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RESEARCH PAPER

Customer Satisfaction and Shareholder Value in the Hospitality and Tourism Industry: The Moderating Role of a CEO's Marketing Experience

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Abstract

Despite the long history of research examining the effects of firm-level customer satisfaction on shareholder value, the existing findings are mixed for the hospitality and tourism industry where customer satisfaction is particularly important for the success of firms. The inconsistent results require further examination of the shareholder value relevance of customer satisfaction. This study offers a comprehensive understanding of the topic by examining the effects of customer satisfaction not only on equity return but also equity risk, and identifying a key contingency. Using annual American Customer Satisfaction Index (ACSI) for publicly traded "restaurant", "hotel", and "airline" firms, this study finds that increasing ACSI is effective in enhancing shareholder value through the reduction of equity risk. This study further proposes the CEO's marketing experience as a moderator and determines that it strengthens the risk-reducing effect of customer satisfaction. The findings of this study provide important implications to researchers and practitioners.

Keywords: Customer satisfaction, Tobin's Q, idiosyncratic risk, American customer satisfaction index, Shareholder value, Hospitality and tourism industries

1. Introduction

Market-based asset theory posits that marketing activities designed to deliver value to and build relationships with customers enhance customer satisfaction, an essential foundation for brand equity (Srivastava, Shervani, and Fahey 1998; Torres and Tribó 2011). The theory also suggests that the firm's marketing endeavors not only increase sales and market share (Lehmann 2004), but they also bring various long-term benefits to the firms in the form of price premium, consumer loyalty/retention, and brand extension, thereby enhancing shareholder value by increasing the size of cash flows while reducing the volatility of cash flows (Srivastava, Shervani, and Fahey 1998). With the increased interest of marketing and finance practitioners and researchers to understand the links between customer satisfaction and shareholder value (Srinivasan and Hanssens 2009), several marketing research has empirically tested market-based asset theory and showed that an increase in *firm-level* customer satisfaction (i.e., the product market's evaluation on firms' marketing activities) is positively associated with various corporate financial performance (CFP) metrics as determined in the stock market. For example, by using the American Customer Satisfaction Index (ACSI), Anderson, Fornell, and Mazvancheryl (2004) found a significant and positive relationship between customer satisfaction and contemporaneous market value metrics, such as Tobin's Q and market-to-book ratio. Fornell, Mithas, Fornell et al. (2006) vividly showed that holding a portfolio of stocks with high levels of customer satisfaction performs better in terms of returns compared with the portfolio of stocks based on S&P500 or Dow Jones Industrial Averages, and the same is true for risk associated with the stock holding compared with

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the portfolio of stocks based on NASDAQ from 1996 to 2003. Tuli and Bharadwaj (2009) focused on equity risk, the risk associated with stock holding, and found that increasing customer satisfaction is effective in reducing equity risk in the following year.

Although the stream of literature for generalizing the links between firm-level customer satisfaction and stock market performance is rich, several industry-specific studies have attempted to provide industry-specific insights into the performance implications of improving customer satisfaction. Gruca and Rego (2005), utilizing firm-level data derived from Bayesian estimations, demonstrated that the sensitivities of cash flow growth and variability to increases in ACSI differ across industry sectors (i.e., durables, non-durables, services, retail, and financial). These findings underscore the importance of understanding industry-specific variations in the value relevance of customer satisfaction. By using the sample of the firms in the retail industry, Wiles (2007) argued that customer satisfaction increased by the retailers' effective customer service strategies is positively related to shareholder value and actually showed that the firm's announcements on customer service strategy create abnormal stock returns in its event studies. Golovkova et al. (2019) found in their country-level study that an aggregated customer satisfaction index for the banking industry is positively associated with the total assets and equity of firms in the industry.

Managing customer satisfaction is particularly important yet difficult for firms to achieve in the hospitality and tourism industry—a key domain of the service sector. Customer satisfaction for hotel, restaurant, and airline firms is determined not only by the quality of tangible offerings (i.e., physical facilities and products) but also by the quality of intangible services (i.e., customer experience at the service encounter during the customers' stay, dining, and travel) (Crotts, Mason, and Davis 2009). With such industry characteristics, customer satisfaction is more vulnerable to any failure in services and/or operations compared with the durable goods of manufacturing industries (Gruca and Rego 2005). Moreover, customer satisfaction in the industry is often affected by other customers, as the customers' sharing with the service environment with other customers is an essential part of the experience, thus making it much harder to manage customer satisfaction (Miao and Mattila 2013). Accordingly, hospitality and tourism firms tend to spend a relatively large amount of resources to increase and maintain customer satisfaction, and thus, the shareholders of such firms are more interested in understanding the financial accountability of the resources used to better satisfy customers (Sun and Kim 2013). Furthermore, with the industry-wise competitive efforts to improve and maintain customer satisfaction, the firms in the hospitality and tourism industry have become eager to know if such efforts result in competitive advantages, which can enhance shareholder value.

Responding to the call, several existing studies have examined whether customer satisfaction is related to shareholder value by using firm-level ACSI – an indicator of the cumulative customer satisfaction level during a year, with samples of firms belonging to the hospitality and tourism industry. Sun and Kim (2013) found the positive association between customer satisfaction and accounting performance metrics including return on assets, return on equity, profit margin. The empirical evidence of the effects of customer satisfaction on shareholder value, however, was inconsistent. Some (e.g., Denizci and Li 2009; Grewal, Chandrashekaran, and Citrin 2010) reported a significant positive relationship while Sun and Kim (2013) found an insignificant relationship between customer satisfaction and Tobin's Q. In addition, the previous studies have focused on understanding the link between customer satisfaction and the "return" side of shareholder value only, but they neglected the "risk" side of shareholder value. As the risk associated with equity holding (i.e., equity risk) is an important determinant of shareholder value (e.g., Kim and Kim 2019; Luo and Bhattacharya 2009), examining how the increase in customer satisfaction influences equity risk is important in ensuring a comprehensive understanding of the influence of customer satisfaction on shareholder value. However, to the best of our knowledge, no previous literature has considered equity risk in relation to customer satisfaction in the service sector. This study fills this important gap by examining the relationship between customer satisfaction and shareholder value in terms of both equity return and risk.

Moreover, the extant studies have not considered the factors that may influence the relationship between customer satisfaction and shareholder value even if the understanding of such moderating factors can help business practitioners improve their leverage of customer satisfaction into shareholder value. This study proposes the CEO's marketing experience as a key moderating variable that may strengthen the contributions of customer satisfaction to shareholder value. Upper echelon theory suggests that functional background is one of the attributes of CEOs in influencing a firm's strategic decisions, and thereby, financial performance (e.g., Bommaraju et al. 2019; Cho and Hambrick 2006; You et al. 2020). Thus, the CEO's characteristics or background will matter in the value relevance of customer satisfaction and in taking advantage of customer satisfaction to enhance

shareholder value. The previous literature has also shown that CEOs with marketing experience can provide financial benefits to firms through increased innovations (Srinivasan, Wuyts, and Mallapragada 2018) and reduced myopic management (Srinivasan and Ramani 2019). On the basis of the literature, we expect that CEOs with marketing experience will be better than those without such experience in leveraging increased customer satisfaction into greater shareholder value (i.e., higher return or/and lower risk).

Using the long panel data on ACSI, stock returns, and financial statement items of hospitality and tourism firms between 1994 and 2018, we develop and estimate models to test the proposed hypotheses. We find that an increased ACSI contributes to the enhancement of shareholder value through the reduction of equity risk, although the index is not relevant to firm value. We also find that having a CEO with marketing experience is effective in strengthening the risk-reduction effect, suggesting that firms with a CEO with marketing experience can better translate customer satisfaction into shareholder value. With the above findings, the current study offers important contributions to the literature on the shareholder value implications of increasing and managing customer satisfaction in the service-intensive industry where customer satisfaction is a critical strategic element of business success (Miao and Mattila 2013; Radojevic, Stanisic, and Stanic 2015; Su 2004).

