

외식 기업의 사회적 책임(CSR) 활동이 주주 가치에 미치는 영향 분석: CSR 유형별 광고비 지출의 조절 효과를 중심으로

CSR and Shareholder Value in the Restaurant Industry: Moderating Effects of Advertising Spending Contingent on CSR Types*

김영희(주저자) · 이현진(교신저자)

YongHee Kim(First Author) · HyunJin Lee(Corresponding Author)

부산대학교 Professor, Department of Business Administration, College of Business, Pusan National University(kimyh@pusan.ac.kr)

경성대학교 Visiting Professor, Department of Business Administration, College of Business and Economics, Kyungsoong University(a197137@ks.ac.kr)

.....

Corporate social responsibility (CSR) and marketing initiatives are the key strategic tools necessary to improve restaurant firms' competitive advantages and financial performances. Previous literature has showed that CSR is positively associated with stock returns and negatively related to their volatility, thus increasing shareholder value in the restaurant industry. However, insights into whether advertising spending—a proxy for spending on marketing activities—moderates the CSR effects are lacking. If so, what CSR types strongly drive such moderation effects? Drawing on stakeholder theory, this study decomposes CSR into two types: CSR directed toward primary versus non-primary stakeholders. Given that restaurant firms' advertising spending is typically short-term and sales-oriented, which contrasts with the long-term objectives of CSR, we hypothesize that increased advertising spending reduces the positive effect of CSR (particularly CSR for non-primary stakeholders) on shareholder value. Our findings are consistent with these hypotheses, providing several important implications for CSR researchers and restaurant practitioners.

Keyword: Corporate Social Responsibility, Shareholder Value, Restaurant Industry, Advertising Spending, CSR Types

Submission Date: 05. 14. 2025 Revised Date: (1st: 06. 17. 2025) Accepted Date: 06. 23. 2025

* This work was supported by the Financial Supporting Project of Long-term Overseas Dispatch of PNU's Tenure-track Faculty, 2022

1. Introduction

Instrumental stakeholder theory suggests that firms' corporate social responsibility (CSR) initiatives should lead to positive financial outcomes and shareholder value because CSR strengthens relationships with firms' stakeholders by enhancing firm trustworthiness (Barnett, 2007; Donaldson and Preston, 1995). A considerable number of studies in management and marketing have empirically examined the effects of CSR activities on various financial performance metrics, including return on assets (ROA), return on investments (ROI), firm value, or/and equity risk (e.g., Albuquerque et al., 2019; Brueninghaus et al., 2025; Durand et al., 2021; Flammer, 2015; Grewal et al., 2021; Luo and Bhattacharya, 2006; McWilliams and Siegel, 2000; Weber and Saunders-Hogberg, 2020); the field of hospitality management is not an exception.

Hospitality literature has investigated CSR value and risk relevance with "hospitality" firms as samples. Specifically, several papers published on hospitality or tourism management journals have focused on the restaurant industry and examined whether and how restaurant firms' CSR is capitalized into financial performances (e.g., Kim and Kim 2014; Yoon and Chung, 2018; Youn et al., 2016). Different from occasion-based businesses in other hospitality industries (e.g., hotels,

casinos, and airlines), restaurant business is relevant to consumers and other stakeholders' everyday lives. Therefore, restaurant firms are required to actively engage in CSR, and their CSR actions are visible to different stakeholders, including consumers. For example, Starbucks has earned strong support from socially conscious consumers through its Ethical Sourcing policies. Similarly, Chipotle has built its core brand identity around the "Food with Integrity" campaign, which emphasizes antibiotic-free meat and organic ingredients. More recently, McDonald's has enhanced its corporate social responsibility efforts with eco-friendly initiatives, such as reducing plastic use and introducing recyclable packaging. With such an industry characteristic, hospitality management researchers have focused on studying restaurant firms' CSR and its relevance to shareholder value.

Although instrumental stakeholder theory predicts a positive relationship between firms' CSR and corporate financial performance (CFP), previous empirical results on the relationship in the restaurant industry were inconclusive (Youn et al., 2016). For example, for the return side of CFP, Lee and Heo (2009) showed an insignificant effect of CSR activities on firm value measured by Tobin's Q, whereas Kim and Kim (2014) revealed a significant and positive effect of CSR by using samples of restaurant firms. In predicting firm equity risk, Kim et al. (2017) showed a

significant and negative effect of CSR on the systematic risk of restaurant firms, whereas Jung, Kim et al. (2018) found an insignificant effect. Given such inconsistent results on the “CSR - CFP” link, researchers have attempted to expand the research by (1) identifying contingencies that influence the link and (2) looking at differential effects of various CSR dimensions further than generalizing the effects of the overall number of CSR. To the best of our knowledge, previous research in the hospitality management has identified media exposure (Bae et al., 2021; Rhou et al., 2016; Vishwanathan et al., 2020), CSR communication through annual reports (Kim et al., 2017), economic conditions (Lee et al., 2013), firm size (Youn et al., 2015), and restaurant type (Youn et al., 2016) as the contingencies that can affect the effects of CSR on the financial performances of firms. Addressing the multidimensionality of CSR, Inoue and Lee (2011) examined the effects of each dimension of CSR (i.e., community, diversity, employee relation, environmental performance, and product safety/ quality) separately on short- (ROA) and long-term profitability (Tobin’s Q). They found that such effects are different depending on the CSR dimensions in the restaurant industry.

Although extant studies identifying the contingencies and showing the relative effects of CSR dimensionality provide restaurant managers with insights into when and how to well capitalize their investment in CSR programs, these studies are limited in terms of offering comprehensive understanding on the return side of financial performances (i.e., ROA, ROI, and Tobin’s Q). Previous hospitality research on the link between CSR and firm risk also has limitations in that it does not provide much insight into the multidimensionality of CSR and situational factors which may influence the risk-reducing (or increasing) effect of CSR. Using equity-holder risk (equity risk, hereafter) as the indicator of firm risk, only a few recent studies have tested the differential effects of certain CSR types on firm equity risk (Kim et al., 2017) and examined certain contingent factors influencing the relationship between CSR and firm equity risk (Jung et al., 2018; Kim et al., 2017).¹⁾ Moreover, extant research has not considered the possibility that the moderation effect of a contingent variable on the relationship between CSR and firm value or/and equity risk can be different depending on CSR types.

The current study attempts to fill in the gaps in the literature on the CSR - CFP link

1) Kim et al. (2017) disaggregated CSR into primary and non-primary CSR, on the basis of the target stakeholders of CSR activities, in their examination of the effects of CSR on firm equity risk and the moderating effects of CSR communication through annual reports in the restaurant industry. Jung et al. (2018) identified the internationalization of firms as a factor that moderates the effects of CSR on firm equity risk.

by presenting the advertising spending of restaurant firms as the key contingency variable for the effects of CSR on firm value and equity risk. This study further examines whether such moderation effects differ depending on CSR types (i.e., CSR for primary stakeholders vs. CSR for non-primary stakeholders). Advertising has been considered an important moderator which affects CSR relevance to shareholder value in the CSR literature. For example, Servaes and Tamayo (2013) considered advertising intensity (i.e., advertising spending scaled by total assets) as an indicator of the customer awareness of firms and showed that when customer awareness is high, the effects of CSR on firm value are also high with a sample of firms across industries. Albuquerque et al. (2019) confirmed that advertising intensity moderates CSR effects on firm value and equity risk. In the hospitality literature, Assaf et al. (2015) focused on the effects of advertising intensity on firm value and showed CSR as a significant moderator for the effects of advertising on sales and firm value in the restaurant industry. The findings suggest that advertising positively moderates the positive effect of CSR on firm value. However, advertising was neither considered nor theorized as a moderator for the CSR value relevance. That is, few studies have examined whether and how firm-level advertising spending moderates CSR effects on firm value and equity risk in the hospitality literature. Moreover,

insights into what types of CSR are effective in driving such moderation effects of advertising are lacking. Therefore, we consider restaurant firms' advertising intensity as the key contingency and examine whether advertising intensity moderates CSR effects on firm value and equity risk and in what CSR types such moderation effects can be strong.

II. Theoretical Framework

2.1 CSR and shareholder value

Stakeholder theory posits that firms' CSR efforts enhance their "socially good" image, thus making firms' stakeholders (e.g., shareholders, employees, consumers, and communities) further contribute to firms (Homburg et al., 2013) and create insurance-like intangibles which reduce firm risk associated with holding firm equity (e.g., Albuquerque et al., 2019; Kim et al., 2017; Luo and Bhattacharya, 2009). Other literature has argued that CSR efforts are irrelevant to improving firms' core competence necessary for value creation; therefore, spending for CSR initiatives becomes costly and thus reduces firms' financial performances (Friedman, 1970). Especially, when the competitiveness of firms is weaker than that of industry competitors, spending on CSR initiatives can harm firm value (Kim et

al. 2018).

