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Board Culture Diversity and Global Tourism firms Financial Performance

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Abstract: Grounded in cultural theories particularly Organizational Culture Theory (OCT) and supported by existing tourism literature, this study investigates the impact of Board Cultural Diversity (BCD) on Tourism Firms Financial Performance (TFFP). It also examines the influence of firm-specific and national factors on this relationship. Using a regression model and a global tourism dataset, the findings indicate a positive correlation between BCD and TFFP, suggesting that greater cultural diversity enhances financial performance. Additionally, firm characteristics, along with national governance (NG) and national culture (NC), significantly controlled this nexus. While firm-level factors generally have a negative impact, certain national factors positively influence the BCD-TFFP connection. These insights can help decision-makers strategically plan and restructure firm boards and management strategies to improve performance. The ultimate findings of this study contribute to the field by providing a framework for future research and offering recommendations for regulatory bodies to promote cultural diversity, NG, and NC as drivers of tourism firm performance. Despite the constrained sample size of tourism firms, which is due to data availability, the current model offers promising avenues for future interesting research..

Keywords: Board Cultural Diversity, Firm Financial Performance, National Factors and Tourism

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التنوع الثقافي لمجلس الإدارة والأداء المالي لشركات السياحة حول العالم

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مستخلص البحث: استنادا إلى النظريات الثقافية، وبالتحديد نظرية الثقافة التنظيمية (OCT)، بالإضافة الى الأدبيات السياحية المنشورة، تبحث هذا الدراسة تأثير التنوع الثقافي في مجالس الإدارة (BCD) على الأداء المالي للشركات السياحة (TFFP). كما تدرس تأثير العوامل الخاصة بالشركات والعوامل الوطنية على هذه العلاقة. باستخدام نموذج الانحدار ومجموعة بيانات للشركات السياحية حول العالم، تشير النتائج إلى وجود علاقة إيجابية بين التنوع الثقافي والأداء المالي للشركات السياحية، مما يشير إلى أن زيادة التنوع الثقافي تعزز الأداء المالي. بالإضافة إلى ذلك، تؤثر خصائص الشركات، إلى جانب الحوكمة الوطنية (NG) والثقافة الوطنية (NC)، بشكل كبير في هذه العلاقة. بينما تؤثر العوامل المرتبطة بالشركات غالبًا بشكل سلبي، فإن بعض العوامل الوطنية تؤثر إيجابيًا على العلاقة بين التنوع الثقافي والأداء المالي. تسلط هذه النتائج الضوء على كيفية استفادة صانعي القرار من التخطيط الإستراتيجي وإعادة هيكلة مجالس الإدارة وإستراتيجيات الإدارة لتحسين الأداء. وبالتالي تساهم النتائج النهائية لهذه الدراسة في هذا المجال من خلال تقديم إطار عمل للبحوث المستقبلية وتقديم توصيات للجهات التنظيمية لتعزيز التنوع الثقافي والحوكمة والثقافة الوطنية كعوامل مؤثرة في أداء شركات السياحة. بغض النظر عن حجم العينة المحدود بشركات السياحة، وذلك بسبب توفر البيانات، تقدم المنهجية الحالية فرصًا واعدة للبحوث المستقبلية.

كلمات مفتاحية: التنوع الثقافي لمجلس الإدارة، والأداء المالي للشركات، والعوامل الوطنية، والسياحة

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1. Introduction

As agency theory suggests firms often face challenges arising from the separation of ownership and agent, boards of directors, therefore, may play a crucial role in mitigating these challenges. That can be by endorsing strategies, ensuring stakeholder accountability, and protecting shareholder interests, which are vital in enhancing governance and firm performance (Yu, 2023). From the perspective of OCT, which describes a collective system of assumptions, values, and beliefs, Pettigrew (1979) argued that these cultural elements shape the behaviours and performance of firms' members. As described by Schein (2010), organisational values establish goals, norms, and moral principles, forming the foundation of the corporate culture. A recent study by Yu (2023), analysing 314 empirical investigations, identified a lack of studies incorporating data from multinational contexts and national institutional factors, such as cultural dynamics. The author emphasised the need to integrate diverse theoretical frameworks to understand better how governance elements interact with firm performance.

Board culture diversity encompasses variations in demographic traits, experiences, and perspectives among board members. Such diversity fosters inclusive decision-making, leading to innovative solutions and improved firm outcomes (Ely & Thomas, 2001). Liswood (2009) highlighted the importance of leveraging individual strengths within diverse boards to drive strategic initiatives. Harrison and Klein (2007) underscored the need to account for the nuanced aspects of diversity, including problem-solving approaches and perspective differences. Calls for diverse research methodologies have increased, with Yu (2023) advocating for the inclusion of multiple performance metrics, longitudinal research designs, and integrative frameworks to better capture the direct, moderating, and mediating effects of governance factors on firm performance. Future research could benefit from applying multi-theoretical perspectives to explore the influence of managerial discretion and national institutional elements.

In conclusion, BCD is pivotal to effective governance, fostering innovation, inclusivity, and improved decision-making. Its role in TFFP is particularly significant given the industry's impact on global economic growth and its interconnections with environmental, cultural, and societal dimensions (Paramati *et al.*, 2017; De Grosbois, 2012 and Henderson, 2007). Therefore, this paper aims to address this gap in the literature by exploring the causal relationship between BCD and TFFP while examining the effects of national factors like governance and culture, as suggested by Lattemann *et al.* (2009). The investigation into these underexplored relationships sets this study apart, which will add to the literature via methodological contributions. The applied models consider possible dimensions and cover the factors that could affect the examined nexus. The causality examination and firm and national factors that directly impacted TFFP were considered. Not only methodological contribution but also context and practical contribution will add to this field and should enhance the tourism literature. The remainder of the paper is structured as follows: first, the literature review and hypotheses are presented, followed by the research design, results, and discussion. The paper concludes with critical insights and recommendations for future research.

