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The Role of Corporate Governance in Sustaining the Economy: Examining Its Moderating Effect on Brand Equity and Profitability in Tourism Companies

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Abstract: A series of corporate embezzlement cases in Taiwan prompted the enactment of regulations by the government to enforce the corporate governance (CG) mechanism in listed companies. Prior research has given limited attention to investigating the link between CG and brand equity (BE) in the tourism sector. This study aims to use the resource-based theory and the convergence of interest hypothesis to explore the moderating role of CG in the relationship between BE and corporate profitability (CP). This investigation takes into account ten control variables encompassing company-specific factors and macroeconomic indicators. Utilizing financial data from the Taiwan Economics Journal Database (TEJ), the study covers a 16-year span (2000–2015) and examines 196 records from 32 publicly listed tourism companies. The analysis employs a fixed-effect panel regression approach, utilizing four distinct models with varying dependent variables. The results reveal a positive and significant impact of BE on CP within the context of Taiwanese-listed tourism firms. Importantly, CG is found to moderate the relationship between BE and CP. These findings offer actionable insights for management to enhance profitability by strategically improving both BE and CG practices within the tourism industry. The managerial implications are discussed in depth.

Keywords: corporate governance; brand equity; profitability; listed tourism companies



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1. Introduction

The concept of sustainability is often associated with the environmental, social, and governance (ESG) activities and practices of companies [1]. Effective corporate governance (CG) is crucial for optimizing capital allocation and safeguarding and enhancing capital, all of which are vital prerequisites for establishing sustainable businesses [2]. Well-established CG is responsible for overseeing and monitoring management decisions and activities that impact society and offer benefits to all stakeholders [3].

A reputable brand and the right brand orientation are key factors for success in the tourism industry [4,5]. Brands create value for the company and an impression for customers to determine the quality and attributes of products and services [6]. The resource-based theory (RBT) considers a firm as a collection of resources (such as brand equity (BE)) and capabilities [7,8]. Bharadwaj et al. [9] found that 85% of business and 76% of leisure travelers prefer well-known hotel brands and asserted that these preferences were to reduce risk.

The performance appraisals of brand managers are closely associated with companies' financial performance. Therefore, many previous studies have centered on measuring the brand-finance index [10].

Previous studies concerning BE had largely focused on customers or markets and used customer loyalty, customer satisfaction, or market share indices as the independent variables [11–17]. Few studies have combined BE with the financial aspects of a company, such as profitability, operating performance, and financial performance. Santos et al. [18]

divided a dataset of 51 firms into two groups: those with and without a brand. Their objective was to assess the influence of brand equity on the corporate performance of nautical tourism firms in the Centro Region of Portugal. By bridging this gap, the contribution of this paper may help Taiwanese tourism companies better understand the importance of BE toward corporate profitability (CP) with the moderation effect of CG. To achieve the future goal of internationalization, tourist companies can draw from their understanding of BE to engage in brand adjustment or enhance BE by increasing advertising budgets or expanding advertising channels.

However, managing risk is another important issue when management executives address BE enhancement. Few studies included CG variables in their brand-finance index models. This paper aims to elucidate whether CG moderates the relationship between BE and CP.

Corporate governance has gradually gained international attention following the Asian Financial Crisis in 1997, the Enron scandal in 2001, and WorldCom's bankruptcy crisis in 2003 [19]. A series of corporate embezzlement cases that occurred in Taiwan in 1998 prompted the Taiwanese government to ratify regulations to enforce the CG mechanism, including the establishment of independent director committees and audit committees in the listed companies in the Taiwan Stock Exchange (TWSE) and Gre Tai Securities Market (GTSM) [20]. A survey conducted by McKinsey & Company highlighted that Asian corporate investors are willing to allocate 20% of their stock premiums to investment targets with favorable CG performance [20]. Boubaker and Nguyen [21] emphasized the significant role of corporate governance in emerging markets and underscored how the unique characteristics of emerging markets impact corporate governance theory.

The Taiwanese tourism industry is currently flourishing. TWSE/GTSM-listed companies are expanding and showing interest in international development. CG reduces the risk of financial fraud and malfeasance and facilitates stable corporate development. With the massive development of the tourism industry in Taiwan, attention must be paid to both dimensions of profit and risk. Therefore, this paper examines the impact of BE and CG on the CP for TWSE/GTSM-listed tourism companies.

