The Effect of Corporate Sustainability Initiatives on the Financial Performance of Tourism Firms in Tanzania

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Abstract

This study investigated the effect of corporate sustainability initiatives on the financial performance of tourism firms in Tanzania. The data was collected from 304 firms comprising of tour operators and hotels operating in Tanzania. The data was analysed using structural equation modelling (SEM) technique. The results indicated that involvement in the community, economy, and eco-efficiency initiatives leads to higher financial performance of tourism firms. Specifically, involvement in community initiatives had the highest predictive power on financial performance while eco-efficiency initiatives had the lowest. The results imply that the influence of corporate sustainability initiatives on firm performance, in the study context, increases with increasing firm involvement in initiatives that have immediate benefits on community interests and little immediate benefits to firm interests – i.e. no quid pro quo. Conversely, the influence of firm corporate sustainability initiatives on firm financial performance is reduced with increased firm involvement in initiatives that have immediate benefits to firms' self-interest and little immediate benefits to community interests. This study is one of the early attempts to examine the effect of corporate sustainability dimensions in the tourism industry in a Sub Saharan African (SSA) context. The study identifies important characteristics of corporate sustainability initiatives which determine the extent of initiatives' influence on firm financial performance. The findings imply that firm managers in the SSA context need to design their corporate sustainability initiatives with a higher orientation towards initiatives that serves community interests more than firms' self-interests.

Key Words: Corporate Sustainability, Financial Performance, Tourism, Tanzania, Sub Saharan Africa

Introduction

Firms have increasingly been encouraged to invest in corporate sustainability (Serra-Cantallops et al., 2018). Corporate sustainability may be defined as firms' commitment to improving the social and environmental wellbeing of societies (Barnett, 2007; Maignan & Ferrell, 2004; Lankoski, 2016; Peloza & Shang, 2011). Moreover, these sustainability commitments are claimed to have corresponding financial benefits on firms (Carroll & Shabana, 2010) thus offering a win-win situation (Frederiksen, 2010). For over 40 years, scholars have researched the nexus between investment in corporate sustainability and firms' financial performance

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(Grewatsch & Kleindienst, 2017). However, the mixed results have left the business case argument for corporate sustainability unresolved (Grewatsch & Kleindienst, 2017; Orlitzky, 2011).

Research on the effect of corporate sustainability on financial performance in the tourism industry has received little attention with mixed results (Rhou & Singal, 2020; Rhou et al., 2016). Several justifications have been cited, for the mixed results, which extend from operationalization of the constructs to missing links between the constructs (Grewatsch & Kleindienst, 2017; Orlitzky, 2011). Multiple conflicting approaches used to operationalize the corporate sustainability construct has specifically been cited as one of those explanations and attracted research attention (Rhou & Singal, 2020; Innoue & Lee, 2011). While some studies have utilized aggregate measures of corporate sustainability, others have treated corporate sustainability as a multidimensional construct. The scholars however have no consensus on the number of corporate sustainability dimensions (Carroll, 2015; Elkington, 1997). In recent decades, the corporate sustainability has been most often classified into three dimensions of initiatives: social, economic and environmental (Montiel & Delgado-Ceballos, 2014). In relation to financial performance, each initiative has had its unique impact (Inoue & Lee, 2011). Therefore, the operationalization of corporate sustainability as a single construct masks the impact of individual initiatives on the financial performance. Moreover, most of these studies in the tourism industry have mainly focused on the environmental initiatives while little focus is given to the social and economic initiatives (Rhou & Singal, 2020).

Geographically, the research on the effect of corporate sustainability on financial performance in general has focussed in the western world and recently in the Asian region (Alshehhi et al., 2018; Rhou & Singal, 2020). The African continent and specifically Sub Saharan African (SSA) countries have received negligible research interest (Alshehhi et al., 2018; Grewatsch & Kleindienst, 2017; Rhou & Singal, 2020). The research findings from other contexts cannot be utilized in the SSA because of its unique corporate sustainability conceptualization and practices (Visser, 2006) explained by SSA's unique culture, socio-economic and political challenges, as well as managerial traits (Dartey-Baah & Amponsah-Tawiah, 2011; Kühn et al., 2018; Visser, 2006). Therefore, there is value-added in examining the effect of different corporate sustainability initiatives on tourism firms' financial performance in SSA.

This study aims to examine the effect of corporate sustainability initiatives on firm financial performance for firms operating in the tourism industry in Tanzania. The study's focus on Tanzania addresses the scarcity of these studies in the SSA context (Kühn et al., 2018; Nyuur et al., 2014; Visser, 2006). The choice of the tourism industry is based on its significant contribution to the foreign currency earnings, employment, and GDP of the country (WTTC, 2018). Tanzania receives an average of 1.5 million international tourists per annum and generates over US$ 2.4 billion which is more than 25% of the total exports, 60% of services receipts and 9% of total investments (WTTC, 2018). According to WTTC (2018), the sector supports over 467,000 direct jobs and 1,337,000 total jobs which is equivalent to 12.2 % of the nation's total employment. Employment contribution of tourism is expected to rise to 795,000 direct jobs (4.0% of total employment) in 2028 (Anderson, 2018).