2. Literature review and hypotheses development

Previous research has mainly focused on business performance based on Friedman's (1970) perspective. Many studies have looked at this topic from different angles, strongly emphasising diversity, especially in board membership (Lim et al., 2023). According to Lim et al. (2023), factors like culture, gender, workplace environment, education, and age play a crucial role in organisations' performance. Although many studies (e.g., Arnaboldi et al., 2020; Khan et al., 2021; Lim et al., 2023; Madanoglu et al., 2018; Mendoza-Velázquez et al., 2022; Mishra et al., 2021; Parameswar et al., 2021; Sanan et al., 2021; Shaukat & Trojanowski, 2018; Škare & Hasić, 2016; Tanjung, 2020; and Yu, 2023) have explored the connection between board governance and firms' performance, there has been less focus on how board diversity affects financial performance. This gap becomes more noticeable when looking at the link between board diversity and TFFP. Based on the available relevant literature, the current research can be grouped into three main themes (board governance, board diversity and independence).

2.1 Board governance

Recent research has shown mixed results regarding the CG and TFFP nexus. While some studies highlight positive effects, others report more varied outcomes. For example, Mendoza-Velázquez et al. (2022) studied 93 Mexican companies from 2010 to 2016 and found that CG and firm performance are closely connected, though hybrid governance systems can create challenges for minority shareholders and reduce CG compliance. Similarly, Sanan et al. (2021) examined Indian companies from 2007 to 2016 and discovered that factors like board size and institutional shareholding improve firm performance, while having independent directors may have the opposite effect. Furthermore, Arnaboldi et al. (2020) explored the impact of board diversity on European banks after the global financial crisis. They found that factors like tenure, size, diversity, and internationalisation only slightly impacted bank performance, influenced by market conditions and cultural differences. For example, foreign directors were less harmful during the Eurozone crisis in diverse countries. Yu (2023) suggested that the mixed results across studies might stem from differences in performance metrics, methodologies, and sampling strategies. Despite some inconsistencies, most studies show that CG positively affects firms' financial performance.

Recently, Lim et al. (2023) demonstrated this positivity between board diversity and TFFP, emphasising that diversity in age, culture, gender, and race is especially beneficial in sectors like hospitality. Similarly, Khan et al. (2021) analysed CG elements such as board size, CEO duality, and non-executive directors and found strong links to improved performance, aligning with agency theory. However, they highlighted the need for more research on the complex relationship between BCD and TFFP to better understand this dynamic. Both the context of tourism and BCD with regard to firms' financial performance have been ignored, which might affect the generalisation of the available outcomes. Concerning these constraints, in addition to applying a solid and unique model, will add to the field by increasing the discussion level in both theoretical and practical views.

In both developing/ed nations, scholars have investigated this nexus. For example, Parameswar et al. (2021) proposed a framework showing how factors like technology integration and corporate oversight influence firm performance; and emphasised the importance of BCD. Mishra et al. (2021) also explored CG in Indian firms between 2010 and 2018, finding that CG positively affects accounting-based financial performance but has a negative link to market-based performance. Similarly, Tanjung (2020) showed an improvement in economic performance in Indonesia, though the study overlooked the role of cultural factors. Studies like Shaukat and Trojanowski (2018) in developed countries revealed a positive link between board governance and firm performance in the UK, recommending stronger adoption of board diversity, particularly in tourism. Madanoglu et al. (2018) identified this positivity in US restaurant firms. Globally, Škare and Hasić (2016) concluded that CG is a crucial factor in firm success and called for more research on the relationship between BCD and financial performance. This gap is especially significant in the tourism sector, where BCD's role in shaping TFFP could lead to better policies and practices.

2.2 Board diversity

The majority of the recent studies regarding diversity (Ararat *et al.,* 2015; Brahma *et al.*, 2021; Labelle *et al.*, 2015; Oware & Mallikarjunappa, 2021; Sabatier, 2015; Shahzad *et al.*, 2020 and Xie *et al.*, 2024)we investigate the impact of board gender diversity on financial performance and how shareholder activism affects the dynamic relationship in the United States. We find that the relation between board gender diversity and firm performance presents an inverted U-shaped nonlinear form. Firm performance increases as the board is more gender-diverse, but performance decreases after the board diversity level reaches a turning point. Furthermore, shareholder activism through proxy proposals enhances the positive effect of diversity and alleviates the negative effect of diversity on firm performance, and the positive effect diminishes after board gender ratios reach an optimal level. Our study captures the dynamic impacts of shareholder activism and board gender diversity on firm performance and provides insights for regulators to make proper decisions in increasing board diversity. [ABSTRACT FROM AUTHOR] Copyright of Review of Quantitative Finance & Accounting is the property of Springer Nature and its content may not be copied or emailed to multiple

sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use. This abstract may be abridged. No warranty is given about the accuracy of the copy. Users should refer to the original published version of the material for the full abstract. (Copyright applies to all Abstracts. reflected the positive impact of board diversity on financial performance. However, A *et al.* (2021)we consider standard board features (type, tenure, size, and age of board members have concluded the adverse effects of gender and age diversity on UK firms' performance. Similarly, Marinova *et al.* (2016), who have examined this nexus in EU context, confirmed a null impact. Despite their assertion of a negative or negligible link between this nexus, their investigations have acknowledged certain limitations that may affect the observed effects. For instance, Shehata *et al.* (2017) have examined only two dimensions of diversity (gender and age) within a single sample of UK SMEs. They also recognised the imperative for additional research into diversity, such as BCD, concerning its impact on financial performance. Likewise, Marinova *et al*. (2016) exclusively investigated the effect of gender diversity on firm performance, employing Tobin's Q as a sole metric and drawing data from a sample spanning merely two countries (Netherlands and Denmark).