To assist such companies in establishing favorable CG systems and promote the sound development of the stock market, the Financial Supervisory Commission issued the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies, establishing six major principles and urging the compliance of affected companies (1) these principles establish an effective corporate governance framework; (2) protect the rights and interests of shareholders; (3) strengthen the powers of the board of directors; (4) fulfill the function of supervisors; (5) respect the rights and interests of stakeholders; (6) enhance information transparency. An increasing number of TWSE/GTSM-listed companies have subsequently begun to take notice of the importance of CG to the company and its investors. Taiwanese companies are gradually paying attention to the CG issue. The independent directors in Taiwanese listed companies have assumed the immense responsibility of handling affairs concerning the company's audit and remuneration committees. Major investment decisions must first be approved by no less than half of the audit committee and two-thirds of the board of directors before they can be assigned to professional managers for implementation.

Although a series of embezzlement and corruption cases occurred in the years after 1990, a number of managers and researchers have continued to center their efforts on CG [19,20]. However, most applicable studies are centered on Western financial industries [22–25]. Previous research has pointed out that cultural differences significantly influence management. The power distances between different corporate positions are far greater in Western than in Eastern countries. Companies in the West advocate the allocation of authority and respect the right to express personal opinions; that is, they trend towards individualism. By comparison, Eastern countries prefer collectivism in that people seek integration into and protection by groups, even if they are required to violate personal principles. Strategies formulated by companies in the East are more conservative and prefer

uncertainty avoidance more than those formulated in the West, which prefer to pursue risk [26].

This paper makes two main contributions. (1) It explores the influence of BE on CP, considering the moderating effect of CG, within TWSE/GTSM-listed tourism companies. (2) It investigates the CG practices of tourism companies in Taiwan, examining the potential for improving CP by adjusting factors such as director board size (DSIZE), the proportion of independent directors (ID), and the percentage of director stockholding (DHOLDING) within these tourism companies. Our findings may assist both managers in the industry and future researchers to better understand issues relating to CG.

This paper is organized as follows. Section 2 briefly summarizes the relevant literature and hypothesis establishment. Section 3 describes the theoretical model, briefly introducing the research framework, the data collected, and the variables used. Section 4 applies panel regression to financial data from the Taiwan Economics Journal Database (TEJ) covering a 16-year span and examines 196 records from 32 publicly listed tourism companies. Some concluding remarks and future research are then presented in Section 6.

2. Literature Review

2.1. Resource-Based Theory

The RBT argues that resources consist of tangible elements, like equipment, and intangible elements, like brand equity and human resources [7,8]. The RBT employs the internal resources of firms to cultivate their advantages [7]. Kim and Oh [27] indicated that the RBT adopts an internal firm perspective, linking internal firm resources to performance. Sort et al. [28] further highlight that the RBT asserts that each firm possesses a collection of resources and capabilities, with certain capabilities having a more pronounced impact on performance than others. Drawing from the RBT, Wang and Sengupta [29] present an integrated conceptual framework wherein a firm's interactions with various stakeholders influence corporate brand equity, subsequently impacting firm performance. Based on these studies from the RBT, this study further explores the relationship between brand equity and financial performance in tourism-listed companies.

2.2. Brand Equity

A brand may be a name, label, advertisement, or company. Regardless of form, brands have in common that they possess uniqueness. According to the study of Kotler and Armstrong [30], brands not only exhibit uniqueness but also contain the core values of the creator and the concepts they wish to deliver to consumers. Brands promote products, services, or company identity and offer consumers guidance in selecting their preferred product or service. Thus, brands help differentiate similar products or services different companies offer [31].

When different brands offering similar products or services emerge in the market, consumers are presented with options, and providers encounter competition, leading to the rise of brand management behavior. Providers adopt various approaches, such as advertising, organizing promotional activities, innovating products, providing product warranties, or offering after-sales services, to attract consumers, stimulate their willingness to purchase, and ultimately, sell branded products [4,5,11,32,33].

Previous studies have proposed a number of definitions for BE based on the dimensions of market, consumer, and finance [34]. Table 1 shows definitions of BE based on the diversified literature.