2. Theoretical background and hypothesis development

2.1. Customer satisfaction and shareholder value

Theoretically, improvements in customer satisfaction bring different rewards to firms, including positive word-of-mouth, repeat purchases, marketing cost savings, price premium, cross-selling opportunities, thus leading to sales and/or earnings growth (e.g., Fornell et al. 1996). Such benefits are expected to increase shareholder value when considered from the perspective of market-based asset theory (e.g., Srivastava, Shervani, and Fahey 1998). However, there may be reasons or circumstances where investors may not or negatively react to the news about increased customer satisfaction (Fornell et al. 2006). For example, when the level of customer satisfaction is already sufficiently high, the shareholders may consider to be minimal the marginal return resulting from the increase in customer satisfaction. The shareholders may also view the high ACSI score as an indicator of excessive surplus for consumers, indicating loss of shareholders' wealth. That is, when the marginal cost for increasing one unit of ACSI is *perceived* to be larger than marginal gain, the stock market will likely negatively react to the unit increase of ACSI. Given the counter-arguments, several marketing studies have attempted to empirically generalize whether ACSI is positively related to shareholder value by using across-industry samples. Those studies have shown that customer satisfaction is positively related to shareholder value in terms of stock returns (e.g., Aksoy et al. 2008; Fornell et al. 2006) and equity risk (Fornell et al. 2006; Tuli and Bharadwaj 2009). Thus, *in general*, shareholders were found to react favorably to signals on improvements in customer satisfaction.

Despite the general empirical findings from the across-industry studies, several conflicting views arise regarding the relationship between customer satisfaction and shareholder value when applied particularly to the service sector. The service–profit chain framework posits that improving the internal service quality mainly through employee satisfaction enhances customer satisfaction, which in turn improves the financial performance of a service firm (e.g., Heskett, Sasser, and Schlesinger 1997; Hogreve et al. 2017). This theoretical framework suggests that investments allocated to improve customer satisfaction will be translated into profits, and thus, shareholder value in the hospitality and tourism industry (Chi and Gursoy 2009). However, the spending required to increase and/or maintain customer satisfaction is relatively high in the hospitality and tourism industry (Bernhardt, Donthu, and Kennett 2000). Customer satisfaction in this industry is determined not only by functional elements (e.g., food and hotel amenities) but also services (e.g., server attitude and employee friendliness), which often require a large amount of resources to upgrade physical facilities/products and train and/or support employees as a means of enhancing customer satisfaction (Sun and Kim 2013). In addition, Anderson, Fornell, and Rust (1997) showed that the productivity of service firms is not always compatible with customer satisfaction. The results suggest that the stock market may unfavorably react to the information on a hospitality and tourism firm's customer satisfaction improvement, as it is considered a sign of productivity reduction.[1]

[1] Some researchers argue that customer satisfaction should be incorporated into productivity measurement of firms. Assaf and Magnini (2012) suggested customer satisfaction as an additional output in measuring the productivity of service firms. They showed that a stochastic frontier model that includes customer satisfaction index (i.e., ACSI) as an output produces in a better fit compared with the model that does not include ACSI. Moreover, they found that the "productivity" rankings from the two models differ from one another using a sample of hotel firms. However, due to the "intangible" nature of customer

Thus, empirical tests comprising a sample of service firms should be conducted to determine whether and how the increase in customer satisfaction can be translated into shareholder value (Denizci and Li 2009). Recognizing the needs for empirical research, several studies have begun to pay attention to firms in the "restaurant", "airline", and "hotel" industry and tested the effects of customer satisfaction on various performance metrics. For example, in the airline industry, Grewal, Chandrashekaran, and Citrin (2010) showed that ACSI has a significant and positive effect on Tobin's Q—a forward looking measure which indicates the return side of shareholder value. Denizci and Li (2009), using the panel data of the restaurant, hotel, and airline firms between 1995 and 2005, tested the effects of ACSI on the return side of shareholder value (i.e., stock return and Tobin's Q) and showed that ACSI is significantly and positively related to Tobin's Q. By using the same industry data with a different timeframe, Sun and Kim (2013) tested the effects of ACSI on market value and Tobin's Q in addition to other accounting performance measures (e.g., profit margin, return on assets [ROA], and return on equity [ROE]) and found that ACSI is significantly and positively associated with the market value of the firm but not to its Tobin's Q. Also, although they did not test the direct relationship between customer satisfaction and shareholder value, Deng, Yeh, and Sung (2013) found that an increase in ACSI of a hotel corporation is negatively related to the number of customer complaints and positively related to customer loyalty, suggesting that the increase in ACSI can effectively enhance shareholder value. Chi and Gursoy (2009) measured using surveys the employee and customer satisfaction of fifty 3- or 4-star hotels in five destinations and tested the effects of employee and customer satisfaction on financial performance, such as profitability, return on investment (ROI), and net profit, as rated by the hotel managers. They found that customer satisfaction is significantly and positively related to financial performance, and it further mediates the link between employee satisfaction and financial performance.

In summary, the previous literature empirically supports the service–profit chain framework, even though there are conflicting theoretical arguments and mixed empirical results about the relationship between customer satisfaction and firm value (i.e., Tobin's Q), which is the "return" side of shareholder value. The links from customer satisfaction to loyalty, followed by profits/revenues, in the service-profit chain framework further suggest a positive association between customer satisfaction and firm value. Thus, we hypothesize the following:

> **H1.** Customer satisfaction is positively related to firm value in the hospitality and tourism industry.

Shareholder value is not only determined by firm value (i.e., the size of stock returns) but also equity risk (i.e., the variability of stock returns) (e.g., McAlister, Srinivasan, and Kim 2007; Rego, Billett, and Morgan 2009). The previous marketing literature has emphasized the importance of looking at the relevance of a firm-level marketing strategy or its resulting intangibles (e.g., brand value, customer satisfaction) to equity risk (Tuli and Bharadwaj 2009). That is, without considering the effect of customer satisfaction on equity risk, our understanding of whether and how customer satisfaction is related to shareholder value will remain limited (Kim and Kim 2019).

Theoretically, satisfied customers are loyal to the firm and thus stay longer with the firm, which helps to stabilize the firm's future revenue stream (Anderson, Fornell, and Mazvancheryl 2004). Specifically, satisfied consumers will be less sensitive to price and thus have higher price tolerance (Anderson 1996). These types of customers also complain less and increase positive word-of-mouth (Anderson 1998), which will reduce the cost for customer retention (Gustafsson, Johnson, and Roos 2005; Mittal and Kamakura 2001) and thereby increase the stability of revenues (Fornell et al. 2006; Gruca and Rego 2005). Subsequently, stabilized revenues or cash flows will lessen equity risk. Some marketing studies have examined whether increased customer satisfaction can effectively reduce equity risk using the across-industry sample of firms whose ACSI is available (Luo, Homburg, and Wieseke 2010; Tuli and Bharadwaj 2009).

However, to our best knowledge, no previous studies have examined specifically whether and how customer satisfaction is associated with equity risk of firms in the hospitality and tourism industry—a major service sector. Only relevant findings were provided by Gruca and Rego (2005). By assuming that the current firm valuation is determined by discounted cash flows (DCFs), they tested the effects of ACSI on cash flow growth and variability and showed that customer satisfaction generally increases cash flow growth and decreases variability. Furthermore, by using the Bayesian estimation approach, Gruca and Rego (2005) estimated the firm heterogeneity of

satisfaction, it is difficult to specify and measure inputs used only for improving customer satisfaction. We, thus, cannot assume that stock market participants consider the information on customer satisfaction as an output into their prediction on firm productivity.

customer satisfaction sensitivity in relation to cash flow growth and variability. After the estimations, they averaged the estimated coefficients at the firm level for each industry and identified the industry differences of averaged sensitivity to cash flow growth and variability. They showed that an increase in ACSI in hotels, airlines, and restaurants—the focal industries of this study—reduces cash flow variability more than industry average, implying that enhanced customer satisfaction in those industries likely contributes to reducing equity risk according to the DCF of firm valuation.

In summary, the hospitality and tourism industry is not exempted from the aforementioned theoretical arguments in which ACSI reduces equity risk. The ad hoc evidence of Gruca and Rego (2005) also suggests that customer satisfaction may reduce equity risk, which is determined theoretically by cash flow variability, in the industry. Thus, we hypothesize the following:

> **H2.** Customer satisfaction is negatively related to equity risk in the hospitality and tourism industry.