While extant literature has not directly addressed the correlation between BCD and TFP, this investigation proposes to fill this gap by formulating hypotheses informed by relevant prior research, thereby enabling an examination of this relationship. Previous studies by Xie *et al.* (2024)we investigate the impact of board gender diversity on financial performance and how shareholder activism affects the dynamic relationship in the United States. We find that the relation between board gender diversity and firm performance presents an inverted U-shaped nonlinear form. Firm performance increases as the board is more gender-diverse, but performance decreases after the board diversity level reaches a turning point. Furthermore, shareholder activism through proxy proposals enhances the positive effect of diversity and alleviates the negative effect of diversity on firm performance, and the positive effect diminishes after board gender ratios reach an optimal level. Our study captures the dynamic impacts of shareholder activism and board gender diversity on firm performance and provides insights for regulators to make proper decisions in increasing board diversity. [ABSTRACT FROM AUTHOR] Copyright of Review of Quantitative Finance & Accounting is the property of Springer Nature and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use. This abstract may be abridged. No warranty is given about the accuracy of the copy. Users should refer to the original published version of the material for the full abstract. (Copyright applies to all Abstracts. and Shahzad *et al.* (2020) have explored the influence of board gender diversity on US firms' financial performance. Their findings support the desirable impact of diversity on financial performance. Although they have offered valuable insights considering multiple factors and methods, such as moderating roles, further controls, such as national governance and culture, can be included. Also, global evidence, particularly from the tourism industry, should extend the BCD and TFFP literature. A strong link between diversity, especially gender diversity, and the UK firms' financial performance has been confirmed by Brahma et al. (2021)selected female attributes, and financial performance of FTSE 100 firms in the UK. Drawing on critical mass theory by measuring gender diversity as levels of female representation in the boardroom, this study finds a positive and significant relationship between gender diversity and firm performance. However, the results become highly significant and unequivocal when three or more females are appointed to the board compared to the appointment of two or less females. Further analysis reveals that post-appointment financial performance is positively related to female age, level of education and where female board members also hold executive director positions. The results remain unchanged after accounting for endogeneity concerns and employing alternative measures of firm performance, namely, return on assets and Tobin's Q. [ABSTRACT FROM AUTHOR] Copyright of International Journal of Finance & Economics is the property of John Wiley & Sons, Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use. This abstract may be abridged. No warranty is given

about the accuracy of the copy. Users should refer to the original published version of the material for the full abstract. (Copyright applies to all Abstracts., who highlighted the further impact of factors such as age and education level. A study by Sabatier (2015), who questioned the effect of women's participation on firm performance, concluded the positivity of diversity on French firms' financial performance. This effect is contingent upon the firms' attributes and acceptance of cultural diversity, which should be explored.

Among developing nations, Oware and Mallikarjunappa (2021)financial performance and gender diversity of listed firms. Design/methodology/approach: Using the India stock market as a testing ground, this paper used descriptive statistics and panel regression with random effect assumptions in the analysis of 800 firm-year observations between 2010 and 2019. Findings: The findings show that an improvement in stock price returns leads to a corresponding increase in women employment. Also, the study shows that an increase in family-managed firms leads to a decrease in the number of women employed in listed firms. This paper speculates using the social role theory that family involvement may see women as the weaker vessel and with a role to concentrate on raising children and handling house affairs. The consequence is a decrease in women employment. The study also shows that the interactive variable of financial performance (return on assets and return on equity have tried to explore the relationship between family management, financial performance, and gender diversity within Indian firms. Panel regression revealed a significant correlation between diversity and firm financial performance. Drawing from social role theory, their study speculates that diversity as primarily responsible for financial performance, which suggests a role of cultural norms in India. However, Oware and Mallikarjunappa (2021) financial performance and gender diversity of listed firms. Design/methodology/approach: Using the India stock market as a testing ground, this paper used descriptive statistics and panel regression with random effect assumptions in the analysis of 800 firm-year observations between 2010 and 2019. Findings: The findings show that an improvement in stock price returns leads to a corresponding increase in women employment. Also, the study shows that an increase in family-managed firms leads to a decrease in the number of women employed in listed firms. This paper speculates using the social role theory that family involvement may see women as the weaker vessel and with a role to concentrate on raising children and handling house affairs. The consequence is a decrease in women employment. The study also shows that the interactive variable of financial performance (return on assets and return on equity add to this field the limitations of their study, such as focusing only on the Indian firms that submit sustainability reports, which may restrict the generalisability of the findings. Also, they neglected to cluster the sample into industries. Therefore, the tourism context, either globally or even within the Indian context, should be examined concerning BCD and TFFP. Ararat *et al.* (2015) examined how a board's demographic diversity impacts Turkish firm performance and reported a positive, nonlinear on the mentioned nexus.

Globally, Labelle e*t al.* (2015)gender diversity in corporate governance has made little progress. As a consequence, the issue has captured the worldwide attention of policymakers. Several countries are currently adopting or considering the adoption of laws or regulations to promote gender diversity on corporate boards. The purpose of this paper is to compare the effectiveness of using legislative or regulatory means to increase female representation instead of allowing firms to voluntarily fix their own non-legally binding targets. We find that the relation between gender diversity and performance is positive in countries using the voluntary approach while it is negative in countries using the regulatory approach. We conclude that public policy aimed at increasing the number of women on corporate boards should be introduced gradually and voluntarily rather than quickly and coercively to avoid sub-optimal board composition. [ABSTRACT FROM AUTHOR] Copyright of Gender, Work & Organization is the property of Wiley-Blackwell and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use. This abstract may be abridged. No warranty is given about the accuracy of the copy. Users should refer to the original published version of the material for the full abstract. (Copyright applies to all Abstracts.

have aimed to compare the effectiveness of diversity considering voluntary/compulsory practice on board gender diversity. Their findings indicate a positive correlation between diversity and performance in countries adopting a voluntary approach, whereas it is harmful in those opting for regulatory measures. Despite heightened societal concerns regarding participation in business, progress in achieving BCD firms' governance remains open, particularly within tourism context performance. Consequently, policymakers, as well as scholars globally, should turn their attention to this issue. This is necessary as previous studies have neglected the exact association between BCD and TFP. As a result, this study advocates covering the most related literature to build its hypothesis. Therefore, the following patch of published studies is under one of the leading CG themes which is called "independent governance".