A literature review indicates that although BE definitions have been segregated, they are all based on the associations between customer and company. Definitions proposed by different studies contain different perspectives and dimensions of BE. This paper adopted the tourism industry as the observed sample and focused on analyzing the correlation between BE and CP. Therefore, the BE definition proposed by Bailey and Ball [35] was adopted as the operating definition of this paper, indicating that BE entails the connection

between brands and customers/hotel owners, along with the impact of these connections on customers/hotel owners and the subsequent financial performance of the brand.

Table 1. The Definitions and Research Findings of Brand Equity (BE).

Year	Researcher	Definition	Remarks
2023	Oliveira et al. [31]	BE involves the value added to a product by consumers' associations and perceptions of a particular brand name. BE framework integrating measurements from both consumer-based BE and firm-based BE perspectives.	The definition and interpretation of BE encompass various perspectives and serve different purposes; however, a consensus viewpoint remains elusive. This paper provides a path forward for defining, measuring, and exploring brand equity.
2023	Parris and Guzmán [17]	Brand image as a dimension of brand equity.	This is the most comprehensive and commonly utilized definition.
2009	Aaker [11]	BE is a multidimensional concept that includes brand loyalty, brand awareness, perceived quality, brand associations, and other related brand assets. The BE of hotels is the associative value between brands and customers/hotel owners, the effects of these associations on customers/hotel owners, and the subsequent financial performance of the brand.	A definition of BE in the hotel industry was proposed.
2006	Bailey and Ball [35]		
1996	Feldwick [36]	1. The total value of a brand as a separable asset—when it is sold or included on a balance sheet; 2. A measure of the strength of consumers' attachment to a brand; 3. A description of the consumer's associations and beliefs about the brand.	The definition of BE was simplified and categorized.
1995	Pitta and Katsanis [37]	BE increases the probability of brand choice, leads to brand loyalty, and insulates the brand from a measure of competitive threats.	Market competition was taken into account.

Researchers have suggested using a questionnaire survey approach for the customer category to measure the indices of brand perception, brand association, brand loyalty, repurchase intention, and willingness to pay [17,31]. For the market category, it has been argued that advertising has a significantly positive impact on BE, mediated by brand association and perceived quality. Therefore, market input and output data and indices, including advertising expenditure (AVE), market share, and premium effects, are recommended to measure BE [12–16,38].

For the finance category, Aaker [11] suggested that the stock market reflects investors' views on future trends and brand prospects. He calculated share prices to determine the market value of companies. Tangible assets were excluded from market value to determine intangible assets, and value created from BE-related R&D and industrial factors (e.g., laws and industrial concentration) were excluded from the intangible assets to determine BE. Other researchers have proposed determining replacement cost to evaluate the brand equity, such as using Tobin's Q ratio of shareholders' equity to replacement cost; an increased value denotes a high BE [11,12,14,38,39]. Several studies also suggested using future returns to calculate BE directly, as these outcomes represent the value that BE can create for a company. For example, the discounted cash flow method uses net earnings and the primary reference indices and takes into account asset duration and inflation rate. This method directly converts future brand value into present value [11,40].

For the tourism industry, Oak and Dalbor [41] adopted the Thompson Financial Spectrum to analyze data concerning hotels in the United States collected from the COMPUSTAT database. The researchers selected institution investor holding percentage (IIHP) as the dependent variable, advertising cost as the independent variable, and size, share price, year of operation, stock turnover rate (STOR), debt ratio (DEBT), and operating perfor-

mance as the control variables. Linear regression analysis showed that the advertising cost had a significant and positive impact on IIHP, and it was concluded that institutional investors prefer hotels with increased BE as investment targets. The present study selected TWSE/GTSM-listed tourism companies as the sample population. Therefore, advertising expenditures were selected as the proxy variable for BE.

2.3. Corporate Profitability

Companies exist to turn a profit, and CP is an index of profitability. Profitability directly affects whether a company is able to continue operations, create returns, provide earnings to shareholders, and attract investors. Common CP indices include return on assets (ROA), return on equity (ROE), earnings before interest, taxes, depreciation, and amortization (EBITDA), and earnings per share (EPS) [42,43].