2.2. Moderating effect of the CEO's marketing experience on the link between customer satisfaction and shareholder value

Surprisingly, the insights into the firm's capability of leveraging its customer satisfaction into shareholder value, which is determined by stock returns and risk, is generally lacking in the literature. In this study, following the tenets of upper echelon theory, we consider the extent to which the top executive recognizes the importance of marketing intangibles (i.e., customer satisfaction in our study) in creating shareholder value as the key leveraging factor. Upper echelon theory posits that a CEO's characteristics, including educational background and functional experience, affect his/her strategic and financial decisions, thereby influencing CFP and its stability (e.g., Bommaraju et al. 2019; Cho and Hambrick 2006; You et al. 2020).[2] We postulate on the basis of the theory that a CEO with prior experience in the marketing function will increase stock returns and reduce their volatility, which results in a greater shareholder value, by means of a more effective management of customer satisfaction.

The marketing literature has emphasized that giving power or discretion to the marketing function and its head is necessary to capitalize marketing intangibles into shareholder value. Feng, Morgan, and Rego (2015) measured the power of marketing departments of 612 public firms across the industry and showed that the power of the marketing department is positively related to the firm's long-term shareholder return. More relatedly to the present study, they found that an increase in marketing power enhances the firm's capabilities of leveraging market-based assets into short-term cash flows and long-term value of the firm (i.e., Tobin's Q), suggesting that firms giving more discretion towards their marketing function can translate better marketing intangibles, such as customer satisfaction, into shareholder value. Furthermore, firms led by marketing-experienced CEOs are more market-oriented (Kohli and Jaworski 1990; Narver and Slater 1990), which promotes greater responsiveness to market dynamics, leading to reduced vulnerability to market shocks. By consistently aligning the firm's offerings with customer expectations, firms benefit from less volatile earnings, thus strengthening the negative relationship between customer satisfaction and firm equity risk (Fornell et al. 2006).

In addition, the literature regarding the performance implications of having the head of marketing function, typically the chief marketing officer (CMO), in the top management team (TMT) has emphasized the power or discretion given to the CMO as the important boundary condition in enhancing the contribution of CMO presence in TMT to shareholder value. For example, Nath and Mahajan (2011) showed that CMO presence is relevant to firm value only when the CMO is empowered. Kim et al. (2016) also showed that the equity incentive provided to a CMO is more effective in increasing Tobin's Q when CMO has more discretion in different types. Although no studies have fully examined the antecedents of the marketing function's power or the CMO's discretion, it is legitimate to assume that CEO with prior marketing experience will give more power or discretion towards the marketing function.[3] Furthermore, such CEOs are more likely to be evangelists of increased scores on customer satisfaction, and they can better

[2] Supporting the theory, Hambrick and Quigley (2014) showed that the aggregated "CEO effects" can explain 38.5%, 35.5%, and 46.4% of the variations in ROA, return on sales (ROS), and market-to-book value of common stock, respectively.

[3] One can argue that the CMO's presence—by itself—may replace the marketing experience of a CEO. To address the concern, we collect the data necessary to identify CMO presence in TMT for our sampled firms on an annual basis and construct a variable on CMO presence. We include "CMO presence" as a control variable in our models, as presented in Section 3 (Methodology). In other words, we test the moderating effect of CEO marketing experience even after controlling the effect of CMO presence. We also discuss the implications and suggest points for further research related to the dynamics between CEO and CMO in Section 5 (Discussion).

justify any decreased score to the financial market community (Singal 2015). Thus, according to signaling theory, both higher customer satisfaction scores and CEOs with substantial marketing expertise signal to investors that the firm prioritizes customer-centric strategies, which not only enhance profitability but also stabilize revenue streams by fostering sustained customer loyalty (Connelly et al. 2011). This credible market signaling reduces investors' perceived risk and, thereby, equity risk (Luo and Bhattacharya 2009).

The role of a CEO's marketing experience in capitalizing customer satisfaction into shareholder value is relatively strong in the hospitality and tourism industry. This industry is characterized as one with higher leverage, risk, capital intensity, and competitive rivalry compared with other industries, which requires a greater monitoring of the external marketing environment and a better understanding of customers (Singal 2015). Marketing is the 'outward-looking' function, which is more sensitive to changes in the environment and consumers' needs compared with other "inward-looking" functions, such as operations, finance, and accounting (e.g., Srinivasan, Wuyts, and Mallapragada 2018). The outward-looking perspective may be more important for a hospitality and tourism firm because its customers tend to seek more for tangible cues (e.g., brand power and firm reputation) and heavily rely on professionals' and other customers' reviews, referrals, and recommendations in their purchases of intangible and experience-based service products (Miao and Mattila 2013; Schuckert, Liu, and Law 2015). Thus, CEOs of hospitality and tourism firms equipped with the outward-looking perspective through prior work experience in marketing are more likely active in driving a market-oriented culture within the firm by means of the top–down approach (Brower and Nath 2018).

The role of "marketing" CEOs enables their firms to become more susceptible to any signal of change related to customer satisfaction, and these firms become motivated to obtain updated customer insights from different sources, such as online reviews on hotel stay, restaurant dine in, and air travel, in response to this signal. By encouraging a firm to integrate new market intelligence into its strategy in a timely manner, the CEO-driven market orientation will improve service quality and resulting customer experience, which in turn enhances its profitability. Furthermore, in hospitality and tourism sectors, customer satisfaction directly translates into customer loyalty, favorable word-of-mouth, and lower price elasticity, ultimately stabilizing financial performance (Sun and Kim 2013; Assaf and Tsionas 2018). CEOs with marketing experience are more adept at fostering such market orientation, enabling firms to quickly anticipate and respond to consumer preferences and external shocks, thus lowering equity risk (Sainaghi, Phillips, and Zavarrone 2019; Kim and Kim 2005). The experience of J. Patrick Doyle, former CEO of Domino's, exemplifies a marketing-oriented CEO characterized by an outward-looking perspective and the ability to effectively incorporate market intelligence into corporate strategy. Doyle spearheaded a significant turnaround at Domino's by implementing innovative strategies rooted in customer feedback (Maze 2018, June 25). Notably, Domino's 2009 campaign, openly acknowledging customer criticism through its candid "Our pizza sucks" initiative, directly engaged consumers in identifying problems and developing solutions to enhance pizza quality and service. The success of this initiative underscores the effectiveness of a customer-focused and market-oriented strategy. Under Doyle's leadership—leveraging his prior experience as head of Domino's marketing department—these strategies resulted in substantial profit improvements, reduced vulnerability to negative customer sentiment, and ultimately increased shareholder value (QSRmagazine 2018 2018, January 10). Consistent with the theoretical argument and the evidence in practice, by using a sample of the hospitality and tourism firms (i.e., hotels, airlines, and restaurants) between 1992 and 2016, Li and Singal (2019) showed that a CEO's marketing or/and sales experience is significantly and positively related to ROA and Tobin's Q, proving the role of the CEO's marketing experience. In addition, prior studies have established that increased marketing investments and greater marketing power—driven by CEOs with substantial marketing experience—can effectively reduce a firm's equity risk (Feng, Morgan, and Rego 2015; Edeling and Fischer 2016). Hence, we hypothesize the following:

H3. The CEO's marketing experience strengthens the positive relationship between customer satisfaction and firm value in the hospitality and tourism industry.

H4. The CEO's marketing experience strengthens the negative relationship between customer satisfaction and firm equity risk in the hospitality and tourism industry.