2.3 Independence governance

Many recent studies (e.g., Ararat et al., 2015; Brahma et al., 2021; Labelle et al., 2015; Oware & Mallikarjunappa, 2021; Sabatier, 2015; Shahzad et al., 2020; Xie et al., 2024) highlight the positive effects of board diversity on financial performance—however, some research reports mixed or even negative results. For instance, A et al. (2021) found that gender and age diversity negatively impacted the performance of UK firms, while Marinova et al. (2016) observed no significant effect in the EU. These studies often focus on limited aspects of diversity, such as gender and age, and use small, specific samples, which may limit their findings. For example, Shehata et al. (2017) studied only UK SMEs. Marinova et al. (2016) relied on data from just two countries, examining gender diversity using Tobin's Q as the sole performance metric. However, the link between BCD and TFFP remains unexplored in existing literature, which will be explored in this current study. This gap can be addressed by developing -on past research- new hypotheses. For example, Xie et al. (2024) and Shahzad et al. (2020) examined gender diversity on US firms' financial performance and found positive impacts. These studies suggest that diversity improves outcomes, but they also emphasise the need for broader controls, such as considering national governance and cultural factors.

Further studies, such as Brahma et al. (2021), confirmed that gender diversity positively influences the financial performance of UK firms, while factors like age and education level further enhance this effect. Sabatier (2015) reached similar conclusions in a study of French firms, showing that diversity benefits performance depending on company characteristics and cultural openness. These findings underline the importance of exploring how different dimensions of diversity interact with firm-specific and cultural factors to influence financial outcomes. However, these aspects remain under-researched, particularly in the tourism industry. Oware and Mallikarjunappa (2021) studied the impact of gender diversity and family management on Indian firms' financial performance. Their results showed a significant positive link between diversity and performance, attributed to cultural norms supporting diversity's role. However, their study was limited to firms submitting sustainability reports and did not analyse industry-specific effects, such as in tourism. Similarly, Ararat et al. (2015) found a nonlinear relationship between demographic diversity and firm performance in Turkey, highlighting diversity's potential positive effects in different contexts. Therefore, expanding this examination to industries like tourism could provide valuable insights into the role of BCD in shaping TFFP.

Globally, Labelle et al. (2015) compared the impact of voluntary and mandatory gender diversity practices on financial performance. They found that diversity enhances performance in countries with voluntary policies but can have a negative effect under regulatory approaches. Despite growing societal interest in improving diversity in business, the link between BCD and financial performance, especially in tourism firms, remains underexplored. Policymakers and researchers must explore this gap to understand fully how board diversity contributes to productivity and financial success. This current study, consequently, aims to bridge that gap by building a framework based on both combined theories and past conducted research and focusing on BCD and TFFP.

H1: BCD has a positive impact on TFFP.

2.4 National factors that affect the BCD and TFFP nexus

The growing internationalisation and changing demographics, especially in tourism, significantly affect how healthy tourism firms perform (Testa, 2007). Research in this field shows that cultural factors shape how employees view their leaders and influence their attitudes toward work (Testa, 2007). Using a questionnaire to study cultural influences and leadership perceptions among tourism firms' managers and staff, Testa (2007) highlighted the complexity of these relationships and their substantial impact on agent performance. While earlier research on culture-based theories connects management strategies with national culture, some scholars, like Lucas (2020), take a different opinion. Lucas emphasises the importance of national legal frameworks rather than focusing solely on cultural factors.

Tourism firms' performance relies heavily on governance, influencing how firms manage their operations, including national governance systems (Bianco et al., 2023; Lattemann et al., 2009). A robust regulatory framework ensures that companies operate efficiently and create economic value (Lui et al., 2021; Mitchell et al., 2013). In the tourism context, governance practices can differ across regions (Wang & Ap, 2013), making effective public policies essential for promoting sustainable and efficient tourism firms (Jamaliah & Powell, 2018). Hence, National governance affects individuals and firms in developing/ed countries. Governance patterns vary, highlighting the need for cross-cultural understanding to promote positive attitudes and behaviours. Utilising data from 14 European countries, Lucas (2020)in a European context, whether a management-induced International Financial Reporting Standards (IFRS has evidenced that national governance and firm characteristics affect management's strategy and firms' financial performance. However, this is constrained to a European dataset and a single sample year. Although empirical studies on this nexus are rare, existing research shows the importance of NG. Thus, this study explores whether NG influences tourism firms' performance.

H2: NG significantly impacts the relationship between BCD and TFFP.

Aligning with NG Hofstede's cultural dimensions, alongside institutional and firm-specific factors, seem to be an authoritative guideline for firms' attitudes (DiMaggio & Powell, 1983 and Nakayama & Wan, 2018). Hofstede's dimensions, such as power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence, are the most used factors in academic research studying the impact of NC (Gholipour & Tajaddini, 2014; Hofstede et al., 1998 and Reisch, 2021). Those factors may influence agents' attitudes, including those of directors and employees (Ostroff & Bowen, 2016). Kang et al. (2016) conclude the effect of UA and PD on tourist firms' activities. This belief has been confirmed by Filimonau et al. (2018), who discovered the influence of NC on attitudes within tourism firms. Utilising cultural factors, Filimonau et al. (2018) also confirmed a statistical correlation between the cultural background of Polish tourists and their attitudes, emphasising the importance of incorporating NC into future scientific research, particularly in the tourism context. Similarly, Kang et al. (2016), exploring the impact of NC on firms' activities, such as CSR of hospitality/ tourism firms, concluded a notable influence of Hofstede's NC factors. While the study's outcomes may not be generalisable, they suggest that multinational tourism firms should be further examined, exploring the influence of NC concerning BCD and TFFP nexus.

Although scholars have emphasised the importance of NC dimensions in existing literature, a significant research gap remains in examining their effect on the relationship between BCD and TFFP. Reisch (2021) recently validated the substantial influence of cultural factors on firm performance, reinforcing prior research findings. Overall, the literature suggests that NC has either a direct or control effect on the examined relationship, thereby motivating the hypotheses outlined for this study. This research investigates the control effect of national factors, particularly NG, NC and GDP. This seems to be the earliest inclusion, mainly in conjunction with institutional and firm-specific factors. To the best of my knowledge, this perspective has not been adequately addressed, particularly within the context of tourism.