EPS refers to the earnings or losses of a company's ordinary shares within a specific accounting period. EPS is often used to evaluate profitability trends and stock investment risks or as a reference for investment decisions [44]. A number of previous studies selected EPS as a proxy variable for CP [10,45,46]. Meanwhile, BE is significantly and positively correlated with stock returns. In the overall stock market, brands reduce cash flow variability, enhance shareholders' equity, and facilitate corporate financial performance [10]. Therefore, the study establishes the following hypothesis based on the literature review:

H1: *Brand equity has a significantly positive impact on corporate profitability.*

2.4. Corporate Governance

CG is an extensive mechanism for ensuring the fairness of shareholders' equity and protecting the rights of external shareholders from being exploited by company managers or major shareholders with voting rights [25]. Wang [38] defined an array of CG variables comprising DSIZE, ID, percentage of managing directors (MD), DHOLDING, percentage of external shareholder holdings (EHOLDING), and degree of deviation between control right and cash flow right (DEV), and noted that CG significantly and positively influences the corporate value and financial performance. Previous studies also suggested that CG variables be incorporated into accounting-based valuation models to evaluate corporate financial performance and corporate value comprehensively [19].

Agrawal and Knoeber [47] suggested that corporate governance should take note of the characteristics of companies and the structure of shareholders of the Top 800 companies in the Forbes index to raise corporate value and performance. Al-Najjar [22] analyzed the tourism industry in Middle Eastern countries and found that profitability increases with DSIZE and that a decreased DSIZE could better reflect share price performance. However, views concerning the influence of DSIZE and CP/financial performance remain inconsistent, and a number of researchers have argued that DSIZE is negatively correlated to corporate value [48–50]. Wang [38] selected TWSE/GTSM-listed tourism-related companies as the research targets and collected annual report data for 2008–2011 from the Taiwan Economic Journal (TEJ) and the Market Observation Post System (MOPS). He selected intellectual assets (Tobin's Q) as the independent variable, corporate value (price per share, PPS) as the dependent variable, and six CG proxy variables as the moderator variables for multiple regression analysis. Findings showed that DSIZE had a positive moderating effect on the relationship between intellectual assets and corporate value. Therefore, the following hypothesis was formulated:

H2: *Director board size has a moderating effect on the relationship between brand equity and corporate profitability.*

Ahmed and Duellman [51] found that the stringency of accounting reviews increased with ID. Vafeas [52] examined the data of 262 companies in the US between 1994 and 2000 and found that the quality and transparency of the company's financial statements increased with ID, thus benefiting their financial performance. However, other researchers have argued that independent directors may tend to boycott or reject a portion of the

proposals presented by the board of directors to mitigate the risk of investment. Such actions also decrease investment and expansion opportunities, which have a negative impact on corporate profitability [23,47]. Wang [38] asserted that ID positively moderates the relationship between intellectual assets and corporate value. Therefore, the following hypothesis was formulated:

H3: *The percentage of independent directors has a moderating effect on the relationship between brand equity and corporate profitability.*

Bradley [53] suggested that managers as inside directors could consolidate company authority, assist the organization in implementing the policies smoothly, reduce the likelihood of misinterpretation of the policies, and integrate the board of directors and management. They concluded that managers as inside directors would positively influence operating performance. Jensen and Meckling [54] proposed the convergence of interest hypothesis and found that the losses assumed by managers increase with the number of shares they hold, which led them to more stringent and careful behavior during decision-making because their interests are aligned with those of the company. Core et al. [23] analyzed 405 observed data from 205 US-based listed companies over three years and found that managers as inside directors yielded to the controlling power of the company dominated by insider directors. To realize self-interest, those managers may attempt to gain full control of those companies. This behavior not only greatly reduces the company's CG capability but also significantly and negatively impacts corporate financial performance. Jensen and Ruback [55] argued that once managers own a specific percentage of company shares, they are more likely to engage in anti-takeover behaviors to reinforce their own authority and prevent dilution, such as rejecting merger and acquisition opportunities or capital increase strategies that may be beneficial to the company. Therefore, the following hypothesis was formulated:

H4: *The percentage of managers as inside directors has a moderating effect on the relationship between brand equity and corporate profitability.*