3. Methodology

3.1. Data

We first selected publicly listed US firms in the hospitality and tourism industry from the Compustat database based on Standard Industrial Classification (SIC) codes. We followed the tradition and considered the firms with SIC codes of 5812, 7011, and

4512 for the restaurant, hotel, and airline firms, respectively (e.g., Cho et al. 2006; Kim and Ayoun 2005; Kim, Kim, and Mattila 2017). Then, we collected all of the available customer satisfaction data for the selected firms from the ACSI website (https://www.theacsi.org).[4] To measure the CEO's marketing experience, which is our moderating variable, first we utilized the Execucomp database to identify the CEOs in each sample year. Specifically, if the identifier classifying whether an executive is CEO or not (i.e., CEOANN) has flagged a "CEO", then the executive is considered the CEO. In case that the CEO for a sample firm in a year could not be identified in the database, we checked other sources (e.g., 10-K, Wikipedia, Bloomberg) to identify the CEO for the firm in the year. Subsequently, we used the Boardex database to retrieve the employment history of each CEO up to a sample year and collected all of the job titles he/she had taken up to the year.[5] To construct firm value (i.e., Tobin's Q) and the control variables included in the proposed models, we obtained financial statement data from Compustat. We also collected daily stock return data from the Center for Research in Security Prices to measure firm equity risk (i.e., idiosyncratic risk). After merging all of the datasets and removing missing observations, we obtained an unbalanced panel dataset that could be used for our estimations, which comprised 367 firm-year observations for 33 firms spanning the years from 1994 to 2018.

3.2. Measures

3.2.1. Dependent variables: Tobin's Q and idiosyncratic risk

We considered Tobin's Q as the measure of firm value, which is the return side of shareholder value. Tobin's Q is a forward-looking performance metric reflecting the stock market's expectation towards a firm's intangibles and long-term profitability (e.g., Lee and Grewal 2004; Rao, Agarwal, and Dahlhoff 2004). This measure has been widely used in testing the effect of customer satisfaction on firm value (e.g., Anderson, Fornell, and Mazvancheryl 2004; Grewal, Chandrashekaran, and Citrin 2010; Schneider et al. 2009). We followed the work of Chung and Pruitt (1994) and measured Tobin's Q as the firm's market capitalization plus total debt divided by the book value, which is operationalized as [(the number of shares of common stock outstanding × share price) + (the liquidating value of the firm's outstanding preferred stock) + (the value of short-term liabilities net of its short-term assets + the book value of the firm's long-term debt)] / the book value of the firm's total assets. Thereafter, we used the log of the "Tobin's Q" measure to prevent our results from being affected by certain extreme values of the variable (e.g., Sun and Kim 2013; Youn et al. 2016).

We employed idiosyncratic risk as the metric for testing our hypotheses related to firm equity risk (i.e., H2 and H4). Idiosyncratic risk is a firm-specific risk that is independent of common market factors. The finance literature has shown that idiosyncratic risk can explain a large portion of variations of stock returns but cannot be diversified away from a portfolio of stocks due to the real difficulties of constructing a market portfolio of stocks in equilibrium (e.g., Fu 2009; Goetzmann and Kumar 2008). With such characteristics, idiosyncratic risk is an appropriate measure in testing whether and how a firm's specific strategy or/and its outcome (i.e., customer satisfaction in our study) are related to the firm's equity risk (e.g., Albuquerque, Koskinen, and Zhang 2019; Luo and Bhattacharya 2009; Rego, Billett, and Morgan 2009; Rust et al. 2004).

To measure idiosyncratic risk for a firm in a year, we applied Carhart's four-factor model by using the daily stock returns of a firm in the previous year (Carhart 1997). In detail, we estimated the following model for each firm and each sample year and then considered the variation of stock returns unexplained by the four factors as the idiosyncratic risk.

$$R_{id} = R_{rfd} + \beta_{1i}(R_{md} - R_{rfd}) + \beta_{2i}SMB_d + \beta_{3i}HML_d + \beta_{4i}UMD_d + \varepsilon_{id}, \quad (1)$$

where i and d denote a firm and a day, respectively; R_{id} is the *ex post* rate of return for firm i's stock at day d; R_{md} is the *ex post* market rate of return at day d; R_{rfd} is the risk free rate of return at day d; SMB_d is the size factor, which is the difference of value-weight return between the portfolio of small stocks and that of large stocks at day d; HML_d is the market-to-book factor, which is the difference of value-weight return between the portfolio of stocks with a high market-to-book ratio and that of stocks with a low market-to-book ratio at day d; UMD_d is the momentum factor, which is the difference of the average return between two "high prior return" portfolios and two "low prior return" portfolios at day d[6];

[4] We accessed the ACSI website on April 1, 2020.
[5] When an employment history of a CEO was missing in the Boardex database, the information was obtained from 10-K in SEC Edgar, Wikipedia, and the Bloomberg website.
[6] We accessed http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html on April 1, 2020.

and $\varepsilon_{id} \sim$ i.i.d. N(0, σ^2). After the estimation of Eq. (1) for firm i at year t, following the work of Brower and Dacin (2020) and Luo and Bhattacharya (2009), we utilized R_{it}^2 (i.e., estimated proportion of the variation of R_{id}, as explained by the four factors in Eq. (1)) and measured idiosyncratic risk as follows:

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

As one may be concerned with reverse causality (i.e., Tobin's Q or/and Idiosyncratic risk may influence customer satisfaction), we used Tobin's Q and Idiosyncratic risk at year *t+1* instead of Tobin's Q and Idiosyncratic risk at year *t* as the two dependent variables to test the proposed hypotheses. In other words, all of the independent variables in our models were measured at year *t*, which corresponds to a lag by one year.

3.2.2. *Focal independent variable: customer satisfaction index by means of ACSI*

ACSI, which measures a firm's cumulative customer satisfaction for a year, has been popularly used in firm-level studies examining the effects of customer satisfaction on shareholder value (e.g., Fornell et al. 2006; Grewal, Chandrashekaran, and Citrin 2010; Gruca and Rego 2005; Tuli and Bharadwaj 2009). Similarly, in this study, we used ACSI as the focal independent variable to test our hypotheses.[7]

The ACSI website provides annual customer satisfaction scores at the "company" level, not in publicly traded "firm" level. Thus, we collected customer satisfaction scores for all of the companies included in the relevant industries (i.e., "hotels", "full- and limited-service restaurants", and "airlines"). In case more than two companies have been owned by a firm, we manually checked the ownership of each company and tracked its changes across years. After checking the "ownership" for each year, we calculated a weighted sum of company-level customer satisfaction scores by using appropriate scales as weights (i.e., proportion of number of hotel rooms and restaurants in the US).[8] Scales have been used in the previous studies to derive each company's contribution to firm-level ACSI (e.g., Sun and Kim 2013), as they can reflect the popularity of a company to customers. For example, "Yum! Brands Inc." has owned three companies, namely, KFC, Pizza Hut, and Taco Bell, from its founding year. Although customer satisfaction scores are available for each company, the weighted sum of the three scores (i.e., ACSI in publicly traded firm level) had not been provided in the ACSI database. In the "Yum! Brands Inc." case, we collected the information regarding the number of restaurants for each company in the US from 10-K and used the proportion of restaurant numbers as the weight. Then, we used the weighted sum as the ACSI for "Yum! Brands Inc." each year. On this basis, we were able to collect all available *firm-level* ACSI scores and merge them with the Compustat data based on the firms' names. To be consistent with the scale of the dependent variable, we utilized the logarithm of ACSI, specifically ln(ACSI), as the focal independent variable.

3.2.3. *Moderating variable: CEO's marketing experience*

We assume that a CEO has marketing experience at year *t* if any of his/her job titles at or before year *t* included any words associated with "marketing", "brand", "advertising", or "customer."[9] On the basis of this criterion, we created a dummy variable (CEO_mktg_exp) whose value is 1 if a CEO has or had a marketing-related job title at or before year *t*; otherwise, the value is 0. In defining a CEO with marketing experience, we did not consider sales-related job titles. Although marketing differs from sales (Cespedes 1994; Homburg and Jensen 2007; Kim and McAlister 2011), one may argue that sales is closely intertwined with marketing and should be included in defining a CEO with marketing experience. To address such concern, we created an alternative measure (CEO_mktg_exp) corresponding to sales-related words[10] in defining marketing experience and subsequently checked the robustness of our results in the supplementary analyses (Section 4.3). Furthermore, we created a dummy on whether a CEO has experience only in sales (CEO_sales_only_exp) and tested the proposed hypotheses. We also compared how the results in H3 and H4 differ from one another depending on the definition of CEO's marketing experience in the supplementary analyses (Section 4.3).

