholders. Additionally, the values that created by corporate social responsibility are not fully reflected in financial performance of hotel firms. For instance, CSR disclosure might help to improve the relationship between hotel enterprises and its suppliers or help to create a good image in labor market, but such contributions are often not directly related to financial performance.

The impact of CSR disclosure on financial performance might also depend on the nature of industry (i.e., hotel industry). For the hotel industry, consumers emphasize greatly on service performance, which may not associate with CSR, while shareholders focus on their profits. Under this condition, the disclosure of corporate social responsibility would not significantly impact on financial performance of hotel firms.

In other industries, such as the food industry, the disclosure of corporate social responsibility might be more important. For instance, in the food industry, safety is the key consideration of consumers. The performance in terms of corporate social responsibility would significantly impact on consumers' brand perception and consuming behaviors. Hence, the impact of CSR and the disclosure of CSR as well on financial performance may be significant.

This research assumes that the disclosure of corporate social responsibility in hotel industry is similar to the "hygiene factor" in motivation theory. In other words, customers might be dissatisfied with hotels when the hotels have not disclosed corporate social responsibility, but would not become satisfied with the hotel due to the disclosure of corporate social responsibility. Although the research finds that the hotel that has CSR disclosure and the hotel that doesn't have CSR disclosure have insignificant mean difference in accounting-based measurement of financial performance and financial market-based measure of financial performance in the hotel industry, it does not neglect the importance of corporate social responsibility. Instead, actually, excellent performance in terms of corporate social responsibility may be the precondition for enterprises in the hotel industry to sustain the developments in the current business environment. Rather, only the CSR disclosure itself does not have significant, incremental value. Based on this, it is still essential for enterprises in the hotel industry to pay attention to the fulfillment of corporate social responsibility but it seems that hotel firms does not necessarily invest much in disclosing CSR.

The finding of this research helps to better understand the relationship between CSR disclosure and financial performance in the hotel industry. With the clear understanding of the relationship, the finding of this research provides implications for enterprises in the hotel industry to cope with practices for corporate social responsibility. Based on the study's results, hotel firms may not concentrate on the disclosure of CSR. Rather, given that resources in the hotel firms are constrained, they should use those resources for other business activities. Or, considering that CSR disclosure in this study is measured by the declaration of CSR in 10-Ks that may not frequently read by stakeholders, hotel firms should pay more attentions to other effective manners of

CSR disclosure. Alternately, hotel firms may change the current method of CSR disclosure in 10-K (i.e., just mentioning about CSR itself to other elaborate methods, such as more detailed description of CSR practices with specific examples. Theoretically, although corporate social responsibility has become a research focus in recent years with increasing attention has been attached to this field; few scholar has examine the detailed impact of the disclosure of corporate social responsibility on financial performance particularly in the hotel industry. The present research tested this unexamined relationship with secondary data that collected from the financial statements in 10-K of each firm through Electronic Data Gathering Analysis and Retrieval (EDGAR) system. The empirical finding of this study will fill this gap in the literature. Ultimately, this study will contribute to the CSR theory as a whole by providing the evidence of CSR disclosure's effect on firm performance in the hotel industry, which may enlarge the CSR theory by adding unique dimension.

Although the finding of the research has both theoretical and practical contributions, it should be acknowledged that this research has some limitations. First of all, this research is only conducted based on secondary data that collected from the financial statements in 10-K of each firm through Electronic Data Gathering Analysis and Retrieval (EDGAR) system. No primary data has been included in this research to examine the relationship between CSR disclosure and financial performance in hotel industry. This could limit the insightfulness of the research finding. Second, although the research attempt to included both accounting-based measurement or financial market-based measure together to measure financial performance, only one specific measurement is selected from each category respectively and no comparison has been performed on the measurements.

Based on the limitations of the research, two main recommendations are provided for further research to make up for the limitations. First of all, it is suggested that further research should be conducted based on primary research. Secondary data in annual reports of enterprises might not reveal values that created by the fulfillment of corporate social responsibility. Therefore, further research should be conducted to gain primary data to better understand such potential values. Second, further re-

search should compare accounting-based measurement or financial market-based measure between different enterprises to test whether CSR disclosure contributes to financial performance. As a matter of fact, it is more useful to contrast the P/E ratios of one enterprise to other enterprises in the same industry. Hence, comparison will be necessary in further research.

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