H3: NC significantly impacts the relationship between BCD and TFFP

3. Study design

3.1 Sample and description of data

The study utilised a sample obtained from Infinitive databases, available through ASSET4, encompassing global tourism firms from 2004 to 2022. Table 1 provides an overview of the global dataset for the tourism sector, which includes firms from hotels, restaurants, casinos, airlines, and travel and leisure firms, representing the core of the tourism industry. The variables used in the analysis were chosen based on the discussion of both the related theories and available literature. The variables and their definitions are detailed in Table 1.

Table 1: Used variables and their definition

Variables	Definitions
Dependent: Tourism Firms Financial Performance	**TFFP:** Return on Assets (ROA and Tobin's Q (TQ).
Independent: Board Culture Diversity (BCD)	**BCD:** The percentage of board members with a cultural background different from the location of the firm headquarters.
National Factors (Control variables): 1- National Governance (NG): a) Government Effectiveness GE 2- National Culture (NC): a) Power Distance PD b) Individualism INDI c) Masculinity MASC d) Uncertainty Avoidance UA e) Long Term Orientation LTO 3- National Economic: GDP	1- National-level governance (WGI) High (%) is better. a) The ability of governments to formulate and implement policies. 2- National-level culture dimensions (Hofstede, 1984, 2001). a) Members of a society accept that power is distributed unequally. a) Take care of themselves and their immediate families only. a) A preference for achievement and assertiveness rewards for success. a) Members of a society tolerate uncertainty and ambiguity. a) Societies link with their past while dealing with the present/ future. 3- Country-level economic rate of Gross domestic product, constant prices.
Firm Factors Controls: Growth: Change in sales. Leverage: Debt to total assets. Size: Log of assets	

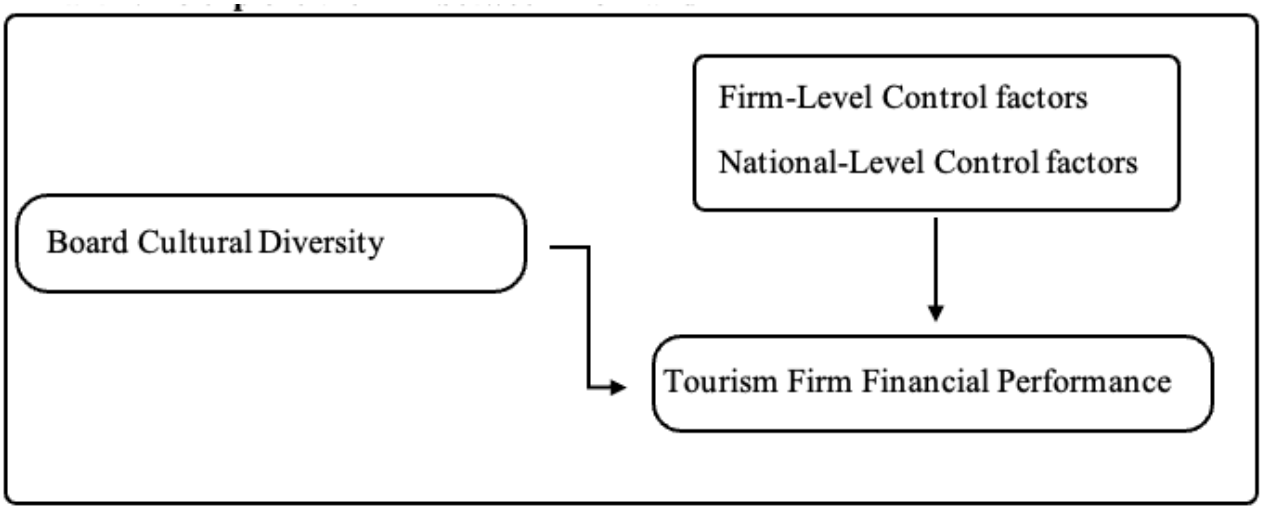
After eliminating duplicate entries, the final dataset included firms from 66 countries, spanning both developed and developing economies. The developed nations in the dataset include Australia, Austria, Belgium, Canada, Cyprus, Denmark, Estonia, Finland, France, Germany, Ireland, Israel, Italy, Japan, Luxembourg, Malta, Monaco, Netherlands, New Zealand, Norway, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, the United Kingdom, and the United States. The developing nations include Bahrain, Brazil, Bulgaria, Chile, China, Croatia, Egypt, Greece, Hong Kong, India, Indonesia, Jordan, Kuwait, Liberia, Lithuania, Malaysia, Mexico, Morocco, Nigeria, Oman, Pakistan, Panama, Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, South Africa, Sri Lanka, Thailand, Turkey, the UAE, and Vietnam. These countries exhibit diverse economic landscapes, with some transitioning to higher-income status while others remain in earlier stages of development. This classification underscores the varied economic contexts shaping the global tourism industry's operations.

3.2 Applied regression model

To investigate the developed hypothesis that BCD affects TFFP, the model illustrated in (Figure 1) was built and applied for the first time in this study to examine the direct influence of BCD at time on TFFP within the tourism firms. This measurement approach emphasises the causal relationship in order to avoid the risk of reverse causality. To address this, the TFFP variable is lagged by one year, which consequently reduces the study's analysis period to 2005–2022. Furthermore, the model incorporates potential control variables at both the firm and national levels. The primary regression models used are detailed below.