3.2.4. *Control variables*

Following the previous marketing and management studies that predict Tobin's Q and Idiosyncratic risk, we included ROA (i.e., ROA = income before extraordinary items / total assets), the variability of

[7] For the details on the history and the methods of building ACSI, see the ACSI website (https://www.theacsi.org) and Fornell et al. (1996).
[8] None of the airline firms owned more than two companies in our sample.
[9] We considered "marketing", "cmo", "mktg", and "mkt" as the words related to marketing; "brand", "brands", "branding", and "multibranding" as the words related to brand; "advertising" and "adv" as the words related to advertising; and "customer", "customers", "consumer", and "consumers" as the words related to customer.
[10] We selected "sale", "sales", and "commercial" as the words related to sales.

ROAs (stdROA = standard deviation of ROAs in the previous five years), firm leverage (Leverage = [long-term debt + debt in current liability] / total assets), firm size (Firm size = log[the number of employees + 1]), and advertising intensity (Advertising = advertising expenditures / total sales) (e.g., Kim et al. 2016; Kim and Kim 2019; Rego, Billett, and Morgan 2009; Tuli and Bharadwaj 2009).[11] In cases wherein advertising expenditures were missing, we replaced these missing values with zero. As these missing replacements may influence the estimation results, we also created a dummy indicating whether advertising expenditures were missing (Advertising dummy) and included it as another control variable (Kim and Kim 2019; Luo and Bhattacharya 2009).

In addition to the financial control variables, we used the CEO's educational background as a control variable. In particular, we created and included a dummy on whether a CEO earned a full-time masters of business administration (MBA) degree (CEO_MBA) as the CEO-level control variable. The CEO's educational background is an important CEO characteristic that may influence the firm's strategic decisions to further improve firm performance (e.g., Barker and Mueller 2002; You et al. 2020). A graduate degree in business, such as MBA, can bring different benefits, such as business knowledge, leadership and communication skills, social network with future executives and entrepreneurs, to future business leaders (Dacko 2001). Thus, CEOs' holding an MBA degree is expected to be positively linked with shareholder value (Monastyrenko 2014)[12]. Moreover, several previous studies that have examined the relationship between a particular CEO characteristic (e.g., the CEO's political ideology [Kashmiri and Mahajan 2017] or the CEO's experience of military service [Benmelech and Frydman 2015]) and shareholder value included CEO_MBA as a control variable in their models. We followed these past studies and included CEO_MBA as a CEO-level control variable in our work. Regarding the operationalization of CEO_MBA, if an MBA degree has been conferred to a CEO at or before year t, then CEO_MBA for his/her firm at year t is 1; otherwise, the value is 0. To identify whether a CEO has an MBA degree, we searched for the educational backgrounds of the CEOs of the sample firms in the Boardex database. In cases wherein the CEOs' educational backgrounds were missing in Boardex, we collected the information from other sources, such as 10-K's, Wikipedia, and Bloomberg.

We also included CMO presence as a control variable in the models following the previous literature that has shown the positive link between CMO presence and shareholder value (Germann, Ebbes, and Grewal 2015; Nath and Bharadwaj 2020). We identified CMOs for the sample firms each year by using the Execucomp database. If an executive's position title (TITLEANN in Execucomp) includes at least a word related to "marketing", "brand", "advertising", and 'customer" then we assume that the executive is a CMO. However, for firms not listed in the Execucomp database at a given year, we checked their annual reports (i.e., 10-K's and DEF14a, which is a separate report providing information on the executives' compensation) for the year and identified their CMO presence (dCMO).

Furthermore, we included the one-year lagged dependent variable as a control variable to mitigate potential endogeneity, which could possibly result from any time-variant omitted variables. Moreover, to control the yearly effects, we included year dummies as the control variables.

3.3. Models and estimation

We developed two models to test the proposed hypotheses by using the aforementioned variables. The full models, which include the interaction between ln(ACSI) and CEO_mktg_exp (i.e., ln[ACSI] × CEO_mktg_exp), are given by

$$\begin{aligned}\ln(\text{ Tobin's } Q_{it+1}) &= \alpha_{1i} + \beta_{11}\ln(\text{ACSI}_{it}) + \beta_{12}\ln(\text{ACSI}_{it}) \\ &\times \text{ CEO\_mktg\_exp}_{it} + \beta_{13}\text{ CEO\_mktg\_exp }_{it} \\ &+ \beta_{14}\text{ Controls}_{it} + \beta_{15}\ln(\text{ Tobin's Q}_{it}) + \varepsilon_{1it}, \end{aligned} \quad (3)$$

$$\begin{aligned}\text{Idiosyncratic risk }_{it+1} &= \alpha_{2i} + \beta_{21}\ln(\text{ACSI}_{it}) + \beta_{22} \\ &\ln(\text{ACSI}_{it}) \times \text{CEO\_mktg\_exp}_{it} + \beta_{23}\text{CEO\_mktg\_exp }_{it} \\ &+ \beta_{24}\text{ Controls }_{it} + \beta_{25}\text{ Idiosyncratic risk }_{it} + \varepsilon_{2it}, \end{aligned} \quad (4)$$

where i and t denote a firm and a year, respectively; ACSI is the customer satisfaction index; CEO_mktg_exp is the indicator for an CEO with prior marketing experience; Controls includes the CEO_MBA, dCMO, ROA, stdROA, Leverage, Firm

[11] To prevent potential outliers of the variables from biasing our results, we winsorized all of the continuous variables at the upper 1% and lower 1% levels.
[12] Although the positive relation to shareholder value is expected, the previous results on the relationship between CEO's holding an MBA degree and shareholder value are inconsistent. Bertrand and Schoar (2003) showed that a CEO with an MBA degree is positively related to ROA. Bhagat, Bolton, and Subramanian (2010) found that a CEO with an MBA degree is positively related to stock returns when he/she earned the degree from the top 20 ranked business schools. However, several other prior papers found that a CEO's MBA degree is not related to his/her firm's ROA or/and stock returns (e.g., Jalbert, Furumo, and Jalbert 2010; Li and Singal 2019; Nguyen, Hagendorff, and Eshraghi 2015).

size, Advertising, Advertising dummy, and year dummies; and $\varepsilon_{it} \sim$ i.i.d. N(0, σ^2).

We included all of the independent variables measured at year *t*, whereas we measured the dependent variables at year *t+1*. This "lag" approach has been popularly used in the prior studies that predicted firm value and equity risk (e.g., Kim et al. 2016; Kim, Kim, and Mattila 2017; McAlister, Srinivasan, and Kim 2007; Tuli and Bharadwaj 2009). By using the one-year lagged independent variables, our models could address the potential concern on reverse causality (i.e., enhanced [diminished] shareholder value increases [decreases] the budget for improving customer satisfaction and thus increases [decreases] the level of ACSI).

For the estimations of the models, we employed fixed-effect regressions to control for possible endogeneity that could be caused by time-invariant omitted variables (e.g., McAlister, Srinivasan, and Kim 2007; Rego, Morgan, and Fornell 2013). Moreover, our Hausman test results rejected the null hypothesis that estimated coefficients are not different between random- and fixed-effect estimations, supporting the use of fixed-effect regressions (Wooldridge 2002). To test the proposed hypotheses based on the sign and significance of estimated coefficients, we used standard errors adjusted by firm-level clustering because estimation bias might occur due to the autocorrelation of errors across years within each firm (e.g., Kim et al. 2016; Petersen 2009). In summary, we use fixed-effect estimations with the firm-level clustering of errors.

4. Empirical results

4.1. Summary statistics and bivariate correlations

Table 1 presents the summary statistics and bivariate correlations of the variables.

The mean values of ACSI, Tobin's Q, and Idiosyncratic risk are 73.604, 2.530, and 1.009, respectively. The correlation between ACSI and Tobin's Q is significantly positive ($\rho = 0.283$, $p < 0.01$), and the correlation between ACSI and Idiosyncratic risk is significantly negative ($\rho = -0.122$, $p < 0.05$), suggesting that ACSI is positively related to shareholder value in terms of both firm value and equity risk.

