CHAPTER V

CONCLUSION AND IMPLICATION

A. Conclusion

Based on the research findings, the following conclusions can be drawn:

1. The size of the board of directors in tourism companies across Indonesia, Malaysia, and the Philippines during the 2021–2023 period has a statistically significant but negative effect on firm performance, indicating that simply increasing or decreasing board size does not improve financial outcomes. The COVID-19 pandemic's challenges exposed the need for agile governance, with ineffective boards weakening resilience. These results contradict agency theory and align with studies showing negative effects of larger boards. Additionally, governance structure matters: two-tier boards positively impact performance, while one-tier boards show insignificant or negative effects, highlighting the role of board structure in shaping outcomes.
2. The size of the independent board shows a positive but non-significant effect on firm performance in tourism companies across Indonesia, Malaysia, and the Philippines during the 2021–2023 post-pandemic recovery period. While an increased number of independent directors tends to be associated with better financial outcomes, this relationship was not statistically significant, contrasting with earlier studies that

found a meaningful positive impact of board independence on firm performance.

3. The finding that audit committee size has a negative and moderately significant effect on firm performance suggests that increasing the number of audit committee members may hinder financial outcomes for tourism companies during the post-pandemic recovery due to coordination difficulties, diluted responsibilities, and slower decision-making. Further analysis shows that audit committees improve firm performance in one-tier board systems, where unified boards allow faster decisions and direct oversight, but not in two-tier systems, where separated governance causes delays and weakens audit committee influence. Overall, audit committee effectiveness depends more on member quality, expertise, and engagement than on size, indicating that enlarging committees without ensuring competence may reduce oversight quality and harm firm performance.
4. The finding that sustainability reporting based on the GRI standard has a negative and moderately significant effect on firm performance suggests that tourism companies investing in comprehensive sustainability disclosures during the COVID-19 recovery phase (2021–2023) may have faced financial strain due to the high costs and resource demands of extensive reporting. Stakeholder theory explains that such reporting shifts resource allocation to meet diverse stakeholder demands, sometimes causing unequal asset use. Further analysis

reveals that sustainability reporting boosts performance in one-tier board systems like Malaysia and the Philippines, where unified boards enable strategic ESG integration and build stakeholder trust, while in two-tier systems like Indonesia's, reporting is mainly compliance-driven, limiting its positive impact on firm outcomes.

B. Implications

1. The results of this study are expected to contribute to the advancement of agency theory and stakeholder theory, particularly in understanding the factors that influence firm performance. Additionally, the findings support and extend contingency theory by demonstrating that the effectiveness of governance structures, such as board size and audit committees, is not universally fixed but depends on specific situational factors.
2. Tourism companies should rethink the strategy of increasing board size to enhance firm performance, as larger boards can lead to coordination and control inefficiencies that negatively affect financial results. Instead, efforts should focus on improving board composition and boosting the effectiveness of current members rather than simply adding more directors. Furthermore, adopting a two-tier board structure, which separates supervisory and management functions, may lead to better oversight and improved financial outcomes compared to a one-tier system. Policymakers and company leaders should therefore consider governance reforms that focus on board composition,

competencies, and structure to drive sustainable performance in the tourism sector.

3. A greater number of independent directors is generally considered advantageous. However, their mere presence does not ensure better performance. Companies should strengthen the role of independent directors by clearly defining their responsibilities, encouraging active participation, and integrating them more deeply into strategic decision-making to fully leverage their potential.
4. Increasing the size of audit committees may harm firm performance due to challenges in coordination and the dilution of responsibilities. Expanding the committee without ensuring member competence can lead to coordination challenges, diluted responsibilities, and slower decision-making, ultimately harming financial outcomes. Additionally, companies operating under one-tier board systems should leverage the advantage of unified governance structures to enhance audit committee effectiveness through direct oversight and faster decision-making. Conversely, firms with two-tier board systems need to address the structural limitations that weaken audit committee influence, possibly by improving communication channels between management and supervisory boards. Overall, organizations should focus on building smaller, highly skilled, and engaged audit committees to strengthen governance and support better financial performance, especially during volatile recovery periods.