Although two counter arguments exist on the link between CSR and financial performance, many empirical studies have shown that the link is generally positive. Specifically, previous meta-analyses have revealed that in general, CSR is positively related to firm value. For example, Margolis and Walsh (2003) reviewed 127 previous empirical studies and found a positive relationship between CSR and CFP by using a meta-analytic approach. Pelozo (2009) also reviewed previous 128 empirical papers and showed that 59% of these studies have found a positive relationship between CSR and firm value, whereas only 14% have observed a negative relationship. Furthermore, recent papers in the management field have revealed that CSR is effective in reducing firm equity risk with across-industry samples (e.g., Albuquerque et al., 2019).

Building goodwill through CSR is particularly important for high-profile industries, such as restaurants (Chan et al., 2014). Social issues related to restaurant firms tend to be obtrusive and vulnerable to negative word-of-mouth as they are related to topical problems, such as public health (e.g., food safety and healthy diet) and environmental protection (e.g., food waste reduction), which make restaurant businesses under a great pressure to be socially responsible (Kim and Kim, 2019). Therefore, ethical and socially responsible business practices are critical for the success

of restaurant firms. Customers are willing to patronage and pay for restaurant chains engaging in CSR programs (Kim et al., 2017; Lee et al., 2016).

Existing hospitality management research has empirically showed that restaurant firms' CSR is such a critical investment to determine their financial performance. For example, Kang et al. (2010) found that CSR has a positive and significant impact on restaurant firms' value (i.e., Tobin's Q). Kim et al. (2017) revealed that overall CSR is negatively related to a type of equity-holder risk, that is, the systematic risk of public restaurant firms. Although these studies have examined the effects of overall CSR on firm value and equity risk, they have only considered CSR data up to 2012, making the re-examination of such effects with recent data worthwhile. Brower and Dacin (2020) also emphasized the importance of re-examining the value relevance of CSR initiatives with an updated CSR dataset by showing that the value-enhancing effect of CSR changes in different time spans and the marginal effect of an increase in CSR on firm value becomes small as time goes. Although the marginal effect of CSR may diminish over time, the contributions of CSR to the increasing shareholder value of restaurant firms becomes positive in general on the basis of stakeholder theory and the criticality of CSR in the restaurant industry. Thus, we hypothesize the following:

H1: Restaurant firms' overall CSR is positively related to firm value.

H2: Restaurant firms' overall CSR is negatively related to firm equity risk.

2.2 Moderating effects of Advertising spending

In general, advertising spending helps firms generate marketing intangibles, such as brand awareness, brand equity, and customer satisfaction, and hence creates a synergy with CSR in developing market-based assets (Servaes and Tamayo, 2013). However, advertising may not effectively generate such marketing intangibles in a certain industry and may not help or even harm value-enhancing and risk-reducing CSR effects. The inverse effect of advertising in the link between CSR and CFP can be evident in an industry where a dominant form of advertising campaign is short-term selling-oriented (e.g., coupons, free premiums, and discounts) because such marketing activities increase short-term immediate sales, which harm the long-term profitability of firms and the stability of their future profits (Kim et al., 2013; Mela et al., 1997).

2.2.1 Restaurant's advertising: diminishing the value enhancing effects of CSR

Previous literature has suggested that restaurant firms tend to use sales promotions or price-oriented advertising as their main mar-

keting tools (Kim et al., 2018; Kim et al., 2013). For example, McDonald's "Happy Meal" advertising highlights the toys coming with the meal to attract family with children, rather than focusing on food quality or safety (O'Reilly, 2015). Such tie-in selling is certainly designed to boost immediate sales, which can easily cause negative publicity and thus detriment firm intangibles. In addition, US restaurant chains use value deals extensively and intensively in their promotions. NPD Group Inc. (2018) reported that deal-visits increased throughout commercial food service in 2009 (as cited in Kim et al., 2013). A decade later, the situation did not improve; deal-visits grew for three consecutive years in 2017 (2% increase from 2016), whereas non-deal visits were down 1% for two consecutive years in 2017 (NPD Group Inc., 2018). The data reported that coupon usage in the U.S. QSR industry increased by 8% year-over-year, with internet coupon usage surging by 61%. Approximately 14% of all restaurant visits were induced by discount promotions, including coupons, and there is a growing perception in the industry that providing consumer incentives is essential for survival (Jennings, 2009). This reliance on promotions has not waned in the following years, as a Q1 2025 analysis confirms that deal-driven traffic remains a significant factor in the QSR industry (Insight Trends World, 2025). This continued focus is supported by persistent consumer

demand for value: about one-third of U.S. adults use restaurant coupons, and 54% of consumers state they choose a restaurant that offers a coupon when deciding between several options (Wiklund, 2019), which demonstrates that sales promotion is ineffective in creating long-term customer value. Even in “media” advertising, restaurant firms tend to develop advertising contents which excessively emphasize price-related messages, rather than unique attributes or differentiation points of their products (Kim et al., 2013). For example, in the early 2010s, all series of TV commercials by Romano’s Macaroni Grill ended with a low price point. T.G.I. Friday’s has aggressively exposed price-related messages, such as “Pick 2 for \$10” in their commercials (Brandau, 2013).

Such price-oriented advertising and sales promotion can be effective in increasing short-term sales (Kim et al., 2018). However, the typical overemphasis of restaurant firms on sales promotions and “price” attributes can increase the price sensitivity of customers, and such an increase may impair the sustainability of their business in the long term. Supporting this argument, Hsu and Jang (2008) found that in the restaurant industry, advertising intensity is unrelated to firm value. Moreover, Kim et al. (2013) showed that advertising intensity actually increases restaurant firms’ systematic risk; this finding is inconsistent with the result shown using across-

industry samples in the marketing literature (e.g., McAlister et al., 2007). Kim et al. (2018) also confirmed that restaurant firms’ advertising spending is short-sighted in general and actually harms their long-term profitability by showing that advertising expenditures are significantly and negatively related to long-term profitability and Tobin’s Q, although they are effective in increasing contemporary sales.

Restaurant firms’ advertising spending focusing on short-term selling-oriented marketing campaigns harms shareholder value (i.e., reducing firm value and increasing firm equity risk), which suggests that advertising spending can mitigate the “positive” CSR effect on the restaurant industry. If a restaurant firm proceeds a CSR program simultaneously with “short-term” selling-orientated marketing management, then the value-enhancing effect of the CSR program can be reduced. It is because such marketing is likely to be perceived as an effort only to increase the financial benefit of the firm without considering the objective of the CSR program, that is, to enhance the social well-being of a broad range of stakeholders, including external stakeholders (e.g., community, environment) (Youn and Chung, 2018). In sum, because the long-term, trust-based objectives of CSR and the short-term, profit-focused objectives of advertising of restaurant firms are in conflict, we anticipate that in the restaurant industry, an increase in advertising spending will, in fact,

hinder the positive value-creating effects of CSR and weaken its risk-mitigating effects.

H3: In the restaurant industry, the positive effect of overall CSR on firm value can be reduced with high-level advertising intensity.

H4: In the restaurant industry, the negative effect of overall CSR on firm equity risk can be reduced with high-level advertising intensity.

2.2.2 Restaurant advertising's moderating effects contingent on CSR types

1) CSR types

To gain further insights into the moderation effects of advertising spending on the CSR - CFP link, we decompose overall CSR into two different types of CSR (i.e., CSR for primary stakeholders and CSR for non-primary stakeholders) and further examine how these moderation effects differ by the two CSR types. Extant CSR studies (e.g., Hasan, Kobeissi, Liu, and Wang, 2018; Hillman and Keim, 2001) have acknowledged that CSR is multi-dimensional and verified that various CSR types do not have uniform influences on shareholder value. Indeed, several articles have shown that the financial consequences of the CSR of restaurant firms to shareholder value are different depending on CSR dimensions (e.g., Inoue and Lee, 2011; Kim and Kim,

2019; Lee et al., 2013).

In a seminal paper, Hillman and Keim (2001) grouped CSR into two categories—CSR for stakeholder management and CSR for social issues engagement—and found that CSR for stakeholder management is more relevant to firm value. Building on this approach, Hasan et al. (2018) categorized CSR based on stakeholder salience, distinguishing between CSR for primary stakeholders (P_CSR) and non-primary stakeholders (NP_CSR), and demonstrated that this distinction is important in understanding CSR's effect on firm performance via productivity. Similarly, Inoue and Lee (2011) categorized CSR in the hospitality context as operations-based and non-operations-based, finding that these forms differentially affect financial performance in the restaurant industry. Given our focus on the value relevance of CSR and advertising to financial stakeholders (i.e., shareholders), we adopt the stakeholder-based categorization of CSR, namely P_CSR and NP_CSR, following Hillman and Keim (2001) and Hasan et al. (2018). Although Lee et al.'s (2013) categorization is based on operational relevance in restaurant firms, it aligns conceptually with our classification.

P_CSR's main goal is to build a long-term relationship with primary stakeholders by creating great values (i.e., product innovation) in good ways (i.e., positive employee relation) (Kim and Kim, 2019). Compared with NP_CSR, P_CSR tends to be considered an

obligation, rather than a supplementary “nice-to-do” strategy (Matten and Moon, 2008). Thus, P_CSR must be embedded in restaurants’ mission and is considered a “must-do” strategy in restaurant chains. For example, P_CSR, which is designed for improving the food and service quality of restaurant firms, is directly related to the health of consumers—a group of “primary” cash-generating stakeholders. An increase in such P_CSR increases consumer satisfaction which results in an increase in firm value and a decrease in firm risk (e.g., Tuli and Bharadwaj, 2009). P_CSR related to employee relation is also shown to be effective in improving firm productivity and thus enhances financial performances (Hasan et al., 2018; Lee and Park, 2020). Thus, working on P_CSR is expected to increase shareholder value.