Figure 1: Graphical representation of the applied model

Part 1: To explore the link between BCD and TFFP



$$TFFP_{i,t}=B_0+B_1\ BCD_{i,t-1} \quad (1)$$

$$TFFP_{i,t}=B_0+B_1\ BCD_{i,t-1}++B_2\ Controls\ (firms\ charactristics)+(NG)+(NC) \quad (2)$$

$$TFFP_{i,t}=B_0+B_1\ BCD_{i,t-1}++B_2\ Controls\ (firms\ charactristics)+(NG)+(NC)+YE \quad (3)$$

Part 2: Using alternative variable, exploring the link between BCD and TFFP (TQ):

$$TFFP(T\ Q)=B_0+B_1\ BCD_{i,t-1}++B_2\ Controls\ (firms\ charactristics)+(NG)+(NC)+YE$$

Part 3 Additional model analysis of BCD and TFFP (GLM model):

$$TFFP_{i,t}=B_0+B_1\ BCD_{i,t-1}++B_2\ Controls\ (firms\ charactristics)+(NG)+(NC)+YE$$

4. Results and discussion

To commence the results of the applied model, this section initiates with a descriptive summary of the findings. Subsequently, it proceeds to explore both correlation and regression interpretation for the test of BCD and its impact on TFFP.

4.1 Descriptive results

Table 2: Descriptive statistics

Variables	Developing country				Developed country				Global tourism context			
	Mean	SD	Min	Max	Mean	SD	Min	Max	Mean	SD	Min	Max
Dependent variable:												
TFFP (ROA)	0.02	0.07	-0.27	0.19	0.04	0.08	-0.22	0.33	0.04	0.08	-0.27	0.33
Independent variable:												
BCD	0.29	0.26	0.10	0.99	0.42	0.29	0.10	1.00	0.39	0.29	0.10	1.00
Firm-level controls:												
Size	16.6	0.9	12.9	17.6	16.10	1.11	11.01	17.61	16.22	1.08	11.01	17.61
Growth	0.0	0.3	-0.7	0.9	0.05	0.29	-0.74	2.25	0.04	0.28	-0.74	2.25
Leverage	0.4	0.1	0.0	0.8	0.32	0.16	0.00	0.94	0.33	0.15	0.00	0.94
National-level controls:												
PD	0.70	0.09	0.49	1.00	0.43	0.14	0.22	0.68	0.50	0.17	0.22	1.00
Individualism	0.27	0.10	0.20	0.65	0.77	0.12	0.35	0.91	0.64	0.25	0.20	0.91
Masculinity	0.63	0.11	0.49	0.86	0.58	0.11	0.08	0.70	0.59	0.11	0.08	0.86
UA	0.35	0.13	0.29	0.76	0.56	0.21	0.35	1.00	0.50	0.21	0.29	1.00
LTO	0.55	0.21	0.14	0.87	0.48	0.20	0.21	0.83	0.50	0.20	0.14	0.87
GE	0.81	0.16	0.35	0.99	0.90	0.05	0.60	1.00	0.88	0.10	0.35	1.00
GDP	25723.26	16247.84	1913.22	49844.52	38665.37	23093.95	0.00	85233.63	35344.33	22269.07	0.00	85233.63
No. of examined Observations:					**1173**							

The descriptive results presented in (Table 2) provide a summary of the key findings for the dependent and independent used variables. This is a foundation for understanding the dataset's characteristics and principal variables before advancing to correlation and regression models. The table outlines the means, standard deviations SD, and minimum and maximum values for both developing/ed nations within the global tourism firms' dataset. Notably, the average TFFP in developed countries is twice as high as in developing nations, while BCD is more noticeable in developed nations. Overall, the means are relatively close to their respective SD, suggesting that TFFP, BCD, and the used control variables are consistently distributed, meeting the basic requirements for the study's methods, including multicollinearity, correlation and regression models.

4.2 Multicollinearity check

A multicollinearity assessment was performed using the Variance Inflation Factor (VIF) test to maintain the robustness and reliability of the applied regression analysis. The results in Table 3 show that none of the variables have a VIF value greater than 10. This indicates a low degree of multicollinearity among the independent variables, confirming that the regression analysis remains stable and unaffected (Myers, 1990). Therefore, the regression models used in the study are free from multicollinearity concerns.

Table 3: Variance inflation factor for multicollinearity check

Independent variable	VIF	1/VIF
PD	4.00	0.250
Individualism	3.78	0.260
UA	3.23	0.309
Masculinity	2.59	0.385
GE	2.37	0.421
LTO	2.02	0.494
GDP	1.97	0.509
Size	1.66	0.604
Leverage	1.17	0.857
BCD	1.07	0.935
Growth	1.03	0.967
Mean Variance inflation factor	2.26	

Table 4: Correlation matrix across the applied variables[1]

	TFFP	BCD	Size	Growth	Leverage	PD	Individualism	Masculinity	UA	LTO	GE	GDP
TFFP	1.00											
BCD	0.17***	1.00										
Size	-0.29***	-0.03	1.00									
Growth	-0.13***	0.06*	-0.05	1.00								
Leverage	-0.24***	-0.05	0.05	-0.00	1.00							
PD	-0.26***	-0.17***	0.31***	-0.06*	0.09**	1.00						
Individualism	0.21***	0.22***	-0.30***	0.04	0.01	-0.73***	1.00					
Masculinity	0.11***	0.02	-0.01	0.01	-0.01	-0.32***	-0.05	1.00				
UA	-0.19***	0.05	0.04	-0.01	-0.11***	0.20***	0.19***	-0.62***	1.00			
LTO	-0.23***	0.00	0.40***	-0.16***	-0.13***	0.38***	-0.30***	-0.19***	0.25***	1.00		
GE	0.13***	0.04	0.15***	0.02	-0.13***	-0.38***	0.32***	-0.12***	-0.21***	0.01	1.00	
GDP	0.01	-0.01	0.19***	0.06*	-0.11***	-0.19***	0.11***	-0.23***	0.19***	-0.25***	0.37***	1.00

** p < 0.05, ** p < 0.01, *** p < 0.001*

4.3 Correlation and regression outcomes

Table 4 provides the correlation matrix, showcasing the relationships among the study variables and indicating minimal correlation among the explanatory variables used in this study regression model. These correlation results help determine the inclusion or exclusion of variables in the models to address potential multicollinearity issues. Key variables of interest include BCD, firm-level and country-level control variables, and TFFP. Notably, the positive correlation (0.17***) between BCD and TFFP suggests that fostering multiculturalism within the boards of tourism firms may enhance financial performance. Similarly, the positive associations between individualism, masculinity, and NG, mainly GE, highlight the potentially favourable influence of cultural and governance factors. Other NG factors, e.g., accountability, regulatory quality, corruption, political stability, and the rule of law, have been excluded due to their high correlation. Furthermore, firm-level characteristics appear to negatively affect TFFP, a finding that warrants further exploration in the context of the regression models.