Literature

The Concept of Corporate Sustainability

Corporate sustainability is one of the concepts that describe the nature of the relationship between business and society (Lankoski, 2016). Other concepts include corporate social responsibility (CSR), corporate citizenship, corporate stewardship, business ethics, stakeholder management, conscious capitalism, and creating shared value (Carroll, 2015). In tourism the related industry-specific concepts include eco-tourism, ethical tourism, responsible tourism, sustainable tourism, green tourism, minimum impact tourism, and soft tourism (Mihalic, 2016). Although these concepts emerged as different ideas in the past, they are recently converging and used as synonyms with overlapping meanings (Montiel, 2008; Montiel & Delgado-Ceballos, 2014; Strand et al., 2015). In practice, firms' commitments to improving the social and environmental wellbeing of the society are named after these concepts interchangeably (Grewatsch & Kleindienst, 2017; Montiel, 2008) with more preference towards the term corporate sustainability (Montiel, 2008; Strand et al., 2015).

Due to variations in the theoretical description of the corporate sustainability concept (Garriga & Melé, 2004), there is a lack of consensus on the exact meaning of the term (Dahlsrud, 2008; Lankoski, 2016). However, most of the corporate sustainability theories generally argue that firms need to advance the socio-economic and environmental interests of societies (Dahlsrud, 2008; Garriga & Melé, 2004) simultaneous to their profit maximization efforts (Elkington, 1997). This implies that firms are expected to ensure that their policies, strategies and operations do not cause harmful effects on the socio-economic and environmental dimensions of society. Therefore, corporate sustainability may be defined as firms' efforts to achieve both the enhanced wellbeing of the society (including the natural environment) and value for the firm (Glavas & Kelley, 2014). The concept may be manifested through initiatives, actions or activities undertaken to display the firm's efforts to improve social welfare (Barnett, 2007; Maignan & Ferrell, 2004; Peloza & Shang, 2011).

In operationalizing corporate sustainability, this construct is considered to be multidimensional (Carroll, 1979; Elkington, 1997). Despite this understanding, there is no agreement among scholars over the types and number of dimensions of the corporate sustainability construct. From a sustainable development perspective corporate sustainability is considered as a tri-dimensional construct made of the social, environmental, and economic initiatives (Diesendorf, 2000; Elkington, 1997). As a tool for managing stakeholders, scholars prefer to categorize corporate sustainability initiatives based on the groups of the target stakeholders such as community, customers, suppliers, and employees (Inoue & Lee, 2011). Yet, Chambers et al. (2003) and Kühn et al. (2018) suggested that corporate sustainability initiatives in developing countries may be categorized into community involvement, socially responsible production processes, and socially responsible employee relations.

This study relies on a sustainable development perspective (Diesendorf, 2000; Elkington, 1997) to determine corporate sustainability dimensions. While taking into consideration the unique implementation of corporate sustainability in the SSA context (Kühn et al., 2018) and Tanzania in particular (Melubo & Lovelock, 2018), corporate sustainability initiatives, in this study, are categorized into three initiatives. These are community (social), economy (economic), and eco-efficiency (environmental). The community initiatives involves actions that address social and

ecological challenges in the local community such as donations of school or healthcare supplies as well as donations to environmental NGOs (Kühn et al., 2018). These are mainly operationalized through philanthropy contributions to the community organizations (Kühn et al., 2018). Thus, community initiatives are expected to have immediate benefits to the community while firms expect no immediate benefits from undertaking these initiatives.

The economy initiative involves firms' efforts to enhance the economy of the local communities, e.g. initiatives such as local hiring and local sourcing (Melubo & Lovelock, 2018). For economy initiatives, firms are not making philanthropic contributions, but have policies which ensure the community benefits economically from the firm. Therefore, economy initiatives take the middle position – they have immediate benefits both to the community and the firm. Eco-efficiency initiatives involve firms' efforts to reduce the consumption of utilities and other supplies utilized in firms' operations as well as minimizing the generation of wastes and pollution associated with firms' operations (Melubo & Lovelock, 2018). For that matter, eco-efficiency initiatives have no immediate benefits to the community but may have immediate benefits to the firms, especially with cost reduction. The theoretical relationship between these initiatives and firm financial performance can be understood through the resource based view (RBV) theory.

Resources Based View

This is one of the management theories that inform the research on the nature of relationship between corporate sustainability and financial performance (Grewatsch & Kleindienst, 2017; Van Beurden & Gössling, 2008). The resource-based view (RBV) describes the influence of firm's resources and capabilities on firms' sustainable competitive advantage (Barney, 1991; Dierickx & Cool, 1989; Peteraf, 1993; Wernerfelt, 1984). Resources, in this context, refer to strengths, advantages, or assets which firms can use to implement their strategies (Barney, 1991; Wernerfelt, 1984). Resources also include the firm's technical know-how, management skills, human capital, and reputation (Surroca et al., 2010).

The RBV proposes that firms perform differently because they own different resources and capabilities with different value-creating abilities. The RBV argues that the implementation of a strategy employs various resources and capabilities (Barney, 1991). However, not all resources and capabilities of the firm may enable the firm to implement its value-creating strategies. Thus, the RBV proposes that valuable, rare, inimitable and non-substitutable (VRIN) resources and capabilities are capable of enabling a firm to conceive and implement a value-creating strategy (Barney, 1991; Dierickx & Cool, 1989; Peteraf, 1993; Wernerfelt, 1984). The value created through such strategies is expected to be the source of sustainable competitive advantage and subsequently, better firm performance relative to competitors (Newbert, 2007). Drawing on RBV, scholars (including Orlitzky et al., 2003; Surroca et al., 2010) argue that corporate sustainability may be an organizational VRIN resource. Therefore, firms that are proactively involved in corporate sustainability, are expected to gain more sustainable competitive advantage and its resulting positive impact on financial performance (Hart, 1995, Newbert, 2007).