Two factions of academics have engaged in a long-standing dispute concerning DHOLDING. Jensen and Meckling [54] introduced the convergence of interest hypothesis, arguing that the corporate value increases concurrently with the concentration of equity among a small group of directors because directors' self-interest becomes jeopardized when the company operates at a loss. To prevent loss, they assume the responsibility of reviewing every corporate decision to enhance corporate performance and profitability and maximize self-interest. In contrast, Crutchley et al. [56] examined the initial public offerings (IPO) of 242 US-based companies in 1993 and 1994 and found that the stability of the board of directors increased with DHOLDING, leading to improved corporate supervision. DHOLDING can, thus, be regarded as positively affecting corporate value. However, Jensen and Ruback [55] countered this argument by presenting the entrenchment hypothesis. According to this hypothesis, directors' voting rights and tangible authority rise in tandem with DHOLDING, leading to a situation where the board of directors might lose their mediating and supervisory roles. Directors with significant authority might be inclined towards self-interest, potentially jeopardizing the interests of other smaller shareholders. Thus, they argued that DHOLDING negatively affected corporate performance and corporate value. Fang et al. [57] analyzed the statistics of the National Bureau of Economics Research (NBER), including 39,469 listed companies in the American Express (Amex), New York Stock Exchange (NYSE), and National Association of Securities Dealers Automated Quotations (NASDAQ), and found that the over-concentration of equity among a few directors produced information asymmetry, leading to misleading small shareholders or market investors and depriving their interest. The researchers also maintained that DHOLDING has a negative influence on corporate value. Therefore, the following hypothesis was formulated:

H5: *Percentage of director stock holding has a moderating effect on the relationship between brand equity and corporate profitability.*

Denis [22] reviewed studies concerning CG in the last 25 years and found that an increase in EHOLDING benefited CG probability and indicated that EHOLDING could improve financial performance. However, Demsetz and Lehn [58] analyzed the shareholding structure, corporate assets, corporate values, and financial performance of 511 US-based listed companies and found that EHOLDING has a non-significant inference on financial performance. To validate the effects of EHOLDING on corporate profitability, the following hypothesis was formulated:

H6: *Percentage of external shareholder holdings has a moderating effect on the relationship between brand equity and corporate profitability.*

Controlling shareholders or directors can exert influence on company decisions with a minimal number of shares through the company's pyramid structure or cross-ownership. Board directors can secure a place in the company and gain voting rights with the help of family members or substitutes, thereby increasing their controlling rights in the company. The model selected DEV as our observational variable to measure the disparity between those directors' authority and investment. DEV includes two parts: control rights and cash-flow rights [59]. DEV refers to control rights minus cash flow rights. The agency problem becomes more evident as DEV increases. That is, controlling shareholders or directors are more likely to formulate unfavorable decisions for other shareholders by exercising their voting rights or exploiting information asymmetry to maximize self-interest [59–62]. Therefore, the following hypothesis was formulated:

H7: *The deviation degree between control rights and cash flow rights has a moderating effect on the relationship between brand equity and corporate profitability.*

3. Methods

3.1. Control Variable Selection

A number of studies have found that the size of a corporation directly affects company funds and the funds available for BE. Therefore, corporate size (SIZE) was selected as a control variable. The tourism industry contains many sub-industries, making it difficult to determine SIZE by measuring the number of employees or the number of guestrooms in a company. In the present paper, total assets (log-transformed) were selected as a proxy variable [15,32,63]. A number of previous studies indicated that DEBT has a direct negative impact on CP. Companies exhibiting low DEBT may be ineffective in leveraging their assets, decreasing CP. However, excessively high DEBT denotes that the company has a risky asset structure [41]. Therefore, DEBT was selected as a control variable in this paper. IIHP is usually higher than the percentage of small shareholders holding, and the investment targets and strategies of IIHP influence stock price. Previous studies also indicated that Asian corporate investors are willing to allocate 20% of their premiums to investment targets with favorable CG performance variables [20,41]. Therefore, IIHP was selected as a control. STOR represents the popularity of particular stocks. An increased STOR value indicates that the transaction of a particular stock has increased in the market and that stock prices are likely to change drastically; that is, a major event within the company is likely to occur shortly [41,64]. Therefore, this paper assumed that STOR is closely related to stock market events and was selected as a control variable.

Since data from TWSE/GTSM-listed tourism companies were analyzed over a period of 16 years, a number of common macroeconomic indices used in previous studies were also selected as control variables. These consisted of the unemployment rate (UE), USD exchange rate (USDE), Gross Domestic Product growth rate (GDPG), inflation rate (IR), and money supply growth rate (MSG) [65–67].