We also checked the multicollinearity of the variables based on the variation inflation factors (VIFs) obtained after we estimated the full models with the interaction term (i.e., Eqs. (3) and (4)). The maximum value of VIF is 7.32 in the full model predicting Tobin's Q and 4.42 in the full model predicting Idiosyncratic risk. Both values are less than 10, which is the cutoff value used in the previous literature (e.g., Jindal and McAlister 2015; Kim et al. 2016), suggesting that multicollinearity is not a serious issue in our estimations.

4.2. Regression results

Table 2 provides the estimation results of the fixed-effects regression models developed in this study.

First, the sign and the significance of the estimated coefficients for the control variables and the focal independent variable (i.e., ln[ACSI]) do not change across the models for Tobin's Q (Models 1–3 of Table 2) and Idiosyncratic risk (Models 4–6 of Table 2), indicating that potential multicollinearity does not hamper our interpretation of results for the hypothesized effects. Regarding the hypothesized relationships, ACSI is not significantly related to Tobin's Q (b = –0.032, $p > 0.10$ in Model 3 of Table 2), which is inconsistent with H1. However, ACSI is significantly and negatively related to Idiosyncratic risk (b = –0.225, $p < 0.05$ in Model 6 of Table 2), which supports H2. Moreover, the estimated coefficient for the interaction term between ACSI and CEO_mktg_exp (i.e., ln[ACSI] × CEO_mktg_exp) is insignificant in the Tobin's Q model (b = –0.001, $p > 0.10$ in Model 3 of Table 2), which is inconsistent with H2, whereas it is significant and negative in the Idiosyncratic risk model (b = –0.084, $p < 0.10$ in Model 6 of Table 2), which is consistent with H4. Overall, the results suggest that although customer satisfaction—even with the CEO's marketing experience—does not contribute to shareholder value through the increase in stock returns (i.e., Tobin's Q), it contributes to shareholder value and does more with CEO's marketing leadership through the reduction of equity risk (i.e., Idiosyncratic risk). This finding emphasizes the importance of looking at the risk side of shareholder value, at least in the hospitality and tourism industry. Additionally, it is interesting to see that the effect of customer satisfaction on Tobin's Q is not significant, but this insignificant finding is not surprising as it is consistent with that of Sun and Kim (2013), who analyzed the effect by sampling hospitality and tourism firms. We will discuss further why customer satisfaction in the hospitality and tourism industry is only effective reducing equity risk but not increasing firm value Section 5 (Discussion).

It is noticeable that the control variable (dCMO) is significantly and positively related to Tobin's Q in all the 'firm value' models (Models 1–3 of Table 2) and significantly and negatively related to Idiosyncratic risk in all the 'risk' models (Models 4–6 of Table 2). The 'Tobin's Q' results are consistent with those in the previous literature showing that CMO presence fosters Tobin's Q with across-industry samples (e.g., Germann, Ebbes, and Grewal 2015; Nath

Table 1. Summary statistics and bivariate correlations.

No	Variables	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1)	Tobin's Q_{t+1}	2.795	2.256											
(2)	Idiosyncratic $risk_{t+1}$	1.009	0.807	0.011										
(3)	ACSI	73.604	6.441	0.252***	−0.122**									
(4)	CEO_mktg_exp	0.251	0.434	0.321***	−0.092*	0.076								
(5)	CEO_ MBA	0.310	0.463	0.051	0.128**	−0.144***	0.071							
(6)	dCMO	0.313	0.464	0.013	−0.070	−0.211***	0.039	0.173***						
(7)	ROA	0.186	0.118	0.855***	0.086	0.243***	0.353***	−0.020	−0.080					
(8)	stdROA	0.032	0.021	0.125**	0.056	−0.247***	−0.035	0.110**	0.177***	0.137***				
(9)	Leverage	0.476	0.571	0.801***	0.058	0.065	0.196***	0.180***	0.085	0.667***	0.327***			
(10)	Firm size	8.550	1.229	−0.336***	−0.309***	−0.283***	−0.128**	−0.115**	0.044	−0.479***	−0.153***	−0.343***		
(11)	Advertising	0.019	0.017	0.217***	0.180***	0.057	0.213***	−0.023	−0.184***	0.389***	−0.124**	0.102*	−0.273***	
(12)	Advertising dummy	0.218	0.413	−0.094*	−0.179***	0.254***	−0.197***	0.012	0.082	−0.248***	−0.214***	−0.088*	0.074	−0.591***

Note: *** p-value < 0.01, ** p-value < 0.05, * p-value < 0.10.

Table 2. Effects of customer satisfaction on shareholder value: Moderation by CEO's marketing experience.

Variables	Model 1 DV: ln(Tobin's Q_{t+1})	Model 2 DV: ln(Tobin's Q_{t+1})	Model 3 DV: ln(Tobin's Q_{t+1})	Model 4 DV: Idiosyncratic $risk_{t+1}$	Model 5 DV: Idiosyncratic $risk_{t+1}$	Model 6 DV: Idiosyncratic $risk_{t+1}$
ln(ACSI)	—	−0.031	−0.031	—	−0.198**	−0.225**
		(−1.122)	(−1.084)		(−2.161)	(−2.472)
ln(ACSI) × CEO_mktg_exp	—	—	−0.006	—	—	−0.084*
			(−0.208)			(−1.789)
CEO_mktg_exp	0.011	0.007	0.005	0.026	0.022	0.027
	(0.428)	(0.286)	(0.176)	(0.626)	(0.531)	(0.650)
CEO_MBA	0.030	0.025	0.027	0.101	0.071	0.090
	(1.138)	(0.956)	(0.919)	(1.247)	(0.884)	(1.067)
dCMO	0.045**	0.046**	0.046**	−0.084**	−0.077**	−0.079**
	(2.168)	(2.240)	(2.281)	(−2.490)	(−2.170)	(−2.152)
ROA	−0.010	−0.003	−0.005	−0.078	−0.043	−0.045
	(−0.195)	(−0.065)	(−0.094)	(−0.881)	(−0.485)	(−0.502)
stdROA	−0.017	−0.017	−0.017	−0.048	−0.044	−0.055
	(−0.651)	(−0.611)	(−0.643)	(−0.770)	(−0.754)	(−1.055)
Leverage	0.105	0.102	0.103	0.208	0.179	0.187
	(1.383)	(1.362)	(1.365)	(1.505)	(1.280)	(1.363)
Firm size	−0.085	−0.094*	−0.095*	0.050	0.021	0.043
	(−1.625)	(−1.759)	(−1.706)	(0.297)	(0.124)	(0.250)
Advertising	0.033	0.030	0.030	0.119	0.103	0.089
	(0.965)	(0.891)	(0.854)	(1.569)	(1.356)	(1.243)
Advertising dummy	0.028	0.025	0.025	0.232*	0.219*	0.205
	(0.927)	(0.814)	(0.784)	(1.837)	(1.737)	(1.655)
Lagged DV (DV_t)	0.532***	0.526***	0.527***	0.181**	0.168**	0.163**
	(7.693)	(7.683)	(7.630)	(2.699)	(2.493)	(2.400)
Intercept	−0.197**	−0.199**	−0.200**	1.353***	1.395***	1.436***
	(−2.850)	(−2.820)	(−2.788)	(3.809)	(3.968)	(4.001)
Observations (# of firms)	358 (33)	358 (33)	358 (33)	358 (33)	358 (33)	358 (33)
R-squared	0.737	0.737	0.748	0.612	0.619	0.622

Note: *** p-value < 0.01, ** p-value < 0.05, * p-value < 0.10. All of the variables were standardized. The numbers in the parenthesis indicate t-statistics from the fixed-effect estimations with the errors adjusted with firm-level clustering. We also included year dummies but do not report the estimated coefficients for the dummies.

and Bharadwaj 2020). The "risk" results also provide a new insight into the contribution of CMO presence to shareholder value in hospitality and tourism firms by means of reducing equity risk. Overall, the results re-emphasize the importance of controlling CMO presence in testing the moderating hypotheses (H2 and H4).

4.3. Supplementary analyses

We conducted several supplementary analyses to (1) check the robustness of the results in the operationalization of the key variables (i.e., ACSI, CEO_mktg_exp, and Tobin's Q) and (2) examine the possible effects of the CEO's experience in the sales function, which had been considered a part of the marketing function in several previous empirical studies. Table 3 provides the empirical results obtained from the supplementary analyses.