Corporate Sustainability and Financial Performance

The effect of corporate sustainability on firm financial performance has attracted extensive research with conflicting results (Grewatsch & Kleindienst, 2017; Orlitzky, 2011; Van Beurden & Gössling, 2008). One stream of research suggests that higher investment in corporate

sustainability initiatives leads to higher financial performance (Boluk, 2013; Ghaderi et al., 2019; Qu, 2014; Zhu, 2013). An opposite strand of research suggests a negative relationship between corporate sustainability and firm performance. Friedman (1970), for example, argued that firms have only one social responsibility, which is to increase profits. That means, by increasing investment into environmental or social initiatives, firms unnecessarily incur costs and thus reduce their profitability. Several scholars (Vance 1975; Brammer et al., 2006; Lin-Hi & Muller, 2013; Wang et al., 2014) have tested this proposition and found that higher investment in corporate sustainability leads to lower financial performance. In addition to the contradicting results other studies have found no relationship (Hoepner et al., 2011; Koh et al., 2009; McWilliams & Siegel, 2000; Moneva et al., 2020).

The research investigating the effect of corporate sustainability on financial performance in the tourism industry has received little focus with mixed conclusions (Rhou & Singal, 2020; Rhou et al., 2016). Studies that measured corporate sustainability as a single construct, generally have found a positive effect (Rhou & Singal, 2020). For example, Rodríguez and Cruz (2007) observed that the perceived level of social-environmental responsibility has a positive impact on return on assets. Lee and Park (2009) showed that hotels' corporate sustainability initiatives enhanced corporate financial performance in terms of return-on-assets (ROA), return-on-equity (ROE), and average market value (AMV). Hellmeister and Richins (2019) showed a positive relationship between sustainability commitment and financial performance.

However, studies that operationalized corporate sustainability as a multidimensional construct generally found mixed results. For example, Inoue and Lee (2011) showed that hotels' involvement in the community and product dimensions of corporate sustainability increases both return on assets and Tobin's Q while no effect is found in respect of employees and environment dimensions. Moreover, the involvement in diversity dimension increases Tobin's Q but not the return on assets (ROA). Kang et al. (2010) showed that positive corporate sustainability practices of hotels have no effect on the accounting measures (return on equity and return on assets) but significantly affected the market measures (price earnings ratio and Tobin's Q). On the other hand, negative corporate sustainability practices did not affect financial performance at all. Molina-Azorín et al. (2009) results indicate that hotels' perceived advanced environmental commitment (proactivity) positively affected financial performance; while the basic environmental practices did not. Garay and Font (2012) indicated that all dimensions of corporate sustainability (environmental, social and economic) had a positive correlation with managers' satisfaction with financial performance. Moneva et al. (2020) found a neutral impact of environmental, social and governance CSR dimensions on firms' financial success. Ghaderi et al. (2019) showed that all the core dimensions of CSR, which are social, economic, legal, ethical and environmental had direct and positive consequences for hotel performance. The literature, therefore, suggests that the debate on the effect of corporate sustainability practices on financial performance is still unresolved.

Hypothesis Development

This study categorized corporate sustainability into community, economy and eco-efficiency initiatives to determine their individual effects on firm financial performance. The relationship of each initiative on firm financial performance is discussed below:

Community Initiatives and Financial Performance

In the Sub Saharan African context, community engagement is the most common initiative operationalized through philanthropic commitments (Kühn et al., 2018; Visser, 2006). The effect of the community dimension of corporate sustainability on financial performance in the tourism industry is generally under-researched (Rhou & Singal, 2020). However, there is a new growing body of research on the relationship between corporate philanthropy and firm financial performance with mixed results. Several studies have found significant positive relationship between philanthropic commitments towards the community and financial performance of tourism firms (Chen & Lin, 2015; Inoue & Lee, 2011; Kim & Pennington-Gray, 2017; Wang et al., 2018). Other studies have found neutral relationship between corporate philanthropy and financial performance of tourism firms (Seifert et al., 2004; Wang et al., 2019b). Moreover, Wang et al. (2019a) found that philanthropy does not significantly influence travel firms' financial performance but significantly influence hotels' financial performance. However, the influence of philanthropy on hotels' performance was in an inverted U-shape. A similar relationship was also found by Chen and Lin (2015). Despite mixed findings, community initiatives through philanthropic commitments is an expected norm in Sub Saharan Africa (Kühn et al., 2018; Visser, 2006). Therefore, primary stakeholders, including customers, are expected to rewards firms that engage in community initiatives. It is therefore hypothesized that (H1) the higher the involvement in the community initiatives the higher the financial performance.

Eco-efficiency Initiatives and Financial Performance

Most of the studies on the effect of corporate sustainability on financial performance in the tourism industry focused on the eco-efficiency dimension of corporate sustainability (Rhou & Singal, 2020). The literature generally indicates that most tourism firms, especially in the developed world, engage in eco-efficiency practices (Serra-Cantallops et al., 2018). The primary benefit pursued by firms in undertaking eco-efficiency practices is mostly to reduce operational costs (Bohdanowicz & Zientara, 2008; Sheldon & Park, 2011). The empirical studies on the effect of eco-efficiency dimensions on financial performance have achieved mixed results. Some studies indicated that higher eco-efficiency initiatives lead to higher financial performance (Garay & Font, 2012; Molina-Azorín et al., 2009; Rodríguez & Cruz, 2007; Singal, 2014). However, other studies have indicated that environmental initiatives have no effect on financial performance (Claver-Cortés et al., 2007; Inoue & Lee, 2011; Moneva et al., 2020). In the Sub Saharan African context, eco-efficiency as well as other corporate sustainability practices with links to operations are given little significance across firms (Kühn et al., 2018). However, these practices are useful in reducing operational costs and regulatory penalties for hospitality firms. Therefore, it is thought that, even in the SSA context, (H2) the higher the involvement in eco-efficiency initiatives will result in higher financial performance.