2) CSR types, advertising, and CFP of restaurant firms

Regarding the moderation effects of advertising intensity on the “positive” influence of P_CSR on shareholder value, the advertising intensity of restaurant firms cannot further enhance the “positive” effects of P_CSR; the reason is that the selling orientation of restaurant marketing does not match with the main goal of P_CSR, that is, building a long-term relationship with primary stakeholders. However, the myopic marketing activities of restaurants do not necessarily harm the val-

ue generation of P_CSR, either. Given that P_CSR is not considered a voluntary “nice-to-do” strategy but a fundamental responsibility for restaurant firms to run their business, P_CSR is institutional and implicitly improves the value of food products and services (Matten and Moon, 2008). Thus, with such high-level P_CSR, consumers less likely regard the marketing of restaurant firms, although it is selling-oriented, as a strategy of simply pushing them to buy products. Rather, consumers may consider it as firms providing good quality products and related services in good prices. However, consumers’ price sensitivity increased by restaurant firms’ typical myopic marketing management cannot be avoided and can thus make their advertising spending be ineffective in boosting P_CSR’s value-increasing effect. We expect that the “positive” effect of P_CSR on shareholder value will not be affected by the level of advertising spending in the restaurant industry.

The value-enhancing effect of NP_CSR can be reduced when the advertising spending of restaurant firms increases. NP_CSR is an articulate responsibility for social issues (Matten and Moon, 2008). Regardless of whether or not the motive for NP_CSR is instrumental, intangible assets, such as a “favorable” image as a good corporate citizen, which NP_CSR can create, can contribute to enhancing firm value and reducing firm equity risk (Wang et al., 2008). However, the building of such

assets takes time and should not be disturbed by a strategy which makes the intent of NP_CSR (e.g., community well-being, human dignity enhancement, environment improvement) suspicious (Kang et al., 2016). As previously mentioned, restaurant firms' marketing may distort NP_CSR's goodwill because such marketing is mainly short-term selling-oriented, not relationship-building-oriented with external stakeholders. Moreover, with the widespread concern of restaurant chains selling unhealthy food, selling-oriented restaurant marketing has been criticized to stimulate unhealthy diet implicitly and explicitly (Grier and Kumanyika 2008; Whalen et al., 2018). Kraak (2018) reported that major US restaurants have heavily used price promotions on large portions of food products, and no competitive pricing is applied to encourage healthy purchases which may harm public health. Thus, restaurants' endeavors to contribute to social well-being through NP_CSR (e.g., charity donation, environmental protection) may be seen as attempts to wash away the "sin" perception associated with a heavy selling of their food products (Kang et al., 2016). That is, given that short-term marketing practices are pervasive in the restaurant industry, the true motives for NP_CSR may be misunderstood by consumers or the public.

In sum, due to the mismatch in intent and goal between the marketing of restaurant firms and NP_CSR, the effects of NP_CSR on

shareholder value are expected to be mitigated with a higher level of advertising spending. We thus hypothesize the following:

H5: In the restaurant industry, the moderation effect of advertising intensity reducing the positive relationship between CSR on firm value can be stronger in CSR for non-primary stakeholders (NP_CSR) than in CSR for primary stakeholders (P_CSR).

H6: In the restaurant industry, the moderation effect of advertising intensity reducing the negative relationship between CSR on firm equity risk can be stronger in CSR for non-primary stakeholders (NP_CSR) than in CSR for primary stakeholders (P_CSR).

III. Methodology

3.1 Data

We first selected the publicly-listed restaurant chain firms in the US from COMPUSTAT by using Standard Industrial Classification (SIC) code. Following the tradition, we considered firms whose SIC code is 5812 as firms in the restaurant industry. We then collected CSR data from the "MSCI ESG social ratings" database (MSCI ESG), formerly known as the

KLD database from 1993-2018. Using the “company” identifiers (i.e., company name, CUSIP, ticker) provided by MSCI ESG,²⁾ we merged CSR scores in different dimensions with COMPUSTAT data for the selected restaurant firms. To construct the control variables included in the proposed models, we obtained necessary financial statement data from COMPUSTAT. We also collected daily stock returns data from CRSP to measure firm equity risk.

3.2 Measures

3.2.1 Dependent variables: Tobin’s Q and Idiosyncratic Risk

We used Tobin’s Q as the indicator of firm value. Tobin’s Q is a forward-looking measure for firm value. Tobin’s Q has also been popularly used in many CSR studies to test CSR effects on firm value (e.g., Inoue and Lee, 2011; Kang et al. 2010; Kim and Kim, 2014; Kim and Kim, 2019; Lee and Heo, 2009). We followed Chung and Pruitt (1994)’s approximation of Tobin’s Q and measured it as the firm market value plus total debt divided by book value. We then took the log of the “Tobin’s Q” measure for the normal transformation, which can prevent possible extreme values of

the measure from affecting the results (e.g., Youn et al., 2016).

Regarding firm equity risk, we used idiosyncratic risk measured on the basis of Carhart four-factor model using historical daily stock returns (Carhart, 1997). Idiosyncratic risk is the residual risk which cannot be explained by the changes in average market portfolio returns. Several business studies have revealed that firms should carefully manage idiosyncratic risk (Brown and Kapadia, 2007). For example, Grinblatt and Titman (2016) found that idiosyncratic risk is relevant to the survival of a firm at risk. Financial analysts incorporate idiosyncratic risk in their firm valuation and issue their predictions on the risk of investment in a firm stock (Lui et al., 2007). With such an importance of idiosyncratic risk of firms in the finance community, firms are interested in tracking idiosyncratic risk and understanding how their strategy affects the risk metric (e.g., Rust et al., 2004). Luo and Bhattacharya (2009) and Albuquerque et al. (2019) selected idiosyncratic risk as the right metric to test whether and when firms’ CSR initiatives are related to firm equity risk because it better captures firm-specific risk after controlling market factors. Thus, following previous studies that have examined the link between CSR and firm equity risk,

2) In case that firms’ CUSIP, ticker, or/and company name were changed, we manually tracked the changes and correctly matched the firm in MSCI ESG with the firm in COMPUSTAT.

we also used idiosyncratic risk to test our “risk” hypotheses (H2, H4, and H6).

Specifically, we estimated the following model (Equation 1) using the daily stock returns during a year before the fiscal year ends and utilized the unexplained variation of stock returns as the measure for idiosyncratic risk for firms in the year.

$$(1) R_{it} = R_{rfd} + \delta_{1i}(R_{md} - R_{rfd}) + \delta_{2i}SMB_d + \delta_{3i}HML_d + \delta_{4i}UMD_d + \epsilon_{id},$$

where i indicates a firm; d indicates a day:

$R_{id} = \ln\left[\frac{D_{id} + P_{id}}{P_{id-1}}\right]$ = ex post rate of return for

stock i at day d ; $R_{md} = \ln\left[\frac{L_{id}}{L_{id-1}}\right]$ = an index

of the ex post market rate of return (i.e., value-weighted return) for day d , where L_{id} is the Fisher’s link relative, a market price index at day d ; R_{rfd} = risk free return at day d ; SMB_d = value-weighted return from the portfolio of small stocks minus value-weighted return from that of large stocks for day d (obtained from French’s website³⁾); HML_d = value-weighted return from the portfolio of stocks with high market-to-book ratio minus value-weighted return from that of stocks with low market-to-book ratio for day d (obtained from French’s website); UMD_d = averaged return on two “high prior return”

portfolios minus average return on two “low prior return” portfolios for day d (obtained from French’s website); $\epsilon_{id} \sim \text{i.i.d.}N(0, \sigma^2)$. After the model estimation (Equation 1) in each year for each sampled firm, we used R^2 to determine the idiosyncratic risk as in the following equation (e.g., Brower and Dacin, 2020; Luo and Bhattacharya, 2009):

$$(2) \text{Idiosyncratic risk}_{it} = \ln\left[\frac{1 - R_{it}^2}{R_{it}^2}\right],$$

where R_{it}^2 is the proportion of the variation of stock returns for firm i at year t explained by the four factors in Equation 1.

Considering that reverse causality concern may occur (i.e., firm value or/and equity risk impacts CSR), we used Tobin’s Q and Idiosyncratic risk at year $t+1$ as the dependent variable in each separate model. That is, all the independent variables, which will be introduced later, were measured at year t which is one-year lagged. This “lagging” approach has been applied in several prior studies and predicts firm value and equity risk (e.g., Kim et al., 2016; Kim et al., 2018; McAlister et al., 2007; Tuli and Bharadwaj, 2009).