1 *TF*FP: Tourism Firms Financial Performance (ROA); BCD: Board Cultural Diversity; Size: Log of Total Assets ; Growth: Growth of Sales; Leverage: Debt to Total Assets; PD: power distance; Individualism: Take care of only themselves and their immediate families; masculinity: *A preference for achievement, assertiveness;* UA: Uncertainty Avoidance; LTO: Long Term Orientation; GE: Government Effectiveness; GDP: Gross Domestic Product.

4.3.1 The main regression analysis

Table 5: The regression outcomes of the effect of BCD on TFFP (OLS)

1Tourism firms. Vs	Tourism firms' financial performance (ROA)		
	(1)	*(2)*	*(3)*
Main independent variable:			
BCD	0.038***	0.037***	0.030***
	(5.54)	(5.40)	(4.76)
Firm-level control variables:			
Size		-0.015***	-0.019***
		(-6.54)	(-9.35)
Growth		-0.048***	-0.025***
		(-6.96)	(-3.37)
Leverage		-0.137***	-0.069***
		(-9.83)	(-5.39)
National-level control variables:			
PD		0.038	0.037
		(1.72)	(1.87)
Individualism		0.062***	0.055***
		(4.03)	(4.08)
Masculinity		-0.022	-0.006
		(-0.81)	(-0.23)
UA		-0.098***	-0.105***
		(-5.90)	(-7.02)
LTO		-0.042**	0.010
		(-3.07)	(0.80)
GE		0.018	-0.013
		(0.61)	(-0.51)
GDP		0.000	0.000**
		(1.12)	(2.64)
Constant	0.020***	0.317***	0.358***
	(5.82)	(6.82)	(7.97)
Year effect	No	No	Yes
Observations	1445	1177	1177
R²	0.021	0.267	0.455
Adjusted *R²*	0.020	0.260	0.442
F	30.66	38.63	34.23

Note: t statistics level of significance in parentheses: * p < 0.05, ** p < 0.01, *** p < 0.001

The above Table 5 outlines the regression outcomes, mainly, examining the influence of BCD on TFFP. Model (1) investigates the direct effect of BCD on TFFP without accounting for firm- or national-level control factors. The findings reveal a significant and positive effect (0.038***), indicating that greater cultural diversity among a firm's board members leads to a 4% improvement in TFFP. However, Model (2) introduces national and firm-specific controls, such as size, growth, and leverage, which also influence the examined nexus. Even with these factors, BCD maintains a significant positive impact on TFFP (0.037***). Size (-0.015***), growth (-0.048***), and leverage (-0.137***), show a significant negative influence on TFP. The analysis also incorporates national-level controls and accounts for year effects across tourism firms globally. The coefficient of BCD remains significantly positive (0.030***). While individualism and GDP positively affect TFFP, UA has a significant negative impact.

These ultimate findings support Hypothesis 1, confirming a positive relationship between BCD and TFFP. Financial performance improves as cultural diversity among a firm's board members increases. The R^2 (46%) and adjusted R^2 (44%)

1 *TFP: Tourism financial performance (ROA); BCD: Board Cultural Diversity (Percentage of board members cultural background); PD: power distance; UA: uncertainty avoidance; GE: government effectiveness; GDP: Gross domestic product.*

values underscore the model's robustness, supported by 1,177 observations, making the results reliable and generalisable.

The study also aligns with prior research (e.g., Labelle et al., 2015; Shahzad et al., 2020; Brahma et al., 2021; Oware and Mallikarjunappa, 2021; Xie et al., 2024). While national economic factors like GDP positively contribute to the relationship, government effectiveness shows no significant impact. Ultimately, the results confirm the hypothesis and emphasise the importance of board cultural diversity in enhancing the financial performance of tourism firms.

4.3.2 Additional analysis and further discussions

Table 6: Regression outcomes of the direct effect on accounting and market TFFP

Tourism firms' variables[1]	Tourism firms' financial performance (TFFP)	
	Accounting base *(ROA)*	Market base *(TQ)*
Main independent variables:		
BCD	0.030***	0.247*
	(4.76)	(2.55)
Firm-level control variables:		
Size	-0.019***	0.475***
	(-9.35)	(15.03)
Growth	-0.025***	0.207
	(-3.37)	(1.81)
Leverage	-0.070***	-0.760***
	(-5.39)	(-3.82)
Country-level control variables:		
PD	0.037	0.811**
	(1.87)	(2.65)
Individualism	0.055***	0.956***
	(4.08)	(4.53)
Masculinity	-0.006	1.990***
	(-0.23)	(5.21)
UA	-0.105***	-0.384
	(-7.02)	(-1.64)
LTO	0.010	-1.003***
	(0.80)	(-5.01)
GE	-0.013	1.524***
	(-0.51)	(3.74)
GDP	0.000**	0.000**
	(2.64)	(2.67)
Constant	0.358***	-2.672***
	(7.97)	(-3.75)
Observations	1177	1136
R^2	0.455	0.371
Adjusted R^2	0.442	0.355
F	34.23	23.31
Fixed Year	Yes	Yes

Note: t statistics level of significance: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

1 ROA: Return On Assets; Tobin's Q: Due to the complexity (Inoue & Lee, 2011) of the TQ formula by (Tobin, 1969) this study usese a simplified formula (MV) available in DataStream; BCD: Board Cultural Diversity; PD: Power Distance; UA: Uncertainty Avoidance; LTO: Long Term Orientation; GE: Government Effectiveness.