Economy Initiatives and Financial Performance

Economy initiatives, in this study, refer to firms' commitment to improve the economy of the local community (Lankoski, 2016). Melubo and Lovelock (2018) observed that tourism firms in Tanzania engage in local hiring, local sourcing and economic empowerment of women and youth as economy initiatives which may improve the economic well-being of individuals in the local communities. Although studies consider the economy initiatives of corporate sustainability as an integral part of the sustainability concept, they differ on how they conceptualize it (Lankoski, 2016). In most studies, the economic dimension of corporate sustainability is

generally considered synonymous to the financial performance of firms (Lankoski, 2016). Therefore, few studies have investigated the effect of economic initiatives on financial performance (Rhou & Singal, 2020). However, the few studies that examined the relationship between the economic dimension of sustainability and financial performance have found a positive relationship (Garay & Font, 2012; Ghaderi et al., 2019). Therefore, despite the existence of a few studies investigating this relationship, it is hypothesized that (H3) the higher the involvement in economy initiatives the higher the financial performance.

Methodology

This study adopted a quantitative approach to test the hypothesized effect of corporate sustainability on firm financial performance. The study focused its analysis on data collected from a sample of 304 tour operators and hotels operating in Tanzania. The number of licensed tourism firms in 2018 as listed on the website of the Ministry of Natural Resources and Tourism (MNRT) is about 1,149 tour operators and 450 hotels (MNRT, 2018). In Tanzania, the two subsectors account for more than 80% of licensed tourism firms (MNRT, 2018). Based on the website of the Tanzania Association of Tour Operators (TATO), the majority of tour operators' head offices are located in the Arusha city. Moreover, most tourist hotels in Tanzania are located in Arusha, Dar es Salaam, Kilimanjaro, and Zanzibar (Philemon, 2015).

The data was collected using a questionnaire with close-ended questions. Questionnaires were circulated to tour operators and hotels in Arusha, Kilimanjaro, Dar es Salaam, and Zanzibar, at their physical office locations. Convenience sampling was adopted to collect data from tourism firms based on the readiness of firms' managers to accept filling the questionnaire. Every firm was requested to fill only one questionnaire, which was to be filled by an individual holding the senior management position. Senior managers receive information and make decisions about almost every significant detail related to the firm, including sustainability and financial issues. Thus senior managers were considered to be relevant respondents for the information inquired by this study.

Finally, 304 properly filled questionnaires were collected. This number was adequate for a structural model of four constructs with at least three measured items as indicators (Hair et al., 2010). The largest proportion of respondents (39%) was made up of directors/general managers. Other respondents included owner-managers (20%), finance managers (15%), operations managers (for tour operators) (13%), and Sustainability/CSR Managers (8%). The questionnaires were filled by 141 hotels (46%) and 163 tour operators (54%). The distribution of firms based on firm size was as follows; micro-sized (31%), small-sized (49%), medium-sized (13%), and large-sized (7%).

Measures

Corporate Sustainability

The corporate sustainability construct was measured through 3 separate initiatives constructs – community, economic, and eco-efficiency. Measurement items for the community and economic constructs were developed by the researchers from scratch since community involvement in SSA has unique features relative to those of Western context (Kühn et al., 2018). The study by Melubo and Lovelock (2018) was referred to identify the key initiatives that fall under community and economic initiatives. After that, questions (i.e. measurement items) were

developed by the researchers. Eco-efficiency measurement items, on the other hand, were adopted from the basic environmental commitments used by Molina-Azorín et al. (2009). Each of these three constructs was measured using items identifying common corporate sustainability initiatives the firm has actively been undertaking in the past five years, employing a five-point Likert scale ranging from 1 (never undertaken) to 5 (always undertaken).

Financial Performance

Prior literature has measured financial performance using accounting or stock market indicators. Since none of the tourism firms is listed in the Dar es Salaam Stock Exchange, the researcher remains with only accounting indicators of financial performance. So, financial performance was measured as a single construct. The measurement items are adopted from perceptual measures of performance employed by Molina-Azorín et al. (2009), Garay and Font (2012) and Combs et al. (2005). The construct is operationalized using, as a proxy, the managers' level of satisfaction with the financial situation of the firm in the past five years (Garay & Font, 2012; Molina-Azorín et al., 2009). Respondents were requested to indicate their level of satisfaction with the financial situation of the firm in the past five years employing five-points Likert scale ranging from 1 (very poor) to 5 (very good).