3) http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html (accessed on May 3, 2020)

3.2.2 Focal independent variables: overall CSR (O_CSR), CSR for primary stakeholders (P_CSR), and CSR for non-primary stakeholders (NP_CSR)

To measure firm-level total score for overall CSR, we applied six dimensions (i.e., diversity, employee relation, product quality, human right, environment, and community relation) in MSCI ESG data. Basically, we counted the binary score for CSR “strength” in categories for the six dimensions to measure the number of socially responsible actions and the binary score for CSR “concern” in categories for the six dimensions to measure the number of socially irresponsible actions. We then considered the total number of strengths minus the total number of concerns, each scaled by the number of categories, as the overall CSR of firms (i.e., O_CSR). That is, O_CSR for firm *i* in year *t* (O_CSR_{it}) is measured as follows:

$$(3) \text{ O_CSR} = \frac{\sum_{d=1}^6 \sum_{c1=1}^{C1d} \text{Num_Strength}_{dc1}}{\sum_{k=1}^6 C1k} - \frac{\sum_{d=1}^6 \sum_{c2=1}^{C2d} \text{Num_Concern}_{dc2}}{\sum_{k=1}^6 C2k},$$

where *d* is a CSR dimension; *c1* is the “strength” category for a dimension; *C1d* is the total number of “strength” categories in dimension *d*; *C1k* is the number of “strength” categories in dimension *k*; Num_Strength_{dc1} is 1 if firms did such CSR, and 0 otherwise; *c2* is the “concern” category for a dimension; *C2d* is

the total number of “concern” categories in dimension *d*; *C2k* is the number of “concern” categories in dimension *k*; Num_Concern_{dc2} is 1 if firms did such CSR, and 0 otherwise. Considering that the number of categories for each dimension is different depending on (1) “strength” or “concern” and (2) the sample year, the simple summation of scores for strength and concern may bias the measure of O_CSR. To prevent such a potential bias, we scaled the total number of CSR strengths (concerns) by the total number of “strength” (“concern”) categories each year.

For CSR types, we considered CSR scores for diversity, employee relation, and product innovation as the indicators of firms’ CSR efforts related to primary stakeholders (i.e., P_CSR), whereas CSR scores for community relation, environmental issue, and human right as the indicators of firms’ CSR efforts related to non-primary stakeholders (i.e., NP_CSR), following Hillman and Keim (2001) and Hasan et al., (2018). That is, we applied the three dimensions relevant to primary stakeholders to Equation 3 to measure P_CSR and the three dimensions relevant to non-primary stakeholders to measure NP_CSR.

3.2.3 Moderating variable: advertising intensity

We obtained advertising spending data from COMPUSTAT. We then scaled advertising spending with the total assets of firms to

measure the advertising intensity (i.e., ADVA) (Albuquerque et al., 2019). In case that advertising spending is missing, we replace the missing values with zeros. To control for the potential bias from the missing replacement, we created a dummy on whether advertising spending is missing or not and included the dummy (ADV_Dummy) as a control variable (Kim and Kim, 2019; Luo and Bhattacharya, 2009). Using such a variable, we tested whether the effects of O_CSR, P_CSR and NP_CSR on Tobin's Q and Idiosyncratic risk are moderated by advertising intensity.

3.2.4 Control variables

We selected the set of control variables on the basis of prior studies predicting Tobin's Q and Idiosyncratic risk (e.g., Kim et al., 2017; Rego et al., 2009). We included returns on assets (ROA); earnings variability, the standard deviation of ROAs in the past five years (ROA_SD); leverage (LEV); and firm size (SIZE).⁴⁾ Finally, we included year dummies in the models to control possible year effects.

3.3 Models and estimation

Using the previously mentioned variables, we developed the models to test the proposed

hypotheses. The full models, which include focal independent variables and interaction terms, are as follows:

$$(4) \text{ Tobin's } Q_{it+1} = \alpha_{1i} + \beta_{11}O_CSR_{it} + \beta_{12}O_CSR_{it} \times ADVA_{it} + \beta_{13}ADVA_{it} + \beta_{14}Controls_{it} + \varepsilon_{1it},$$

$$(5) \text{ Tobin's } Q_{it+1} = \alpha_{2i} + \beta_{21}P_CSR_{it} + \beta_{22}P_CSR_{it} \times ADVA_{it} + \beta_{23}ADVA_{it} + \beta_{24}Controls_{it} + \varepsilon_{2it},$$

$$(6) \text{ Tobin's } Q_{it+1} = \alpha_{3i} + \beta_{31}NP_CSR_{it} + \beta_{32}NP_CSR_{it} \times ADVA_{it} + \beta_{33}ADVA_{it} + \beta_{34}Controls_{it} + \varepsilon_{3it},$$

$$(7) \text{ Idiosyncratic Risk}_{it+1} = \alpha_{4i} + \beta_{41}O_CSR_{it} + \beta_{42}O_CSR_{it} \times ADVA_{it} + \beta_{43}ADVA_{it} + \beta_{44}Controls_{it} + \varepsilon_{4it},$$

$$(8) \text{ Idiosyncratic Risk}_{it+1} = \alpha_{5i} + \beta_{51}P_CSR_{it} + \beta_{52}P_CSR_{it} \times ADVA_{it} + \beta_{53}ADVA_{it} + \beta_{54}Controls_{it} + \varepsilon_{5it},$$

$$(9) \text{ Idiosyncratic Risk}_{it+1} = \alpha_{6i} + \beta_{61}NP_CSR_{it} + \beta_{62}NP_CSR_{it} \times ADVA_{it} + \beta_{63}ADVA_{it} + \beta_{64}Controls_{it} + \varepsilon_{6it},$$

where i is a firm; t indexes a year; O_CSR_{it} is the sum of "strength" scores scaled by the number of "strength" categories in the six dimensions at year t minus the sum of "concern" scores scaled by the number of "concern" categories in the six dimensions at year t ; P_CSR_{it} is the sum of "strength" scores scaled by

4) To reduce bias from potential outliers, we winsorized all the continuous variables used in our models at the upper 1% and lower 1% levels. We also tested the proposed models without such winsorizing and found that the results were consistent.

the number of “strength” categories in the three dimensions for primary stakeholders at year t minus the sum of “concern” scores scaled by the number of “concern” categories in the three dimensions for primary stakeholders at year t ; NP_CSR_{it} is the sum of “strength” scores scaled by the number of “strength” categories in the three dimensions for non-primary stakeholders at year t minus the sum of “concern” scores scaled by the number of “concern” categories in the three dimensions for non-primary stakeholders at year t ; ADVA_{it} is the advertising intensity; Controls_{it} is the set of control variables (i.e., Dummy_ADV_{it}, ROA_{it}, ROA_SD_{it}, SIZE_{it}, LEV_{it}, and year dummies); $\varepsilon_{it} \sim \text{i.i.d. } N(0, \sigma^2)$.

We estimated the proposed models (Equations 4 - 9) by using ordinary least squared estimations with standard errors clustered by each

firm. The clustering can incorporate possible error autocorrelations within each firm in the estimations (e.g., Kim et al., 2016; Petersen, 2009).

IV. Empirical results

4.1 Summary statistics and bivariate correlations

In Table 1, we report the summary statistics for the variables used in the models (Equations 4 - 9) and bivariate correlations among them.

We find that the mean of O_CSR is -0.009, indicating that restaurant firms commit to slightly more “CSR concern” activities than “CSR strength” activities in general. Table 1

<Table 1> Summary Statistics and Bivariate Correlations

No.	Variable	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1)	Tobin's Q	0.738	0.523										
(2)	Idiosyncratic risk	1.229	0.523	-0.085*									
(3)	O_CSR	-0.009	0.073	0.221***	0.040								
(4)	P_CSR	-0.046	0.112	0.162***	0.147**	0.919***							
(5)	NP_CSR	0.016	0.062	0.238***	-0.128**	0.730***	0.416***						
(6)	ADVA	0.036	0.03	0.249***	-0.078*	-0.051	-0.043	-0.056					
(7)	ROA	0.069	0.076	0.544***	-0.139**	0.138**	0.106*	0.127**	0.214***				
(8)	ROA_SD	0.033	0.049	0.021	-0.005	-0.133**	-0.131**	-0.063	0.098*	-0.269***			
(9)	LEV	0.314	0.374	0.297***	-0.074*	-0.042	-0.047	-0.008	0.260***	0.243***	0.028		
(10)	SIZE	3.316	1.178	0.138**	-0.157***	0.264***	0.123**	0.331***	0.194***	0.234***	-0.243***	-0.007	
(11)	ADV_Dummy	0.843	0.365	0.275***	-0.178***	0.006	-0.035	0.063	0.519***	0.136**	0.090*	0.030	0.071*

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

also presents that the negative mean is mainly driven by concerns for P_CSR because the average of P_CSR is -0.046, whereas that of NP_CSR is 0.016. The summary statistics imply that public restaurant chains focus more on doing NP_CSR than P_CSR activities. We also find that the correlations between O_CSR, P_CSR, and NP_CSR and Tobin's Q are all positive and significant ($\rho = 0.221$, $p < 0.01$ for O_CSR; $\rho = 0.162$, $p < 0.01$ for P_CSR; $\rho = 0.238$, $p < 0.01$ for NP_CSR), whereas the correlation between O_CSR and idiosyncratic risk is insignificant ($\rho = 0.040$, $p > 0.10$), and the correlations between P_CSR and NP_CSR and Idiosyncratic risk are significant, but the directions of the two correlations are the opposite ($\rho = 0.147$, $p < 0.01$ for P_CSR; $\rho = -0.128$, $p < 0.01$ for NP_CSR). The results suggest that the "risk reduction" effect with CSR is mainly driven by NP_CSR.