The earlier regression analysis, which explored the determinants of TFFP using ROA as an accounting-based proxy, highlighted a positive relationship between BCD and ROA of tourism firms. Building on this, the current analysis examines how BCD, alongside firm- and country-level variables, influences the market-based aspect of TFFP, represented by TQ. The findings in the above Table 6 reveal that BCD significantly impacts both ROA and TQ. While BCD contributes approximately 3% to ROA, its effect on TQ is much more pronounced, with a loading factor of around 25%. This suggests that the market responds more strongly to the increases in BCD. These results align with studies by Inoue and Lee (2011) and Yadav et al. (2016), which indicate that firms excelling in responsible practices tend to achieve higher market valuations.

Additionally, the positive effect of BCD on TFFP, as proposed in Hypothesis 1, is validated across both accounting-based and market-based measures of financial performance. In summary, a higher BCD score corresponds to improved TFFP levels, reinforcing the importance of board cultural diversity in enhancing both operational and market performance.

Table 7: The robustness regression analysis of the BCD and TFFP nexus (GLM)

Tourism firms' variables[1]	Tourism firms' financial performance (TFFP)
Main independent variables:	
BCD	0.030***
	(4.76)
Firm-level control variables:	
Size	-0.019***
	(-9.35)
Growth	-0.025***
	(-3.37)
Leverage	-0.070***
	(-5.39)
National-level control variables:	
PD	0.037
	(1.87)
Individualism	0.060***
	(4.08)
Masculinity	-0.006
	(-0.23)
UA	-0.105***
	(-7.02)
LTO	0.010
	(0.80)
GE	-0.013
	(-0.51)
GDP	0.000**
	(2.64)
Constant	0.358***
	(7.97)
Observations	1177
t statistics in parentheses * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$	

1 **ROA**: Return On Assets; **Tobin's Q**: Due to the complexity (Inoue & Lee, 2011) of the TQ formula by (Tobin, 1969) this study use a simplified formula (MV) available in DataStream; **BCD:** Board Cultural Diversity; **PD:** Power Distance; **UA**: Uncertainty Avoidance; LTO: Long Term Orientation; **GE**: Government Effectiveness.

In addition to previous regression outcomes and for robustness reasons, Table 7 includes the outcomes of the Generalized Linear Model (GLM). The GLM framework, applied within the tourism context, is particularly effective for handling multiple continuous variables. The findings reveal that results from both OLS and GLM are broadly consistent, with both methods affirming the positive relationship between BCD and TFFP. Additionally, the firm- and national-level control variables exhibit similar contributions to TFFP across global tourism firms. The econometric analysis confirms that cultural diversity within the boards of tourism firms positively impacts TFFP. This is a novel conclusion, particularly when considering national factors such as NG, NC, and economic conditions. The robustness analysis using GLM further supports the OLS findings, demonstrating BCD's significant and favourable effect on TFFP across both ROA and TQ. While this relationship is tested for the first time in this study, the results align with prior research (e.g., Brahma et al., 2021; Khan et al., 2021; Parameswar et al., 2021; Lim et al., 2023; Xie et al., 2024). Despite variations in variables and contexts, earlier studies report similar positive effects of diversity on financial performance and encourage further research in this underexplored area.

This study addresses a research gap by adopting the perspective of OCT, which emphasises the collective system of assumptions, beliefs, and values that shape organisational behaviour (Pettigrew, 1979). Pettigrew highlights that shared values and beliefs, which evolve, significantly influence the actions and performance of organisational members. Schein (2010) further underscores the importance of observing organisational values, goals, norms, and principles to effectively understand and shape organisational culture. In conclusion, the developed hypotheses H1, H2, and H3 have been confirmed. The analysis identifies both firm and national factors that influence the relationship between BCD and TFP. This finding has important implications for professional practices. Managers, directors, and decision-makers should prioritise board diversity to enhance institutional outcomes. Additionally, these insights contribute to the academic field and encourage further exploration in this area.

5. Conclusion

Grounded in a combination of agency theory and OCT, considering the existing research on cultural diversity and firm performance, this study explores the effect of BCD on TFFP. It investigates the influence of firm-specific and national factors on this examined nexus. Using a regression model and a global tourism firms' dataset, the findings demonstrate a positive association between BCD and TFFP, indicating that greater cultural diversity leads to improved financial performance. Additionally, firm characteristics, as well as NG and NC, significantly control this relationship. While firm-level factors typically have negative impacts, dimensions such as PD, individualism, LTO, and GDP positively influence the BCD-TFFP nexus.

These findings offer valuable insights for decision-makers in tourism firms, highlighting the potential to optimise board composition and management strategies by fostering greater cultural diversity. By prioritising diversity within the organisation, firms can promote inclusivity and enhance their financial performance. The study underscores the importance of carefully considering national factors, such as GE and NC, along with crucial firm characteristics, as these elements play a significant role in shaping organisational performance. Decision-makers must account for these dynamics when crafting strategies to ensure their firms are well-positioned to thrive in a competitive environment. However, while promoting cultural diversity and leveraging national and organisational factors can yield substantial benefits, it is equally important to recognise and manage the potential costs and challenges associated with such practices. Achieving an optimal balance between the advantages and the associated trade-offs is critical to maximising overall value. Firms must comprehensively evaluate the impact of diversity initiatives, ensuring that they align with their broader strategic objectives and contribute to sustainable growth.

Additionally, regulatory bodies are crucial in fostering environments that support diversity and inclusivity. By encouraging dimensions such as gender equality and national cultural representation, these organisations can create frameworks that enable tourism firms to enhance their performance. Policymakers should consider implementing supportive measures, such as guidelines, incentives,

or reporting requirements, to promote diversity-related practices within firms. This holistic approach will help ensure that the tourism sector integrates cultural diversity, organisational effectiveness, and financial success harmoniously.

This study, therefore, makes a meaningful contribution to the tourism context and the literature on the BCD-TFFP relationship, offering a foundation for future research and practical recommendations for improving NG and NC to foster diversity and boost firm performance. Despite the notable contributions, the possible limitations of this study, along with the potential moderating or mediating effects of NG and NC on BCD, present opportunities for further research to deepen understanding in this field.

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