Control Variables

In addition to the study constructs, the questionnaire also inquired the respondents about firm characteristics (Firm Type and Firm Size). Firm type refers to whether a firm is a hotel or tour operator. The firm size was operationalized based on the definition provided by the Tanzania National SMEs Policy of 2002. According to the policy, the firm size may be determined based on the number of employees: micro-sized (0 to less than 5), small-sized entities: (5 to 49), medium-sized (50 – 99), and large firms (above 100). These characteristics of firms were later used as control variables on the structural model. Since this study derived its data from two different categories of tourism firms – i.e. tour operators and hotels – it was considered appropriate to control for the effect of firm type on the relationship between corporate sustainability practices and firm performance. Prior literature suggests that corporate sustainability conceptualization and practices vary across the subsectors of the tourism industry (Dodds & Kuehnel, 2010; Martínez et al., 2013) and so is their effect on firms' financial performance (Inoue & Lee, 2011; Lee & Park, 2009). Moreover, large firms are considered to have slack resources which enhances the firms' ability to undertake corporate sustainability practices effectively (Aguinis & Glavas, 2012; Van Beurden & Gössling, 2008). Therefore, several studies have controlled for the effect of firm size on investigating corporate sustainability and firm performance relationship (Brammer et al., 2006; Grewatsch & Kleindienst, 2017; Surroca et al., 2010).

Data Analysis and Results

Data Screening

Data collected were subjected to missing values analysis and outliers checks. Missing Values Analysis showed that there were no cases or variables with more than 10% missing values, and thus the level of missing values was considered low (Hair et al., 2010). Cases with missing values in the dependent variables were deleted to avoid additional artificial relationships with independent variables (Hair et al., 2010). Therefore, the remaining missing data were remedied using median imputation. A test for univariate outliers was performed by producing boxplots

which were carefully analysed. All outliers indicated by the boxplots were normal data as obtained from the survey. This observation is common since when data are skewed, the few extremely lower or high scores tend to be reported as outliers in SPSS (Pallant, 2013). Then a multivariate outlier test was performed by calculating Mahalanobis Distance for each case using a summated scale for Financial Performance (a dependent variable). The maximum Mahalanobis Distance was found to be 46.152, which was below the critical value of 49.73, which indicates that there were no indications of multivariate outliers (Pallant, 2013).

Exploratory Factor Analysis

Since some of the measurement scales used in this study were new, exploratory factor analysis was performed to identify if the measurement items may converge to the construct they are designed to measure. Visual inspections of the correlation matrix revealed that a substantial number of correlation coefficients were higher than the recommended minimum of 0.3 (Hair et al., 2010). The Kaiser-Meyer-Olkin value was 0.794, the measure of sampling adequacy for each item was above the recommended minimum of 0.5, and Bartlett's Test of Sphericity was statistically significant. These indicators support the factorability of the correlation matrix. Factor analysis was performed using the principal axis factoring extraction method. The results produced a 5-factor solution with an eigenvalue greater than 1. Direct Oblimin rotation was performed to extract factors. Five items were dropped from their respective factors due to having communality values less than 0.5. This observation resulted in deleting the fifth factor, which had only 1 item. Table 1 indicates the resulting constructs and their measurement items.

Table 1: Measurement Items' Factor Loadings from Exploratory Factor Analysis

	Community	**Eco-efficiency**	**Economic**	**Financial Performance**
CMT1 – Education	0.868			
CMT2 – Health	0.847			
CMT3 – Water	0.859			
CMT4 – Reforestation	0.772			
ECN1 - Local hiring			0.769	
ECN2 - Local sourcing			0.705	
ECN4 - Engage local suppliers			0.823	
ECO1 - Efficient use of resources		0.851		
ECO3 - Minimize pollution		0.957		
ECO4 - Waste management		0.962		
SFP1 - Business growth				-0.735
SFP2 - Market share growth				-0.839
SFP3 – Sales growth				-0.89
SFP4 – Profitability growth				-0.771
Cronbach's Alpha	0.915	0943	0.795	0.883

Extraction Method: Principal Axis Factoring.

Rotation Method: Oblimin with Kaiser Normalization.