5. Sustainability reporting is crucial for transparency and stakeholder engagement, but tourism companies must manage the financial and resource burdens of extensive GRI-based disclosures during recovery periods. A balanced approach that aligns sustainability efforts with a firm's capacity and strategic goals can mitigate financial strain and support long-term growth. Companies with one-tier board systems, like those in Malaysia and the Philippines, can better integrate Environmental, Social, and Governance (ESG) practices and improve performance through unified governance, while firms in two-tier systems, such as Indonesia's, should enhance collaboration between management and supervisory boards to move beyond compliance and strategically embed sustainability.
6. The results of this study offer valuable insights for the management of tourism companies seeking to improve financial performance. It is recommended that management focus on enhancing the quality of the board of directors, independent directors, audit committee, and sustainability reporting. Strengthening these areas can increase transparency, improve the accuracy and reliability of financial reporting, and build greater investor confidence, all of which contribute to positive long-term financial outcomes.

D. Research Limitations and Recommendations

1. Future research should incorporate frameworks like contingency theory to better understand how governance mechanisms affect firm

performance in different contexts. By recognizing that the effectiveness of governance structures depends on environmental, organizational, and market conditions, researchers can explain varying impacts of factors such as board size and sustainability reporting across industries and regions. This approach enables more nuanced insights and practical recommendations tailored to specific situations.

2. Future researchers are encouraged to incorporate additional variables that may influence the financial performance of tourism sector companies to provide a more comprehensive analysis. Variables such as firm size, sales growth, and leverage have been identified in prior studies as significant determinants of financial outcomes in tourism firms.
3. This study uses Return on Assets (ROA) as the sole measure of financial performance, which provides a limited perspective on a company's overall financial health. Future researchers are encouraged to incorporate additional financial metrics such as Net Profit Margin, which reflects profitability relative to sales, or Return on Equity (ROE), which measures returns generated on shareholders' investments. Utilizing multiple performance indicators allows for a more comprehensive and nuanced assessment of financial outcomes, capturing different aspects of profitability, efficiency, and shareholder value.

4. This study uses the Global Reporting Initiative (GRI) Standards 2021 as the sole framework to measure the Sustainability Reporting Disclosure Index (SRDI). Future researchers are encouraged to incorporate other sustainability frameworks such as the Sustainability Accounting Standards Board (SASB) or the Task Force on Climate-related Financial Disclosures (TCFD) to enable more accurate and comparative analyses. Moreover, integrating different frameworks can enhance the robustness of sustainability assessments, especially in industries like tourism where environmental and social factors are critical.
5. This study focuses exclusively on tourism companies operating in three Southeast Asian countries: Indonesia, Malaysia, and the Philippines. Future researchers are encouraged to expand the scope of their studies by including additional countries within Southeast Asia, such as Thailand, Vietnam, Cambodia, and Singapore, or even extending to other regions with similar tourism dynamics. Broadening the geographic coverage will allow for a more comprehensive understanding of the diverse factors influencing tourism firm performance across different regulatory, cultural, and economic environments.
6. This study is limited to the three-year period from 2021 to 2023, during which the tourism industry was still recovering from the severe impacts of the COVID-19 pandemic. Border closures, travel restrictions, and

changing traveller behaviours led to significant economic and social consequences, including job losses and reduced state revenues in tourism-dependent countries. Future research is encouraged to extend the study period beyond 2023 to capture longer-term trends and more fully assess the evolving impacts of the pandemic and the sector's return to pre-crisis performance levels. Expanding the timeframe will provide a more comprehensive understanding of corporate governance and sustainability practices in tourism as the industry stabilizes and adapts to the post-pandemic environment.