Sustainability Performance and Corporate Risk-Taking in the Tourism Industry

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Abstract

We investigate the impact of corporate sustainability performance (CSP) on corporate risk-taking (CRT). We apply stakeholder theory and the resource-based view to an international sample of 247 tourism firms for the period 2002–2018. We demonstrate a negative association between CSP and CRT, which is more pronounced when pension funds act as the controlling shareholders. We reveal that tourism firms with better CSP (Refinitiv environmental, social, and governance [ESG] scores) have statistically and economically significantly less risk of volatile earnings and a lower probability of failure compared with their counterparts with poor CSP. Our findings are robust to endogeneity and model misspecification. Overall, we add new evidence suggesting that CSP generates value, resources, and concrete positive outcomes for tourism firms, an effect that is moderated by the identity of the controlling shareholders.

Subject Areas: *Cross-cultural and International Marketing, Finance, Marketing Strategy, Service Marketing*

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