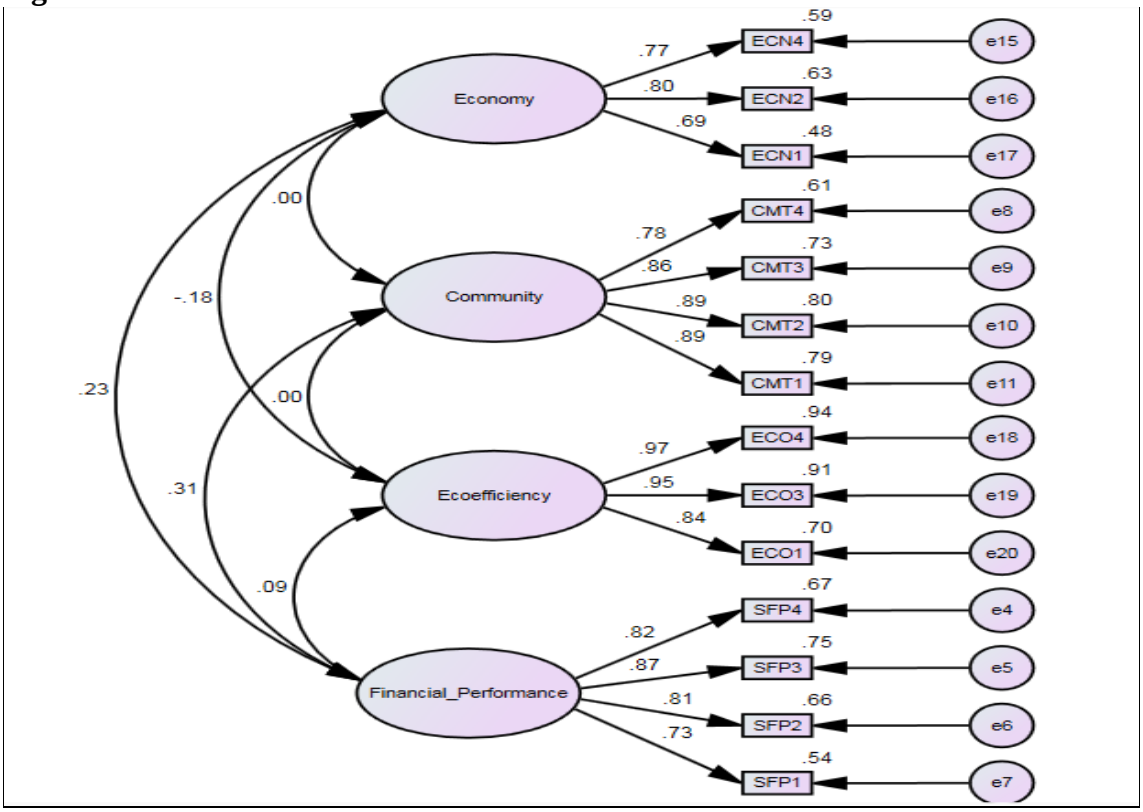
Confirmatory Factor Analysis

This study uses structural equation modelling (SEM) technique to test the stated hypotheses. It is therefore vital to ensure the validity and reliability of the constructs before running the hypotheses tests. The validity and reliability of the constructs were assessed using Confirmatory Factor Analysis (CFA) measurement model (Figure 1).

Model Fit

The initial results of the confirmatory factor analysis indicated that the model chi-square is 146.888 with 71 degrees of freedom. The p-value associated with this result is significant given a type I error of 0.05, which suggests poor model fit. However, given the problems associated with the use of this test alone and the effective sample size of 304, it was expected to arrive at significant p-value (Hair et al., 2010). Therefore, other fit statistics shall be examined. The rule of thumb suggests that the conclusion for the model fit shall be drawn by relying on at least one absolute fit index and one incremental index in addition to the chi-square statistic results (Hair et al., 2010).

Figure 1: CFA Measurement Model



Absolute fit indices indicate that the normed chi-square value (CMIN/df) is 2.069. The CMIN/df value between 2 and 3 is considered an acceptable fit (Hair et al., 2010). RMSEA value is 0.063, which is below the 0.07 cut-off for a model of between 12 and 30 measurement variables and more than 250 observations (Hair et al., 2010). The SRMR value is 0.0491, which is below the recommended cut-off point of 0.08 for a model of this complexity and sample size (Hair et al., 2010).

Table 2: Constructs' Convergence Validity Indicators

	Loadings	AVE	CR
Financial Performance		0.655	0.932
SFP4	0.817		
SFP3	0.866		
SFP2	0.811		
SFP1	0.739		
Community Initiatives		0.717	0.949
CMT4	0.785		
CMT3	0.823		
CMT2	0.891		
CMT3	0.883		
Economy Initiatives		0.567	0.872
SPE4	0.770		
SPE2	0.796		
SPE1	0.689		
Eco-efficiency Initiatives		0.779	0.949
SPV4	0.971		
SPV3	0.918		
SPV1	0.742		

The incremental fit indices indicate that CFI and TLI have values of 0.970 and 0.962 respectively which exceed the recommended cut-off of 0.92 for a model of this complexity and sample size (Hair et al., 2010). Therefore, confirmatory factor analysis results suggest that the CFA measurement model provides a reasonably good fit and thus, it is suitable to proceed to examine constructs' validity and reliability.

Construct Validity and Reliability

Construct validity is determined through convergent and discriminant validity. Convergent validity may be determined through: factor loadings, average variance extracted (AVE), and composite reliability. From the confirmatory factor analysis results, Table 2, all standardized loadings estimates and AVE exceeded the recommended minimum of 0.5 (Hair et al., 2010). Also, composite reliability values were above the recommended minimum of 0.7 (Hair et al., 2010).

Table 3: Discriminant Validity Indicators

		1	2	3	4
1	Financial Performance	**0.655**			
2	Community Engagement	0.085	**0.717**		
3	Economy	0.054	0	**0.567**	
4	Eco-efficiency	0.016	0	0.015	**0.779**

The bold diagonal figures are the AVE for the constructs.
Off-diagonal figures are the inter-construct squared correlations.

Discriminant validity is estimated by comparing the AVE values for any two constructs with the square of the correlation estimates between these constructs. The AVE of constructs should be greater than the squared correlation between the constructs (Hair et al., 2010). The results indicate that all AVEs on the table are higher than inter-construct squared correlations, as shown in Table 3. This observation supports the discriminant validity of the model.

SEM Analysis

Multivariate Assumptions

SEM analysis assumes that data distribution is normal, linearly related, and free from multicollinearity. Univariate and multivariate normality was reviewed using kurtosis critical values (Byrne, 2010). The results indicate that the univariate kurtosis values are less than 7, which suggests that data distribution is moderately normal (Byrne, 2010). Similarly, the multivariate kurtosis indicated that the critical ratio is 4.191, which show that the data are moderately multivariate non-normal but sufficient for SEM estimation technique (Byrne, 2010; Ory & Mokhtarian, 2010).