4.2 Regression results

Table 2 reports the results from the "Tobin's Q" model estimations (Equations 4, 5, and 6).

In Table 2, we find that the direction and significance of the estimated coefficients for the control variables are largely consistent across M1 - M7. We also check the variation inflation factors (VIFs) for each model. The largest "mean" VIF is 3.71, which is lower than 10 (e.g., Jindal and McAlister, 2015; Kim et al., 2016), suggesting that multicollinearity

does not hamper the interpretations of results. The findings reported in M2 show that O_CSR has a positive and marginally significant effect on Tobin's Q_{t+1} ($b = 0.157$, $p < 0.10$), and the effect becomes strong with the interaction between O_CSR and ADVA, as shown in M3 ($b = 0.167$, $p < 0.05$). The results empirically support H1. We also find that the interaction between O_CSR and ADVA has a significant and negative effect on Tobin's Q_{t+1} ($b = -0.156$, $p < 0.05$, M3 of Table 2), consistent with H3. The results imply that advertising spending used by restaurant firms mitigates the positive effect of O_CSR on firm value (i.e., H3). Moreover, M5, and M7 of Table 2 show that the estimated coefficient for the interaction between NP_CSR and ADVA is significant and negative ($b = -0.197$, $p < 0.01$, M7 of Table 2), whereas the estimated coefficient for the interaction between P_CSR and ADVA remains negative but insignificant ($b = -0.105$, $p > 0.10$, M5 of Table 2). Thus, the results support H5, suggesting that the negative moderating effect of advertising on the link between CSR and firm value is mainly driven by NP_CSR.

Although no hypothesis is made on which CSR type between P_CSR and NP_CSR drives the positive effect on Tobin's Q, we find that NP_CSR is significantly and positively related to Tobin's Q_{t+1} ($b = 0.190$, $p < 0.05$, M6 of Table 2), but P_CSR is insignificantly related to Tobin's Q_{t+1} ($b = 0.098$, $p > 0.10$, M4

(Table 2) Differential Effects of Primary CSR vs. Non-primary CSR and its Interaction with Advertising Intensity on Firm Value (Tobin's Q)

Variable	M1	M2	M3	M4	M5	M6	M7
Dependent Variable (DV): Tobin's Q_{t+1}	DV: Tobin's Q_{t+1}	DV: Tobin's Q_{t+1}	DV: Tobin's Q_{t+1}	DV: Tobin's Q_{t+1}	DV: Tobin's Q_{t+1}	DV: Tobin's Q_{t+1}	DV: Tobin's Q_{t+1}
Baseline Model	Model with O_CSR	Model with CSR and CSR × ADVA	Model with P_CSR	Model with P_CSR × ADVA	Model with NP_CSR	Model with NP_CSR × ADVA	Model with NP_CSR × ADVA
O_CSR	-	0.162* (1.686)	0.170*** (2.725)	-	-	-	-
O_CSR × ADVA	-	-	-0.162** (-2.334)	-	-	-	-
P_CSR	-	-	-	0.100 (1.081)	0.117 (1.373)	-	-
P_CSR × ADVA	-	-	-	-	-0.108 (-1.506)	-	-
NP_CSR	-	-	-	-	-	0.198** (2.502)	0.193*** (5.309)
NP_CSR × ADVA	-	-	-	-	-	-	-0.206*** (-3.105)
ADVA	-0.029 (-0.291)	-0.008 (-0.090)	-0.029 (-0.326)	-0.025 (-0.262)	-0.034 (-0.348)	0.014 (0.161)	-0.020 (-0.237)
ROA	0.477*** (4.740)	0.469*** (4.862)	0.455*** (4.801)	0.474*** (4.818)	0.465*** (4.811)	0.466*** (4.881)	0.455*** (4.803)
ROA_SD	0.152* (1.779)	0.162** (1.998)	0.147* (1.874)	0.162* (1.913)	0.152* (1.846)	0.149* (1.854)	0.142* (1.790)
LEV	0.188* (1.943)	0.191** (2.112)	0.190** (2.023)	0.192** (2.082)	0.189* (1.989)	0.182* (1.976)	0.191** (2.060)
SIZE	0.054 (0.760)	0.019 (0.287)	0.007 (0.124)	0.048 (0.719)	0.042 (0.713)	-0.015 (-0.256)	-0.026 (-0.439)
ADV_Dummy	0.214*** (2.794)	0.196** (2.528)	0.205** (2.583)	0.208*** (2.655)	0.218** (2.651)	0.184** (2.500)	0.180** (2.524)
Constant	-0.087 (-0.775)	-0.079 (-0.674)	-0.116 (-1.037)	-0.103 (-0.884)	-0.146 (-1.235)	-0.022 (-0.194)	-0.025 (-0.221)
Observations	540	540	540	540	540	540	540
R-squared	0.464	0.485	0.504	0.472	0.483	0.495	0.512

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Numbers in parentheses indicate t statistics. We also included year dummies to control yearly effects, but we did not report the estimated coefficients for year dummies due to limited space. The coefficients are available upon request to the corresponding author. Errors in each model were adjusted using firm-level clustering.

〈Table 3〉 Differential Effects of Primary CSR vs. Non-primary CSR and its Interaction with Advertising Intensity on Idiosyncratic Risk

Variable	M1	M2	M3	M4	M5	M6	M7
	DV: Idiosyncratic risk _{t+1}	DV: Idiosyncratic risk _{t+1}	DV: Idiosyncratic risk _{t+1}	DV: Idiosyncratic risk _{t+1}	DV: Idiosyncratic risk _{t+1}	DV: Idiosyncratic risk _{t+1}	DV: Idiosyncratic risk _{t+1}
	Baseline Model	Model with O_CSR	Model with CSR and CSR × ADVA	Model with P_CSR	Model with P_CSR × ADVA	Model with NP_CSR	Model with NP_CSR × ADVA
O_CSR	-	-0.080** (-2.077)	-0.084** (-2.350)	-	-	-	-
O_CSR × ADVA	-	-	0.069* (1.875)	-	-	-	-
P_CSR	-	-	-	-0.067 (-1.589)	-0.077* (-1.898)	-	-
P_CSR × ADVA	-	-	-	-	0.062 (1.522)	-	-
NP_CSR	-	-	-	-	-	-0.076** (-2.555)	-0.074** (-2.247)
NP_CSR × ADVA	-	-	-	-	-	-	0.082*** (3.540)
ADVA	0.095** (2.265)	0.084* (1.938)	0.093** (2.323)	0.092** (2.133)	0.097** (2.411)	0.078* (1.851)	0.092** (2.371)
ROA	-0.214*** (-4.596)	-0.210*** (-4.489)	-0.204*** (-4.277)	-0.212*** (-4.532)	-0.207*** (-4.348)	-0.210*** (-4.521)	-0.206*** (-4.357)
ROA_SD	-0.039 (-0.894)	-0.044 (-1.043)	-0.037 (-0.905)	-0.045 (-1.062)	-0.039 (-0.951)	-0.038 (-0.890)	-0.035 (-0.822)
LEV	-0.029 (-0.766)	-0.031 (-0.803)	-0.030 (-0.818)	-0.032 (-0.831)	-0.030 (-0.824)	-0.027 (-0.718)	-0.030 (-0.821)
SIZE	-0.195*** (-3.625)	-0.178*** (-3.239)	-0.173*** (-3.193)	-0.191*** (-3.630)	-0.188*** (-3.618)	-0.168*** (-3.036)	-0.164*** (-2.968)
ADV_Dummy	-0.053 (-1.097)	-0.044 (-0.953)	-0.048 (-1.050)	-0.050 (-1.066)	-0.055 (-1.209)	-0.042 (-0.875)	-0.040 (-0.850)
Constant	0.803*** (6.880)	0.799*** (6.774)	0.815*** (6.738)	0.814*** (6.882)	0.839*** (6.814)	0.778*** (6.591)	0.779*** (6.654)
Observations	540	540	540	540	540	540	540
R-squared	0.543	0.548	0.551	0.546	0.550	0.548	0.550

Note: *** p < 0.01, ** p < 0.05, * p < 0.10. Numbers in parentheses indicate *t* statistics. We also included year dummies to control yearly effects, but we did not report the estimated coefficients for year dummies due to limited space. The coefficients are available upon request to the corresponding author. Errors in each model were adjusted using firm-level clustering.

of Table 2). The results suggest that restaurant firms' NP_CSR positively affects firm value, whereas P_CSR does not; this result is largely consistent with the findings in previous literature (Inoue and Lee, 2011; Youn and Chung, 2018). We explain the implications of the results in the Discussion section.

Regarding the hypotheses related to firm equity risk, we estimate Equations 7, 8, and 9 and report the results obtained in Table 3.