First, to check whether the results were sensitive to the weight in constructing *firm-level* ACSI, we used the equally weighted sum of customer satisfaction scores for the individual companies when measuring the firm-level ACSI and estimating the models with the alternative measure of firm-level ACSI (alt_ACSI). The untabulated results suggest that alt_ACSI and its interaction with CEO_mktg_exp (i.e., ln[alt_ACSI] × CEO_mktg_exp) are not significantly related to Tobin's Q (b = –0.031, p > 0.10; b = –0.001, p > 0.10). Meanwhile, ln(alt_ACSI) and ln(alt_ACSI) × CEO_mktg_exp are both significantly and negatively related to Idiosyncratic risk (b = –0.229, p < 0.05; b = –0.086, p < 0.10 [Model 1 of Table 3]). The results involving alt_ACSI are consistent with the "Tobin's Q" results shown in Table 2, indicating the robustness of the results in the operationalization of ACSI.

Second, we attempted to use an alternative measure of Tobin's Q to check if the results in Tobin's Q were sensitive to the measurement of Tobin's Q. Instead of using the approximation of Tobin's Q (Chung and Pruitt 1994), which is the measure for firm value in the main analyses, we estimated the "firm value" models with an alternative measure of Tobin's Q (= [common

Table 3. Supplementary analyses: Effects of customer satisfaction on shareholder value: Moderation by CEO's marketing experience.

	Model 1: Test with an alternative ACSI	Model 2: Test with an marketing alternative Tobin's Q	Model 3: Test with CEO or sales experience	Model 4: Test with CEO sales experience only
Variables	DV: Idiosyncratic risk$_{t+1}$	DV: ln(Tobin's Q$_{t+1}$)	DV: Idiosyncratic risk$_{t+1}$	DV: Idiosyncratic risk$_{t+1}$
ln(alt_ACSI)	−0.229**	—	—	—
	(−2.526)			
ln(alt_ACSI) × CEO_mktg_exp	−0.086*	—	—	—
	(−1.815)			
ln(ACSI)	—	−0.028	−0.190***	−0.168**
		(−0.899)	(−2.853)	(−2.256)
ln(ACSI) × CEO_mktg_exp	—	−0.010	—	—
		(−0.272)		
ln(ACSI) × CEO_mktg_sales_exp	—	—	−0.099	—
			(−1.590)	
ln(ACSI) × CEO_sales_exp_only	—	—	—	−0.062
				(−1.054)
CEO_mktg_exp	0.027	0.025	—	—
	(0.657)	(0.956)		
CEO_mktg_sales_exp	—	—	−0.020	—
			(−0.439)	
CEO_sales_exp_only	—	—	—	−0.044
				(−1.072)
CEO_MBA	0.090	−0.007	0.106	0.075
	(1.064)	(−0.188)	(1.259)	(0.892)
dCMO	−0.079**	0.048**	−0.070*	−0.075**
	(−2.155)	(2.179)	(−1.904)	(−2.073)
ROA	−0.043	−0.020	−0.064	−0.071
	(0.483)	(−0.392)	(−0.747)	(−0.778)
stdROA	−0.055	−0.019	−0.054	−0.042
	(−1.079)	(−0.744)	(−0.996)	(−0.723)
Leverage	0.191	0.082	0.182	0.191
	(1.395)	(1.066)	(1.340)	(1.364)
Firm size	0.042	−0.140**	−0.009	−0.029
	(0.248)	(−2.049)	(−0.054)	(−0.167)
Advertising	0.088	0.045	0.085	0.110
	(1.234)	(1.175)	(1.172)	(1.434)
Advertising dummy	0.205	0.005	0.212	0.232*
	(1.653)	(0.143)	(1.633)	(1.870)
Lagged DV (DV$_t$)	0.162**	0.527***	0.147*	0.152*
	(2.395)	(10.245)	(1.905)	(1.999)
Intercept	1.439***	−0.183**	1.397***	1.359***
	(4.005)	(−2.330)	(3.820)	(3.832)
Observations (# of firms)	358 (33)	333 (33)	358 (33)	358 (33)
R-squared	0.622	0.732	0.624	0.622

Note: *** p-value < 0.01, ** p-value < 0.05, * p-value < 0.10. All of the variables were standardized. The numbers in the parenthesis indicate t-statistics from the fixed-effect estimations with the errors adjusted with firm-level clustering. We also included year dummies but do not report the estimated coefficients for the dummies.

shares outstanding × share price + total assets − common equity − deferred taxes] / total assets)[13], which has also been used in previous studies that tested the effects of strategy variables on firm value (e.g., Kim and Kim 2014; Sorescu and Spanjol 2008). As depicted by Model 2 in Table 3, both ln(ACSI) and ln(ACSI) × CEO_mktg_exp (b = –0.028, p > 0.10; b = –0.010, p > 0.10) suggest that the results are robust to the measurement of Tobin's Q.

Third, we examined if the CEO's sales experience helps (or harms) the firm's leveraging ACSI into shareholder value. This aspect is an interesting supplementary study, as knowing whether marketing and sales should be considered as a single

[13] Due to missing values for "deferred taxes", the number of firm-year observations to estimate the models by using this alternative measure of Tobin's Q as the dependent variable is 333, which is smaller than the number of firm-year observations used to estimate the other models (i.e., 358). Chung and Pruitt (1994)'s approximation of Tobin's Q has been popularly used as a proxy for firm value in prior studies maybe because the sample size is not reduced due to missing values for additional components like "deferred taxes" in the formula of calculating Tobin's Q, and their approximation is shown to be highly correlated with other Tobin's Q measures as reported in Chung and Pruitt (1994).

function rather than two separate functions is debatable in empirical studies (e.g., Homburg and Jensen 2007; Homburg, Jensen, and Krohmer 2008). In conducting this additional study, we first created a dummy on CEO with marketing *or* sales experience (CEO_mktg_sales_exp) by collecting the CEOs' prior work experience in sales in the same manner of collecting the CEOs' prior marketing experience.[14] Then, we estimated the proposed models by using CEO_mktg_sales_exp. Interestingly, the estimated coefficient for ln(ACSI) × CEO_mktg_exp is insignificant in the model for predicting Idiosyncratic risk (b = –0.099, $p > 0.10$ in Model 3 of Table 3), whereas the main effect of ACSI is significant and negative (b = –0.190, $p < 0.01$ in Model 3 of Table 3). These results suggest that a CEO with sales experience may weaken the risk-reducing effect of ACSI. To confirm this conjecture, we tested the models with a dummy on whether the CEO has sales experience but no marketing experience (CEO_sales_exp_only). Model 4 in Table 3 shows that the negative moderating effect is also insignificant (b = –0.062, $p > 0.10$), which reiterates that a CEO's sales experience may not help his/her firm capitalize its customer satisfaction into shareholder value by means of reducing equity risk.[15] We will discuss the implications of the results obtained from this supplementary analysis in the succeeding section (Discussion).

5. Discussion

5.1. Theoretical implications

Managing customer satisfaction is critical for the success of any hospitality and tourism business, but achieving it is difficult due to the fast-changing and competitive market environment, which requires a large amount of resources (Miao and Mattila 2013). Accordingly, the management is pressured to justify any initiatives that can improve customer satisfaction in terms of shareholder value (Denizci and Li 2009). Although several studies have examined the relationship between customer satisfaction and shareholder value by using industry samples, they only offer a partial understanding of the relationship, as they only look into the return side of shareholder value (i.e., firm value). Thus far, no prior studies have examined the role of customer satisfaction in terms of the risk side of shareholder value. This research offers a significant contribution to the literature by testing and showing that customer satisfaction is indeed effective in enhancing shareholder value by reducing equity risk in the hospitality and tourism industry (i.e., "hotel", "airline", and "restaurant" firms). This study also contributes to the stream of marketing literature that examines the relationship between customer satisfaction and equity risk by adding an industry-specific evidence of ACSI's risk-reducing effect.