Multicollinearity was determined by computation of Variable Inflation Factor (VIF). The results show that all VIF values were less than 2, indicating that all exogenous variables are distinct from each other (Pallant, 2013). Linearity among latent variables is difficult to assess. However, the linear relationship between pairs of measured variables can be evaluated through a matrix of scatterplots between each pair of the variables (Pallant, 2013). The number of scatterplots matrices to be reviewed was relatively large, given a large number of items. Therefore, the evaluation was conducted through inspection of scatterplots matrices for several pairs of variables randomly selected from the data. The results indicate that the relationship between all the reviewed pairs of observed variables was moderate to strong linear.

Hypotheses Tests Results

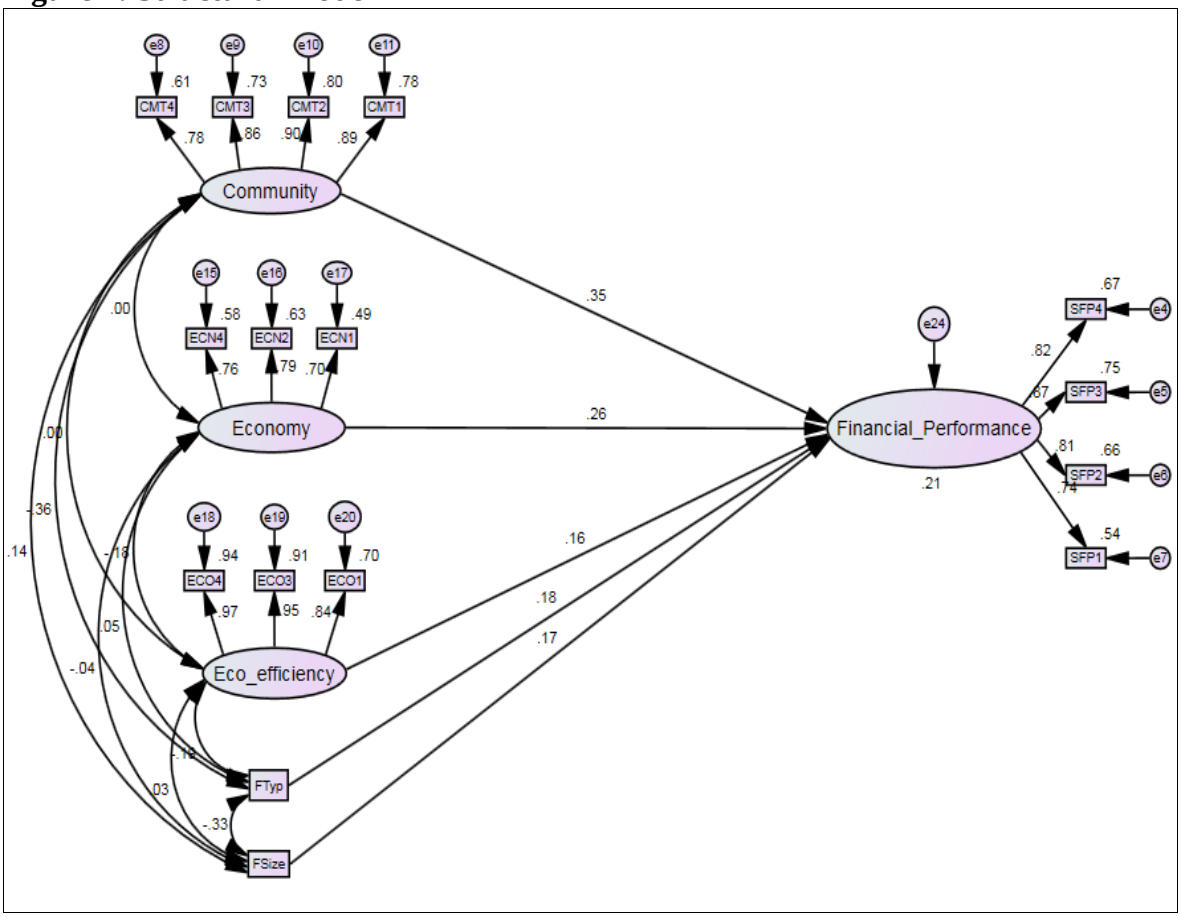
Table 4 shows the structural model's goodness of fit statistic. The statistics show that the structural model meets all the minimum requirements for incremental and absolute measures of model goodness of fit.

Table 4: Goodness of Fit Statistics for Structural Model

Index	CMIN	DF	P-value	CMIN/DF	CFI	TLI	RMSEA	SRMR
Value	178.629	91	0.000	1.963	0.967	0.956	0.059	0.0460

Figure 2 shows the initial structural model with standardized parameters while controlling for firm size and firm type.

Figure 2: Structural Model



The examination of structural path coefficients, Table 5, indicates that all the three hypothesized paths testing the effect of corporate sustainability on firm financial performance was statistically significant and exhibited a positive effect. The results indicated that community initiative (β = 0.350, p = 0.000) was the strongest predictor of financial performance, among the corporate sustainability initiatives, followed by the economy initiative (β = 0.263, p = 0.000). The eco-efficiency initiatives also (β = 0.164, p = 0.009) had positive and significant effect on financial performance. The control variables also indicated that both firm type and firm sizes had a significant positive effect on firm financial performance. The R-squared value shows the independent variables together explain 21% of variations in financial performance, which is a significant explanatory effect.