3.2. Research Framework

The research framework is illustrated in Figure 1. For the independent variable, AVE was selected as a proxy variable for BE. EPS, Stock Price, ROA, and ROE were selected as the dependent variables. YEAR, SIZE, STOR, DEBT, IIHP, MSG, USDE, IR, GDPG, UE, SIZE, DHOLDING, EHOLDING, ID, DEV, and MD were selected as the control variables. DSIZE, DHOLDING, EHOLDING, ID, DEV, and MD were selected as the moderator variables of CG to test whether CG moderates the relationship between BE and CP.

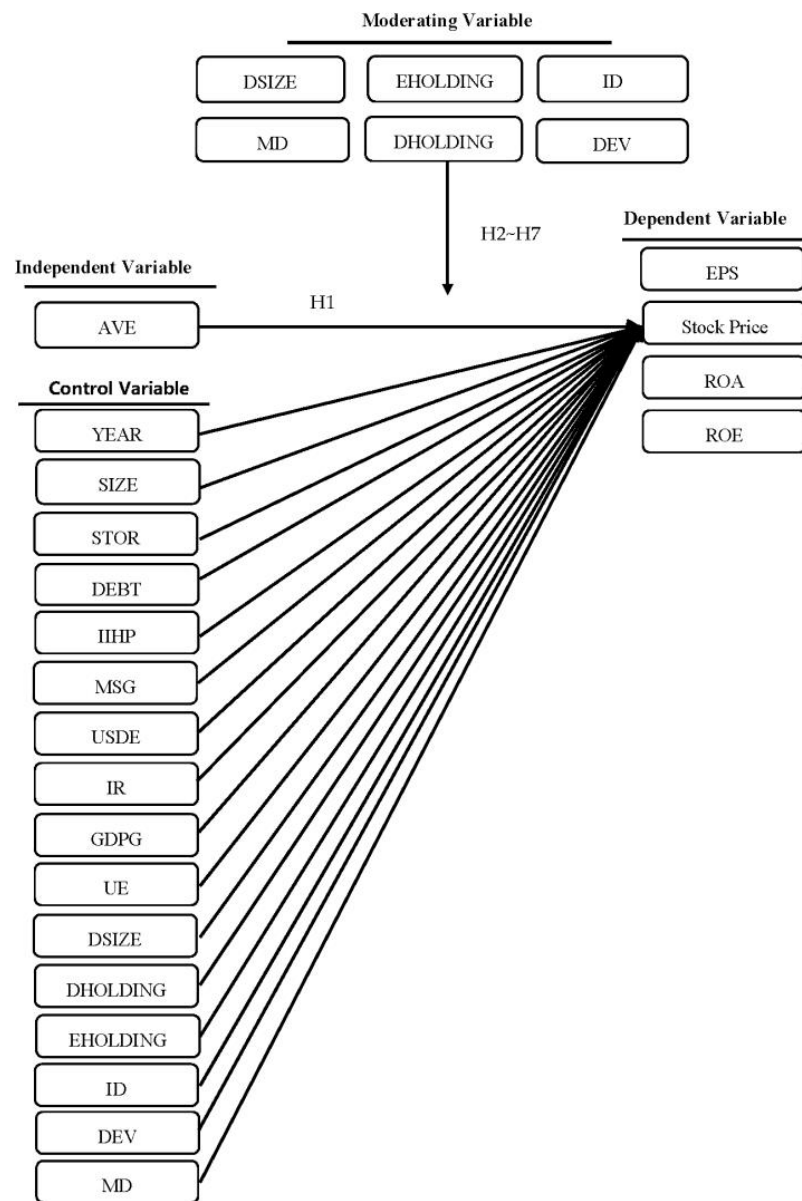


Figure 1. Research Framework.

Note: EPS: earnings per share; ROA: return on assets; ROE: return on equity; AVE: advertising expenditure; YEAR: the seniority of the company; SIZE: total assets (log-transformed); DEBT: debt ratio; STOR: stock turnover rate; IIHP: institutional investor holding percentage; MSG: money supply growth rate; IR: inflation rate; GDPG: GDP growth rate; UE: unemployment rate; USDE: USD exchange rate; DSIZE: director board size; DHOLDING: percentage of director stock holding; EHOLDING: percentage of outside shareholdings; ID: percentage of independent directors; DEV: degree of deviation between control rate and cash flow rate; MD: percentage of inside director.