As we test the Tobin's Q models, we check the estimated coefficients for the control variables and find that their significance and direction are consistent through M1 - M7, and the largest "mean" VIF is only 3.72 lower than 10 (Jindal and McAlister, 2015; Kim et al., 2016). Thus, multicollinearity is not a concern in the "firm risk" estimations as well. The results in M2 of Table 3 show that the estimated coefficient for O_CSR is negative and significant ($b = -0.079$, $p < 0.05$), supporting H2. We still find a significant and negative effect of O_CSR on firm risk ($b = -0.083$, $p < 0.05$), even with the interaction term (i.e., $O_CSR \times ADVA$). That is, the results indicate that CSR, in general, significantly reduces firm equity risk. Regarding H4 (i.e., advertising reduces the "risk reduction" effect from CSR), M3 of Table 3 shows that the coefficient for the interaction between O_CSR and ADVA is positive as expected, although it is marginally significant ($b = 0.068$, $p < 0.10$). Thus, we also find the results largely

supportive to H4. Finally, advertising's moderation effect is strong with NP_CSR, as hypothesized in H6, because the estimated coefficient for $P_CSR \times ADVA$ is positive but insignificant ($b = 0.061$, $p > 0.10$, M5 of Table 3), whereas the estimated coefficient for $NP_CSR \times ADVA$ is significantly positive ($b = 0.079$, $p < 0.01$, M7 of Table 3). In sum, all the results support the proposed hypotheses related to firm equity risk (i.e., H2, H4, and H6).

Moreover, CSR's risk reduction effect is found strong in NP_CSR because the estimated coefficient for NP_CSR is significant and negative ($b = -0.074$, $p < 0.05$, M6 of Table 3; $b = -0.073$, $p < 0.05$, M7 of Table 3), whereas the estimated coefficient for P_CSR is negative but insignificant ($b = -0.066$, $p > 0.10$, M4 of Table 3) and marginally significant and negative with the full model with the interaction term ($b = -0.077$, $p < 0.10$, M5 of Table 3). We discuss the implications on the differential effects of the two types of CSR in the Discussion section.

V. Discussion

With the increased importance of CSR in the hospitality management, a long research stream has focused on understanding the mechanisms and the contingencies on the

value relevance of CSR initiatives within each hospitality industry. This study contributes to the research stream by (1) re-affirming CSR effects on firm value and equity risk with the most updated CSR data for public restaurant firms, (2) finding that such effects are significantly moderated by the level of advertising spending, and (3) showing that the moderation effects are stronger in NP_CSR than in P_CSR. With these findings, the current study provides several important theoretical and practical implications for the researchers and practitioners in the restaurant industry.

5.1 Theoretical implications

From the theoretical perspective, the main CSR effects, as shown in this study (i.e., O_CSR increases firm value but decreases firm equity risk), support instrumental stakeholder theory. That is, our results are consistent with the theoretical mechanism that socially responsible images developed by restaurant firms' CSR can facilitate different stakeholders' support to firms; such support can result in high stock return and create additional insurance value which can reduce stock return fluctuation (Koh et al., 2014).

High-level advertising expenditures reduce value-increasing and risk-reducing CSR effects in the restaurant industry. The theoretical reason behind these results, which are

inconsistent with the findings from previous CSR studies conducted using "across-industries" samples (i.e., advertising spending enhances CSR value relevance) (Albuquerque et al., 2019; Servaes and Tamayo, 2013), is that "marketing myopia" prevails in the restaurant industry at least in our sample years. The results indicate that restaurant firms' typical selling-oriented marketing practices actually harm the beneficial effects of their CSR in terms of shareholder value. To the best of our knowledge, this study is the first to develop hypotheses and test the possibility that advertising spending with a short-term objective actually harms such a "positive" CSR effect. This study also contributes to "marketing strategy" literature by identifying an additional "negative" effect of myopic marketing decisions (Hanssens, 2019; Mizik, 2010).

The current study also contributes to the literature examining the differential effects of different dimensions of CSR on firm financial performances. The finding that NP_CSR is significantly related to firm value and equity risk is consistent with previous results (e.g., Inoue and Lee, 2011; Kim and Kim, 2019; Yoon and Chung, 2018), in general. That is, our findings are consistent with the previous findings that NP_CSR is value-relevant in the restaurant industry, joining the research stream of showing the differential effects of different CSR types.

In addition, this study reveals that the mod-

erating effects of advertising in the link between CSR and firm value and equity risk depend on types of CSR. Although several existing studies have shown that the value implications of CSR can be different depending on the firm-level marketing spending (i.e., advertising expenditures) (e.g., Albuquerque et al., 2019; Servaes and Tamayo, 2013), only few studies have investigated if the moderation effects of advertising are dependent on CSR dimensions. With a sample of firms from a CSR-intensive industry (i.e., restaurant industry), this study offers theoretical underpinning that the significance and direction of the moderation effects of advertising are determined by (1) the degree of short-term (vs. long-term) orientation of marketing activities and (2) the type of CSR (P_CSR and NP_CSR in this study); the results are supportive to the theory. Thus, the current study contributes to CSR literature that identifies key contingencies which affect the link between CSR and CFP by emphasizing the importance of looking at the detailed dimensions of CSR in understanding any contingent effects in the relationship between CSR and CFP.

5.2 Practical implications

The current study provides several important practical implications with the following findings. First, the finding that overall CSR is effective in increasing stock returns

and simultaneously reducing their volatility reiterates the importance of the spending of restaurant firms for CSR projects. The value relevance of CSR, which is consistently shown in the hospitality management literature, suggests that the board and the top management team for public restaurant firms should consider CSR as a key value driver in their budgeting decisions.

Second, the finding that CSR effects on shareholder value are mainly driven by NP_CSR implies that external stakeholders not only expect restaurant firms to provide good-quality products and services but also to increase social engagement and contribute to social well-being (Inoue and Lee, 2011; Youn and Chung, 2018). That is, a strong effect of NP_CSR, which is found in this study and in previous hospitality literature, suggests that CSR for external stakeholders (regardless of its motive) is a differentiation strategy which helps improve the long-term profitability of restaurant firms and the sustainability of future profits. To enjoy and maintain such advantages, restaurant firms should not consider and implement NP_CSR as a one-time random activity hoping that it can bring positive effects to them (Nam and Choi, 2022). Instead, NP_CSR should be in their strategic plan to be congruent with firms' mission and businesses, can generate a high return from the CSR investment (de Jong and van der Meer, 2017; Lee et al., 2019). For example,

spending a certain amount of CSR budget for hosting an event for disadvantaged children to have cooking classes with professional chefs and cooks may be more effective in value creation than spending the budget for a simple donation to children under the company name. A prime example is Panera Bread's "Day-End Dough-Nation" program, where unsold daily bakery products are donated to local non-profits to address both food waste and community hunger (Panera Bread, n.d.-a). This institutionalized daily practice strategically links the company's core operations with a social cause, serving as an authentic form of CSR that can generate more goodwill than a simple financial donation (Panera Bread, n.d.-a, n.d.-b).

Third, our findings recommend that restaurant firms should change their marketing practices from short-term selling orientation to long-term relationship-building orientation. The result that advertising expenditures detriment value-increasing and risk-reducing CSR effects suggests that restaurant managers should focus on developing promotion programs which emphasize product and service quality and communicate how their business contributes to the well-being of consumers and further the general public, rather than developing marketing campaigns that highlight the "price" competitiveness of their menus or/and sales promotions. Certain restaurant firms have recently attempted to change their marketing

using their NP_CSR programs as advertising materials. For example, Domino's "Paving for Pizza" campaign, through which potholes are filled, and cracked roads are repaired, has gained media attention. At the same time, Domino has effectively communicated with the public that the campaign contributes not only to improved pizza delivery service for its customers and safe work environment for its employees but also to the local community well-being (Frederick, 2018). According to our results, such a change from restaurant firms' myopic marketing management cannot help their CSR to enhance shareholder value by increasing returns and reducing risk, associated with equity holding. Therefore, restaurant firm managers should understand that when marketing is long-term oriented, marketing and CSR together can produce a synergy effect, and they must change their traditional selling-oriented marketing practices. Similar to Domino's campaign, public relations with CSR strategies can be a way for the successful transition from restaurant firms' myopic marketing management to long-term relationship-building marketing management.

Fourth, consistent with Kim et al. (2013)'s finding, we reveal that advertising expenditures increase firm equity risk in the restaurant industry. The result suggests that in terms of firm risk, the awareness of firms increased by further advertising is a double-edged sword for restaurant firms. That is, advertising can

be effective in generating sales by increasing the awareness of the restaurant chains but at the same time, increases the consumers' expectation on food products and services, making restaurant business more vulnerable to any negative event (Kim et al., 2013). Thus, practitioners in restaurant firms who use heavy advertising spending should be cautious to avoid service or product failure (e.g., food poisoning due to rotten ingredients, inconsistent service quality).

5.3 Limitations and further studies

Although the current study contributes to CSR - CFP literature with interesting and important findings, certain limitations may be addressed in future studies. First, as previously discussed with the support from several previous journal and industry articles, the fact that restaurant firms' marketing is generally short-term selling-oriented and has increased consumers' price sensitivity is well known. However, variations may exist in the degree of short-term (vs. long-term) marketing orientation among public restaurant firms. Future research may develop a way to measure such a degree and test whether CSR effects on firm value and equity risk will be affected by the measure. Practically, the metric may help restaurant managers track and diminish their marketing myopia and focus on the long term in their marketing decision

making (Mizik, 2010).

