Understanding corporate philanthropy in the hospitality industry

Abstract

This study contributes to the literature on hospitality research by extending the investigation to the hospitality industry in the emerging country of Taiwan. Specifically, based on the value enhancement and agency cost theories, this study is the first examination of the determinants of corporate philanthropy in the hospitality industry. Panel regression test results using 13 publicly traded hospitality companies from 1996 to 2011 indicate that value enhancement determinants (labor intensity and profitability) and agency cost determinants (board size and the ratio of independent directors to total directors) are significant in explaining the discretionary behavior of corporate philanthropy in the Taiwanese hospitality industry. Furthermore, the lagged philanthropy-to-sale ratio is found to be relevant for corporate philanthropy decisions in the hospitality industry in Taiwan.

Keywords: Corporate philanthropy; Value enhancement theory; Agency cost theory; Hospitality industry