Table 5: Structural Model Results

Dependent Variable	**Independent Variable**	**Hypothesis**	**β**	**P**	**R^2**
Financial Performance	Community	H1	0.350	0.000	0.21
	Economy	H2	0.263	0.000	
	Eco-efficiency	H3	0.164	0.009	
	Firm Type		0.177	0.010	
	Firm Size		0.174	0.006	

Discussion

This study has investigated the effect of corporate sustainability initiatives on the financial performance of tourism firms in Tanzania. The results indicate that all corporate sustainability initiatives have positive and statistically significant effects on firm financial performance. This suggests that the higher the firms' involvement in firms' corporate sustainability initiatives, the higher the firms' financial performance. These results are similar to prior studies which found that higher involvement in community initiatives (Chen & Lin, 2015; Inoue & Lee, 2011; Kim & Pennington-Gray, 2017; Wang et al., 2018), eco-efficiency initiatives (Garay & Font, 2012; Molina-Azorín et al., 2009; Rodríguez & Cruz, 2007; Singal, 2014), and economy initiatives (Garay & Font, 2012; Ghaderi et al., 2019) leads to higher firm financial performance. However, the positive impact of corporate sustainability initiatives on firm financial performance varies from one initiative to the other. The results indicate that community initiatives have the highest predictive power on the financial performance of tourism firms in Tanzania, while eco-efficiency initiatives have the lowest predictive power. The economic initiatives predictive power is in between that of the other two initiatives. The variations in the predictive powers may be explained by the relative immediate benefits that these initiatives have on either community or firm interests. Community initiatives highest predictive power can be explained by their immediate benefits to the community interests without reciprocal immediate benefits to the firm interests. Conversely the effect of eco-efficiency on financial performance can be explained by the immediate benefits it has to the firm with no immediate benefits to the community. The economic initiatives bring immediate benefits both to the community and the firm and thus take the middle predictive power on financial performance.

The results thus suggest that the highest contribution of an initiative on financial performance is associated with its higher immediate contribution to societal interests and little to no immediate contribution to firm interests. Conversely, the lowest contribution of an initiative on financial performance is associated with initiatives that have little immediate contribution to community interest and higher immediate contribution to firm interests. These results suggest that firms are highly rewarded financially when they voluntarily invest in initiatives that enhance community interests without indications of *quid pro quo* i.e. no reciprocal immediate benefits to the firm. Conversely, the proportion of financial rewards decreases when firms invest more in initiatives that have immediate benefits to the firm self-interests. This implies that firms in the study context are expected to invest in corporate sustainability for the benefits of society rather than for their self-interests. The results may also imply that stakeholders value corporate sustainability initiatives which appear to serve the societal interests more than those appearing to serve firms' self-interests. The primary stakeholders of tourism firms – governments, local communities (Visser, 2006), and tourists – seems to have a higher preference on corporate sustainability initiatives that prioritize addressing community interests. In return, these stakeholders reward firms with customer loyalty, and legitimacy to operate in the surroundings. In the long-run, therefore, tourism firms that emphasize corporate sustainability initiatives enhancing community interests make a steady income.

These results emphasize the importance of community orientation of corporate sustainability practices in the SSA context. In the context where community oriented initiatives are highly emphasized (Kühn et al., 2018; Visser, 2006), corporate sustainability investments with such orientation are more likely to be highly rewarded financially. This suggests that corporate

sustainability practices that are generally emphasized in a particular context are likely to result in reciprocal financial rewards to the firm. Therefore, it is most probable to find firms in the developed world context, which emphasize eco-efficiency initiatives (Sheldon & Park, 2011; Serra-Cantallops et al., 2018), to earn higher financial rewards through their investment in eco-efficiency initiatives. This understanding is crucial for firms in deciding the nature of their corporate sustainability investments in any particular context.

Conclusion

This study has examined the effect of corporate sustainability initiatives on the financial performance of tourism firms in Tanzania. The results indicate that higher investment in corporate sustainability initiatives may enhance firms' financial performance, however, with varying levels of impact. Moreover, the study shows that community initiatives, which are highly emphasized in the SSA context, have the highest positive influence on the financial performance of tourism firms operating in the SSA context. Furthermore, the results show that the influence of corporate sustainability initiatives on firm performance, in the study context, increases with increase in immediate benefits a particular initiative has on the community interests without reciprocal benefits to the firm interests.

The study presents one of the early empirical evidence on the influence of corporate sustainability initiatives on firm financial performance in the SSA and Tanzania in particular. The study highlights the important characteristics of corporate sustainability initiatives in the SSA context that lead to higher financial rewards – i.e. high contribution towards community interests with little immediate interests to the firm. The study thus suggests that for businesses to realize a business case in sustainability, they need to align their initiatives with societal interests rather than their own. Therefore, firms' managers in the SSA need to design their corporate sustainability initiatives with a more orientation towards serving community interests. To achieve this, firms' corporate sustainability communication to stakeholders needs to stress the firms' commitments to serving the community interests.

This study has several limitations. The study has made use of self-reported measures of corporate sustainability initiatives and firm financial performance. These measures are considered to be less reliable (Chandler & Hanks, 1993) in comparison to actual measures derived from secondary sources (e.g. sustainability reports and financial statements) or other independent sources. While the availability of actual measures in SSA context is usually limited and perhaps even unreliable (Hult et al., 2008), future studies may look at the possibility of using them where possible. The study also used a convenience sampling approach to obtain data. However, this sampling technique is considered to create limitations on the generalization of results (Saunders et al., 2009). Future studies may try to use probabilistic sampling techniques to address generalization limitations.

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