Second, prior studies have considered the degree of franchising public restaurant firms hold as an important moderator in the value relevance of CSR. The moderation effects of advertising may be different depending on the degree of franchising. For example, restaurant firms with many franchisees may have difficulty in managing distribution channels and training staffs, and such difficulty may reduce CSR effectiveness and aggravate consumers' price sensitivity caused by sales promotions or price-oriented media advertising. In such a situation, the "negative" moderating effect of advertising can be higher, emphasizing the necessity of changing the myopic marketing strategies. Future studies can provide such insights by collecting data on the number of franchisees and testing the three-way interaction among CSR, advertising intensity, and degree of franchising.

Third, this study analyzed pre-COVID-19 data and thus has a limitation in that it does not reflect the unique situational changes in the restaurant industry after pandemic, such as the rapid growth of non-face-to-face services and the delivery market due to the pandemic. Therefore, follow-up research is imperative to examine how the interaction between CSR and advertising has changed under the altered consumer behaviors and corporate strategies in the current endemic situation.

Lastly, future research may examine the moderating role of R&D investment in the relationship among CSR, advertising, and the financial performance of restaurant firms. Luo and Bhattacharya (2009) investigated the three-way interaction effects of CSR, advertising spending, and R&D spending on firm financial performance across industries, finding that the combined investment in all three activities can have diminishing returns. They concluded that pursuing all three value-enhancing strategies simultaneously may not be perceived as strategic, and shareholders may view such over-investment unfavorably. However, in the restaurant industry—where advertising tends to be short-term oriented and may weaken the value-enhancing effects of CSR—R&D investment could potentially mitigate the negative influence of advertising on the CSR - financial performance relationship.

References

- Youn, H., Hua, N., & Lee, S. (2015). Does size matter? Corporate social responsibility and firm performance in the restaurant industry. *International Journal of Hospitality Management*, 51, 127-134.
- Albuquerque, R., Y. Koskinen, and C. Zhang (2019). "Corporate Social Responsibility and Firm Risk: Theory and Empirical Evidence," *Management Science*, 65(10), pp.4451-4469.
- Assaf, A. G., Alexander Josiassen, Anna S. Mattila, and Ljubica K. Cvelbar (2015). "Does Advertising Spending Improve Sales Performance?," *International Journal of Hospitality Management*, 48, pp.161-166.
- Bae, K. H., S. El Ghouli, Z. J. Gong, and O. Guedhami (2021). "Does CSR Matter in Times of Crisis? Evidence from the COVID-19 Pandemic," *Journal of Corporate Finance*, 67, 101876.
- Barnett, M. L. (2007). "Stakeholder Influence Capacity and the Variability of Financial Returns to Corporate Social Responsibility," *Academy of Management Review*, 32(3), pp.794-816.
- Brandau, M. "Most Influential Restaurant Ads in 3Q Push Value," National Restaurant News, <https://www.nrn.com/advertising/most-influential-restaurant-ads-q3-push-value>, retrieved June 2025.
- Brower, J. and P. A. Dacin (2020). "An Institutional Theory Approach to the Evolution of the Corporate Social Performance - Corporate Financial Performance Relationship," *Journal of Management Studies*, 57(4), pp.805-836.
- Brown, G. and N. Kapadia (2007). "Firm-Specific Risk and Equity Market Development," *Journal of Financial Economics*, 84(2), pp.358-388.
- Brueninghaus, D., I. Arribas, F. García, and C. Burmann (2025). "CSR Associations and Market Value: The Moderating Role of Market Competition," *Journal of Product & Brand Management*, 34(3), pp.333-346.
- Carhart, M. M. (1997). "On Persistence in Mutual Fund Performance," *Journal of Finance*, 52, pp.57-82.
- Chan, M. C., J. Watson, and D. Woodliff (2014). "Corporate Governance Quality and CSR Disclosures," *Journal of Business Ethics*,

- 125, pp.59-73.
- Chung, K. H. and S. W. Pruitt (1994). "A Simple Approximation of Tobin's q ," *Financial Management*, 23(3), pp.70-74.
- de Jong, M. D. T. and M. van der Meer (2017). "How Does It Fit? Exploring the Congruence Between Organizations and Their Corporate Social Responsibility (CSR) Activities," *Journal of Business Ethics*, 143(1), pp.71-83.
- Donaldson, T. and L. E. Preston (1995). "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications," *Academy of Management Review*, 20(1), pp.65-91.
- Durand, R., L. Paugam, and H. Stolowy (2021). "Do Investors Actually Value Sustainability? New Evidence from Investor Reactions to CSR News," *Strategic Management Journal*, 42(5), pp.949-974.
- Flammer, C. (2015). "Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach," *Management Science*, 61(11), pp.2549-2568.
- Frederick, D. "Domino's Paving for Pizza Campaign Proves 'People Are Very Passionate About Potholes'," PRWEEK, <https://www.prweek.com/article/1497341/dominos-paving-pizza-campaign-proves-people-passionate-potholes>, retrieved October 2022.
- Friedman, M. (1970). "The Social Responsibility of Business Is to Increase Its Profits," *New York Times Magazine*, 13, pp.122-126.
- Grewal, J., C. Hauptmann, and G. Serafeim (2021). "Material Sustainability Information and Stock Price Informativeness," *Journal of Business Ethics*, 171(3), pp.513-544.
- Grier, S. A. and S. K. Kumanyika (2008). "The Context for Choice: Health Implications of Targeted Food and Beverage Marketing to African Americans," *American Journal of Public Health*, 98(9), pp.1616-1629.
- Grinblatt, M. and S. Titman (2016), *Financial Markets & Corporate Strategy*, Boston, MA, McGraw-Hill/Richard D. Irwin.
- Hanssens, D. M. (2019). "The Case for Research on the Marketing - Finance Interface," *Recherche et Applications en Marketing (English Edition)*, 34(3), pp.138-142.
- Hasan, I., N. Kobeissi, L. Liu, and H. Wang (2018). "Corporate Social Responsibility and Firm Financial Performance: The Mediating Role of Productivity," *Journal of Business Ethics*, 149, pp.671-688.
- Hillman, A. and G. Keim (2001). "Shareholder Value, Stakeholder Management, and Social Issues: What's the Bottom Line?," *Strategic Management Journal*, 22, pp.125-139.
- Homburg, C., M. Stierl, and T. Bornemann (2013). "Corporate Social Responsibility in Business-to-Business Markets: How Organizational Customers Account for Supplier Corporate Social Responsibility Engagement," *Journal of Marketing*, 77, pp.54-72.
- Hsu, L. T. and S. Jang (2008). "Advertising Expenditure, Intangible Value and Risk: A Study of Restaurant Companies," *International Journal of Hospitality Management*, 27(2), pp.259-267.
- Inoue, Y. and S. Lee (2011). "Effects of Different Dimensions of Corporate Social Responsibility on Corporate Financial Performance in Tourism-Related Industries," *Tourism Management*, 32, pp.790-804.
- Insight Trends World. "Restaurants: The impact of QSR promotions in Q1 2025," Insight Trends

- World, <https://www.insighttrendsworld.com/post/restaurants-the-impact-of-qsr-promotions-in-q1-2025>, retrieved June 2025.
- Jennings, L. "Quick-service operators count on couponing," *Nation's Restaurant News*, <https://www.nrn.com/quick-service/quick-service-operators-count-on-couponing>, retrieved June 2025.
- Jindal, N. and L. McAlister (2015). "The Impacts of Advertising Assets and R&D Assets on Reducing Bankruptcy Risk," *Marketing Science*, 34(4), pp.555-572.
- Jung, S., J. H. Kim, K. H. Kang, and B. Kim (2018). "Internationalization and Corporate Social Responsibility in the Restaurant Industry: Risk Perspective," *Journal of Sustainable Tourism*, 26(7), pp.1105-1123.
- Kang, C., F. Germann, and R. Grewal (2016). "Washing Away Your Sins? Corporate Social Responsibility, Corporate Social Irresponsibility, and Firm Performance," *Journal of Marketing*, 80(2), pp.59-79.
- Kang, K. H., S. Lee, and C. Huh (2010). "Impacts of Positive and Negative Corporate Social Responsibility Activities on Company Performance in the Hospitality Industry," *International Journal of Hospitality Management*, 29(1), pp.72-82.
- Kim, J., J. Jun, L. Tang, and T. Zheng (2018). "The Behavioral and Intermediate Effects of Advertising on Firm Performance: An Empirical Investigation of the Restaurant Industry," *Journal of Hospitality & Tourism Research*, 42(2), pp.319-337.
- Kim, K. H., M. C. Kim, and C. Qian (2018). "Effects of Corporate Social Responsibility on Firm Financial Performance: A Competitive-Action Perspective," *Journal of Management*, 44(3), pp.1097-1118.
- Kim, M., and Y. Kim (2019). "CSR and Shareholder Value in the Restaurant Industry: The Roles of CSR Communication through Annual Reports," *Cornell Hospitality Quarterly*, 60(1), pp.69-76.
- Kim, M., D. E. Boyd, N. Kim, and C. H. Yi (2016). "CMO Equity Incentive and Shareholder Value: Moderating Role of CMO Managerial Discretion," *International Journal of Research in Marketing*, 33, pp.725-738.
- Kim, M., G. Xiong, and K. H. Kim (2018). "Where Does Pride Lead? Corporate Managerial Hubris and Strategic Emphasis," *Journal of the Academy of Marketing Science*, 46, pp.537-556.
- Kim, Y. and M. Kim (2014). "Corporate Social Responsibility and Shareholder Value of Restaurant Firms," *International Journal of Hospitality Management*, 40, pp.120-129.
- Kim, Y., M. Kim, and A. S. Mattila (2017). "Corporate Social Responsibility and Equity-Holder Risk in the Hospitality Industry," *Cornell Hospitality Quarterly*, 58(1), pp.81-93.
- Kim, Y., M. Kim, and J. W. O'Neill (2013). "Advertising and Firm Risk: A Study of the Restaurant Industry," *Journal of Travel & Tourism Marketing*, 30, pp.455-470.
- Koh, P. S., C. Qian, and H. Wang (2014). "Firm Litigation Risk and the Insurance Value of Corporate Social Performance," *Strategic Management Journal*, 35, pp.1464-1482.
- Kraak, V. I. (2018). "US Restaurant Sector Can Promote Healthy Food Environments to Reduce Obesity Risk," *The American Journal of Clinical Nutrition*, 107(2), pp.288-290.