The result in which customer satisfaction is not significantly related to Tobin's Q is consistent with the findings of Sun and Kim (2013) who showed the insignificant result by sampling "hotel," "airline," and "restaurant" firms. By contrast, Denizci and Li (2009) reported a significant and positive effect of ACSI on Tobin's Q when the Tobin's Q was normalized with a Box–Cox transformation. Given the inconsistent empirical results in the previous studies involving hospitality and tourism firms, the "insignificant" effects of customer satisfaction on Tobin's Q in our estimations is not surprising. Moreover, with the proliferation of global chain brands and franchised properties, the offerings of hospitality and tourism firms have become commoditized (Beldona et al. 2015). In a commoditized market, service processes and quality are standardized. Several papers have reported such a commoditization trend in the industry (e.g., Beldona et al. 2015; Cetin and Walls 2016; Mattila 2007). Customers tend to overlook the substantial differences between commoditized products and services and instead have become sensitive towards prices (Beldona et al. 2015). When a service is commoditized, the customer's higher (or lower) satisfaction with the current offering will less likely lead to differences in his/her future purchase decisions because the service offerings by alternative brands are expected to be similar, although they are intangible, and the importance of past experience as a tangible cue will be diminished. Our "Tobin's Q" result may reflect a lessened importance of customer satisfaction in a commoditized market, further suggesting that customer satisfaction do not work as a differentiator and hence do not generate additional return to firms in the industry. Furthermore, in an ad hoc manner, the insignificant "Tobin's Q" result re-emphasizes the importance of conducting industry-specific studies on the shareholder value relevance of customer satisfaction, that is, by not simply assuming that the positive link between ACSI and Tobin's Q manifesting in across-industry studies will also hold in a service industry. The "insignificant" result in Tobin's Q also highlights the importance of checking the other

[14] To identify CEO's work experience in sales, we checked if any job titles a CEO has had include one of the following words: "sale", "sales", and "commercial."
[15] For the sake of space, we do not report the estimation results of the "Tobin's Q" models with CEO_mktg_sales_exp or CEO_sales_exp_only in Table 3. We found that both moderating effects (i.e., ln[ACSI] × CEO_mktg_sales_exp, ln[ACSI] × CEO_sales_exp_only) on Tobin's Q were insignificant.

contributing route (i.e., equity risk) to shareholder value.

The finding in which the increase in ACSI enhances shareholder value only by reducing equity risk in the industry is noteworthy. The result suggests that increasing customer satisfaction works as an insurance against any risk associated with operations, even though it does not create an additional competitive advantage to the hospitality and tourism firm. The literature has shown that improved customer satisfaction based on positive past experience increases customers' affective commitment to a service firm (Iglesias, Markovic, and Rialp 2019; Lai 2014; Richard and Zhang 2012). In case of service failure, this affective commitment can work as a buffer against negative outcomes. For example, Mattila (2004) reported that customers with higher affective commitment towards a restaurant tend to have stronger tendencies of continuous loyalty (i.e., word-of-mouth behavior and repurchase intention) to the restaurant after service failure. Namkung, Jang, and Choi (2011) also found that loyal customers tend to show greater repurchase intention after service failure compared to non-loyal customers, suggesting that customer satisfaction prevents customers from being affected by past service failure when making future purchase decision. Our "Idiosyncratic risk" results suggest that the underlying mechanism (i.e., from customer satisfaction to customer loyalty and from customer loyalty to insurance against a service failure) works in such a way that enhanced customer satisfaction increases the stability of revenue streams. In summary, our results not supporting H1 but supporting H2 suggests that improved customer satisfaction does not provide competitive advantages to hospitality and tourism firms, but it is effective in building insurance against risks during operations.

The result on the moderating effect of a CEO's marketing experience even controlling presence CMO presence provides important theoretical implications to the literature on the roles of upper echelons and the marketing department's power in generating shareholder value (Feng, Morgan, and Rego 2015). This study is the first one to examine the CEO's functional background as an important factor for bolstering the positive effects of marketing intangibles (i.e., customer satisfaction in our study) on shareholder value. This study also provides a theoretical advancement by developing the argument that a CEO with marketing experience is linked with more discretion or power to marketing department and thus helps the firm build a more market-orientated culture necessary for leveraging customer satisfaction into shareholder value. Furthermore, this study offers a good theoretical contribution to the "service marketing" literature by arguing why the marketing experience of the top executive is more critical in the service sector rather than simply applying the theoretical argument to an industry sample.

Finally, the finding from a supplementary analysis is meaningful, that is, the CEO's sales experience does not affect or even reduces the capability of a hospitality and tourism firm in leveraging its customer satisfaction into shareholder value. The previous literature has shown that the sales function is more short-term oriented, while the marketing function is relatively more long-term oriented within an organization (Cespedes 1994; Homburg and Jensen 2007). CEOs with sales experience may be equipped with the short-term sales perspective and drive their firms to be more sales-oriented but less market-oriented. Excessive emphasis on the sales function pushes the firm to focus more on immediate sales rather than the objectives of extensive strategic planning, hence harming long-term profitability and shareholder value (Kim and McAlister 2011). In this sense, sales experience may not be a good CEO characteristic in terms of helping improve customer satisfaction for the benefit of shareholders. Our results from the supplementary analyses (Models 1 and 2 of Table 3) empirically support this argument and thus contribute to the literature on the functional difference between marketing and sales and its value implications.

5.2. *Managerial implications*

This study provides several implications for managers and financial market participants, including investors and financial analysts. Given the substantial resources required to improve or/and maintain customer satisfaction, particularly in the hospitality and tourism industry (Miao and Mattila 2013), the management teams in the industry are under great pressure to show the financial accountability of such resources to the financial community (Denizci and Li 2009). With our finding that improved customer satisfaction reduces firm equity risk, the hospitality and tourism managers can effectively communicate how intangibles including customer satisfaction are relevant to stock market performance with investors and other financial market participants such as financial analysts.

Our result regarding the moderation effect suggests that CEOs with marketing expertise will better support the marketing department and create market-oriented culture within the firm, which strengthens customer satisfaction's risk-reducing effect and thereby, foster shareholder value. The result emphasizes that the CEO and other TMT members, although they lack marketing background, should understand

the importance of disseminating and implementing market orientation throughout the firm. Domino's CEO earlier mentioned that they will not be successful in turning around Domino's dismal state without the support from the other TMT members for his "marketing" leadership. In other words, this study has implications to management team members, particularly the importance of having a market orientation and an outward-looking perspective throughout the firm.

5.3. Limitations and further studies

Although the current study provides contributes to both literature and business practice, some limitations of the study should be addressed in further studies. First, future studies can test with firm risk different from "equity-based" risk and further investigate whether and how ACSI can effectively reduce firm risk in the service sector. Rego, Billett, and Morgan (2009) considered debt-holder risk as an important risk for a firm and showed that brand equity can reduce debt-holder risk, which is measured by the credit ratings of firms. By using different risk measures that are not based on the variations of stock returns, future research may provide a much richer understanding on how customer satisfaction is related to risks among hospitality and tourism businesses.

Second, we considered the possibility that CMO presence may compensate for a CEO's lack of marketing expertise in our model development. Particularly, we have included dCMO as a TMT-level control variable. However, controlling the potential of the "CMO" effect is limited in addressing TMT dynamics, including the relationship between the CEO and the CMO, and their effects. Testing such dynamics and their effects on the links between customer satisfaction and shareholder value is beyond our research scope. Nonetheless, future research may collect data on the marketing background of TMT members and examine how the sharing of marketing expertise through their interrelationships can affect the shareholder value relevance of customer satisfaction (Brower and Nath 2018).

Third, for multinational corporations (MNCs), data related to the firm-level customer satisfaction index may be available in different countries. The customer satisfaction indices for hospitality and tourism MNCs may vary across countries. For example, although the ACSI of an MNC in the US has improved in a year, the customer satisfaction index of the same MNC in the other countries may be diminished. In such cases, the positive effect of the increase in customer satisfaction index in the home country (i.e., US ACSI) on shareholder value may be mitigated. Future research may collect data related to the customer satisfaction index from different countries for internationally operating hospitality and tourism firms (e.g., international hotel and restaurant chains, travel agencies, and airlines) and examine how the change in customer satisfaction index in the other countries affects the shareholder value relevance of the home-country ACSI of the MNCs.

Conflict of interest

The authors declare no conflict of interest.

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