

# Social and governance performances affect institutional ownership in the hospitality and tourism sector

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Research from Bayes Business School (formerly Cass) suggests companies in the hospitality and tourism sector can attract lucrative

institutional equity by improving their social and corporate governance scores.

The study, co-authored by Dr. Danielle Lyssimachou, Associate Professor in Accounting, and Dr. Pawel Bilinski, Reader in Accounting at Bayes, examined four specific dimensions of [corporate social responsibility](#) (CSR)—social, environmental, [corporate governance](#) and product and service performance—and the impact they had on levels of institutional investment in the hospitality and [tourism](#) sector.

Key findings from the research include:

- Companies with [high scores](#) for social dimensions, through strong employee relations, workplace diversity and sense of community have high levels of institutional ownership.
- Similarly, strong corporate governance performance such as governance mechanisms, board structure, board independence and business ethic, attracts high institutional investment.
- Social and governance dimensions of CSR attract investors that are more attuned to sustainable and long-term value creation, domestic investors who are less likely to withdraw funding, and blockholders who tend to engage with management. Therefore, better levels of [social awareness](#) and corporate governance attract more funding from dedicated investors.
- Environmental concerns, however, have little impact and did not increase institutional holdings for companies in the hospitality and tourism sectors.

In a largely capital-intensive environment with high overheads, the hospitality and tourism sector requires external capital for companies to successfully grow. Institutional investment from organizations like [mutual funds](#), pensions and [insurance companies](#) provide vital resources to support growth of travel companies, hotels and restaurants, but firms

are increasingly having to demonstrate social awareness to stakeholders in order to attract these investments.

Dr. Bilinski said the research showed the importance of breaking down CSR objectives into different components.

"Many studies focus on the benefits of CSR as a single collection of activities, without considering how its individual dimensions attract different reactions from different stakeholders across industries," Dr. Bilinski said.

"Rather than trying to be good at everything to increase their image, companies seeking funding should conceptualize the dimensions of CSR, exploring what it is their investors care about and focus on that."

In the case of the hospitality and tourism sector, Dr. Bilinski says the research suggests where investor priorities lie.

"Our research shows strong reactions to performance in both social awareness—by maintaining healthy relations with staff, strong employee engagement and [community spirit](#)—and corporate governance, through defined board structures, strong sense of business ethics and accountability."

"Environmental concerns, conversely, do not appear to have significant bearing on institutional investment for hospitality and tourism in recent years, but this is not to say considerations for the environment do not matter or do not have a bearing on investment within other sectors. Rather, it is likely that companies have already completed environment objectives that investors care about, so this dimension no longer plays an active role in attracting new capital."

The study is published in *Tourism Economics*.

**More information:** Danielle Lyssimachou et al, Does corporate social responsibility affect the institutional ownership of firms in the hospitality and tourism industry?, *Tourism Economics* (2022). [DOI: 10.1177/13548166211069899](https://doi.org/10.1177/13548166211069899)

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