3.3. Research Subjects and Data Collection

During 2013–2015, TWSE/GTSM established a corporate governance center and finalized operational plans and evaluation indicators for corporate governance in Taiwan [68]. Hence, data of 32 TWSE/GTSM listed tourism companies over a 16-year period ranging from 2000 to 2015 were collected from the TEJ. A total of 196 datasets were obtained.

3.4. Research Tools and Data Analysis Methods

Prior to regression analysis, a Shapiro–Wilk test for normality was performed on the dependent variables, with a significance level of $p < 0.05$. A Box–Cox transform can be used to adjust variables in case of non-normality [69]. A panel regression analysis was performed to analyze two models: a fixed effect model, wherein the effects of time series on the various samples were fixed values, and a random effect model, wherein the effects of time series on the various samples were random values within a normal distribution. A Hausman test was used to test which modeling approach provided a better fit to the data [70–72]. This test indicated that the fixed effect structure was preferable for every model considered in this paper.

The Panel Regression equation can be expressed as follows:

$$DV_{it} = \beta_{0t} + \beta_1 AVE_{it} + \beta_2 YEAR_{it} + \beta_3 SIZE_{it} + \beta_4 STOR_{it} + \beta_5 DEBT_{it} + \beta_6 IIHP_{it} + \beta_7 MSG_{it} + \beta_8 USDE_{it} + \beta_9 IR_{it} + \beta_{10} GDPG_{it} + \beta_{11} UE_{it} + \beta_{12} DSIZE_{it} + \beta_{13} ID_{it} + \beta_{14} DHOLDING_{it} + \beta_{15} EHOLDING_{it} + \beta_{16} DEV_{it} + \beta_{17} MD_{it} + \beta_{18} DSIZE_{it} \times AVE_{it} + \beta_{19} ID_{it} \times AVE_{it} + \beta_{20} DHOLDING_{it} \times AVE_{it} + \beta_{21} EHOLDING_{it} \times AVE_{it} + \beta_{22} DEV_{it} \times AVE_{it} + \beta_{23} MD_{it} \times AVE_{it} + \mu_{it}, \mu_{it} \sim N(0, \sigma^2)$$

The dependent variables included EPS, Stock Price, ROA, and ROE on each respective model. This model selected AVE as the proxy variable for BE. Furthermore, SIZE, DEBT, IIHP, STOR, ID, DSIZE, DHOLDING, EHOLDING, DEV, and MD were used in the model as control variables. $ID \times AVE$, $DSIZE \times AVE$, $DHOLDING \times AVE$, $EHOLDING \times AVE$, $DEV \times AVE$, and $MD \times AVE$ are the interaction of those CP observational variables and AVE. i is the i th TWSE/GTSM-listed tourism company, where $i = 1, 2, 3, \dots, 32$. t is the year, where $t = 1, 2, 3, \dots, 16$ to represent data for 16 years, respectively. β_{0t} is the intercept and μ_{it} is the error (normally distributed).

4. Results

4.1. Descriptive Statistics

The descriptive statistics for the independent, dependent, control, and moderator variables of the 196 TWSE/GTSM-listed tourism companies are tabulated in Table 2. Among the macroeconomic variables of Taiwan, the average annual money supply growth for the observed 16 years was roughly 7.7%, the average GDP growth was 3.5%, the average inflation was 10.1%, the average exchange rate was 31.7 TWD to 1 USD, and the unemployment rate was roughly 4.3% of the overall working population.

TWSE/GTSM-listed tourism companies spend an average of TWD 500,000 a year on AVE, with a maximum of TWD 8.98 million and a minimum of TWD 0 (e.g., Holiday Garden and Hotel Royal). These statistics suggest that BE value and AVE investment differed exponentially among companies. This resulted in a standard deviation of TWD 1.35 million, further highlighting the importance of the topic investigated in this paper.

Average DEBT was 39.2%, and average IIHP was 41.6%. The smallest DSIZE was 3 and the largest was 16, with a standard deviation of 39.3%. These statistics indicate that the DSIZE of the various companies was relatively similar. The average ID was 13%. In a company with a DSIZE of 6.8, the number of independent directors is less than one, suggesting that the board of directors of many tourism companies in Taiwan has yet to appoint independent directors. Ahmed and Duellman [51] found that the stringency of accounting reviews and the quality of finance statements increase with ID and that ID, thus, positively influences corporate performance.

Table 2. The Descriptive Statistics for the Independent, Dependent, Control, and Moderating Variables.