- Lee, J. W., & Park, C. (2020). "The Effect of Corporate Social Responsibility (CSR) Activities on Financial Performance: Focusing on Job Satisfaction and Firm Size," *Korean Management Review*, 49(4), pp.913-937.
- Lee, K., Lee, J., & Bae, Z. T. (2019). "How Firms Respond to Growing Environmental Concerns? The Choice of CSR and Long-Term Performance," *Korean Management Review*, 48(3), pp.767-797.
- Lee, K., M. Conklin, P. Bordi, and D. Cranage (2016). "Restaurants' Healthy Eating Initiatives for Children Increase Parents' Perceptions of CSR, Empowerment, and Visit Intentions," *International Journal of Hospitality Management*, 59, pp.60-71.
- Lee, S. and C. Heo (2009). "Corporate Social Responsibility and Customer Satisfaction Among US Publicly Traded Hotels and Restaurants," *International Journal of Research in Marketing*, 28(4), pp.635-637.
- Lee, S., M. Singal, and K. H. Kang (2013). "The Corporate Social Responsibility-Financial Performance Link in the US Restaurant Industry: Do Economic Conditions Matter?," *International Journal of Hospitality Management*, 32, pp.2-10.
- Lui, D., S. Markov, and A. Tamayo (2007). "What Makes a Stock Risky? Evidence from Sell-Side Analysts' Risk Ratings," *Journal of Accounting Research*, 45(3), pp.629-665.
- Luo, X. and C. B. Bhattacharya (2006). "Corporate Social Responsibility, Customer Satisfaction, and Market Value," *Journal of Marketing*, 70, pp.1-18.
- Luo, X. and C. B. Bhattacharya (2009). "The Debate Over Doing Good: Corporate Social Performance, Strategic Marketing Levers, and Firm-Idiosyncratic Risk," *Journal of Marketing*, 73, pp.198-213.
- Margolis, J. and J. Walsh (2003). "Misery Loves Company: Rethinking Social Initiatives by Business," *Administrative Science Quarterly*, 48, pp.268-305.
- Matten, D. and J. Moon (2008). "'Implicit' and 'Explicit' CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility," *Academy of Management Review*, 33(2), pp.404-424.
- McAlister, L., R. Srinivasan, and M. Kim (2007). "Advertising, Research and Development, and Systematic Risk of the Firm," *Journal of Marketing*, 71, pp.35-48.
- McWilliams, A. and D. Siegel (2000). "Corporate Social Responsibility and Financial Performance: Correlation or Misspecification?," *Strategic Management Journal*, 21(5), pp.603-609.
- Mela, C. F., S. Gupta, and D. R. Lehmann (1997). "The Long-Term Impact of Promotion and Advertising on Consumer Brand Choice," *Journal of Marketing Research*, 34(2), pp.248-261.
- Mizik, N. (2010). "The Theory and Practice of Myopic Management," *Journal of Marketing Research*, 47(4), pp.594-611.
- Nam, J. A., & Choi, J. S. (2022). "The Effect of CSR Persistence and Managerial Ability on the Relationship between CSR and Financial Performance," *Korean Management Review*, 51(3), pp.643-679.
- NPD Group Inc. "U.S. Restaurant Chains Look to Value Meals and New Menu Items to Drive Customer Traffic in 2018," NPD Group Inc.,

- <https://www.npd.com/wps/portal/npd/us/news/press-releases/2018/u-s-restaurant-chains-look-to-value-meals-and-new-menu-items-to-drive-customer-traffic-in-2018/>, retrieved July 2019.
- O'Reilly, L. "McDonald's Slapped Down for Focusing Its Happy Meal Advertising on the Toy and Not the Food," Business Insider, <https://www.businessinsider.com/mcdonalds-told-to-change-ads-by-childrens-advertising-review-unit-2015-5>, retrieved November 2020.
- Panera Bread. "Day-End Dough-Nation," Panera Bread, <https://www.panerabread.com/en-us/food-values/community/day-end-dough-nation.html>, retrieved June 2025.
- Panera Bread. "In our communities," Panera Bread, <https://www.panerabread.com/en-us/food-values/community.html>, retrieved June 2025.
- Peloza, J. (2009). "The Challenge of Measuring Financial Impacts from Investments in Corporate Social Performance," *Journal of Management*, 35, pp.1518-1541.
- Petersen, M. A. (2009). "Estimating Standard Errors in Finance Panel Data Sets: Comparing Approaches," *Review of Financial Studies*, 22(1), pp.435-480.
- Rego, L., M. T. Billet, and N. A. Morgan (2009). "Consumer-Based Brand Equity and Firm Risk," *Journal of Marketing*, 73, pp.47-60.
- Rhou, Y., M. Singal, and Y. Koh (2016). "CSR and Financial Performance: The Role of CSR Awareness in the Restaurant Industry," *International Journal of Hospitality Management*, 57, pp.30-39.
- Rust, R. T., T. Ambler, G. S. Carpenter, V. Kumar, and R. K. Srivastava (2004). "Measuring Marketing Productivity: Current Knowledge and Future Directions," *Journal of Marketing*, 68, pp.76-89.
- Servaes, H. and A. Tamayo (2013). "The Impact of Corporate Social Responsibility on Firm Value: The Role of Customer Awareness," *Management Science*, 59(5), pp.1045-1061.
- Tuli, K. R. and S. G. Bharadwaj (2009). "Customer Satisfaction and Stock Returns Risk," *Journal of Marketing*, 73(6), pp.184-197.
- Vishwanathan, P., van Oosterhout, H. J., Heugens, P. P., Duran, P., & Van Essen, M. (2020). "Strategic CSR: A Concept Building Meta-Analysis," *Journal of Management Studies*, 57(2), pp. 314-350.
- Wang, H., J. Choi, and J. Li (2008). "Too Little or Too Much? Untangling the Relationship Between Corporate Philanthropy and Firm Financial Performance," *Organization Science*, 19(1), pp.143-159.
- Weber, O., and G. Saunders-Hogberg (2020). "Corporate Social Responsibility, Water Management, and Financial Performance in the Food and Beverage Industry," *Corporate Social Responsibility and Environmental Management*, 27(4), pp.1937-1946.
- Whalen, R., J. Harrold, S. Child, J. Halford, and E. Boyland (2018). "The Health Halo Trend in UK Television Food Advertising Viewed by Children: The Rise of Implicit and Explicit Health Messaging in the Promotion of Unhealthy Foods," *International Journal of Environmental Research and Public Health*, 15(3), p.560.
- Wiklund, J. "Coupons up at restaurants," The Food Institute, <https://foodinstitute.com/focus/coupons-up-at-restaurants-2/>, retrieved March 2020.

Yoon, B. and Y. Chung (2018). "The Effects of Corporate Social Responsibility on Firm Performance: A Stakeholder Approach," *Journal of Hospitality and Tourism Management*, 37, pp.89-96.

Youn, H., Song, S., Lee, S., & Kim, J. H. (2016). "Does the restaurant type matter for investment in corporate social responsibility?," *International Journal of Hospitality Management*, 58, 24-33.

-
- The author YongHee Kim is currently a faculty member in the Department of Business Administration (Marketing) at Pusan National University. She received her Ph.D. in Hospitality Management from The Pennsylvania State University. Her main research interests include marketing strategy—particularly the relationship between ESG strategies and corporate financial performance—as well as digital marketing.
 - The author HyunJin Lee is currently a visiting professor in the Department of Business Administration at Kyungsoo University. He received his Ph.D. in Business Administration from Pusan National University. His main research interests include marketing strategy, digital marketing, and ESG.