Variables	Min	Max	Mean	Standard Deviation
EPS (NTD)	−6.94	15.69	1.59	3.77
Stock Price (NTD)	2.41	1875.63	89.10	186.24
ROA (%)	−53.76	22.92	2.14	12.66
ROE (%)	−156.95	67.28	1.03	27.89
AVE (NTD)	0.00	8,893,598.00	507,720.91	1,351,807.57
YEAR	2.00	58.00	28.07	14.29
SIZE	11.74	16.32	14.44	1.04
DEBT (%)	7.59	86.48	39.21	18.16
STOR (%)	0.75	2611.69	112.52	218.46
IIHP (%)	0.00	87.88	41.60	25.43
MSG (%)	−4.12	20.47	7.70	4.86
IR (%)	−0.07	16.53	10.12	6.05
GDPG (%)	−1.57	10.63	3.48	2.97
UE (%)	2.99	5.85	4.30	0.60
USDE (NTD)	29.46	34.58	31.67	1.59
DSIZE (people)	3.00	16.00	6.89	2.70
DHOLDING (%)	0.16	67.87	25.10	14.45
EHOLDING (%)	0.00	53.86	16.35	11.33
ID (%)	0.00	60.00	12.99	17.69
DEV (%)	0.00	35.01	3.60	6.98
MD (%)	0.00	75.00	18.04	14.24
DSIZE × AVE	0.00	78,809,004.00	4,462,570.35	12,414,209.96
DHOLDING × AVE	0.00	411,862,523.38	14,964,438.82	52,087,607.02
EHOLDING × AVE	0.00	230,344,188.20	9,610,816.02	29,840,041.24
ID × AVE	0.00	444,679,900.00	14,886,405.04	53,704,949.44
DEV × AVE	0.00	179,997,186.40	5,958,092.17	24,635,207.22
MD × AVE	0.00	444,679,900.00	13,750,456.87	51,756,351.40

Note: EPS: earnings per share; ROA: return on assets; ROE: return on equity; AVE: advertising expenditure; YEAR: the seniority of the company; SIZE: total assets (log-transformed); DEBT: debt ratio; STOR: stock turnover rate; IIHP: institution investor holding percentage; MSG: money supply growth rate; IR: inflation rate; GDPG: gross domestic product growth rate; UE: unemployment rate; USDE: USD exchange rate; DSIZE: director board size; DHOLDING: the percentage of director stock holding; EHOLDING: percentage of external shareholder holdings; ID: the percentage of independent directors; DEV: degree of deviation between control rate and cash flow rate; MD: percentage of managers as inside director.

4.2. Panel Regression Results

Panel Regression outcomes are tabulated in Table 3. Four models using EPS, PPS, ROA, and ROE as the dependent variables were analyzed, respectively. All models used the fixed effect variable structure based on significant Hausman test results (p -value < 0.05).

Model 1 shows that AVE, SIZE, STOR, and DSIZE significantly positively influenced EPS. Among moderator variables, DSIZE × AVE and DEV × AVE significantly and positively influenced EPS, suggesting that DSIZE and DEV have a significant and negative moderating effect on the relationship between BE and CP. Furthermore, ID × AVE significantly and positively influenced EPS.

Model 2 demonstrates that YEAR, SIZE, and IIHP significantly and positively influenced the stock price, while DEBT had a significantly negative influence. Among macroeconomic indices, the coefficient of inflation was −24.854, suggesting that inflation significantly and negatively influences CP, which means that company stock price decreases with the severity of inflation. The coefficient of ID was −4.110, suggesting that ID has a significantly negative impact on CP. DHOLDING × AVE significantly and negatively influenced the stock price. MD × AVE has a significantly positive influence on stock price, suggesting the positive moderation of MD on the relationship between AVE and stock price.

Table 3. Panel Regression Results for Four Models.

Coefficients	Model 1	Model 2	Model 3	Model 4
DV	EPS	Stock Price	ROA	ROE
AVE	$4.71 \times 10^{-6} *$	5.84×10^{-5}	-7.76×10^{-6}	-2.54×10^{-5}
YEAR	0.206	25.819 *	1.327	4.890 *
SIZE	159.136 ***	125.183 ***	5.537 ***	13.194 ***
DEBT	-0.004	-1.636 ***	-0.153 ***	-0.808 ***
STOR	0.003 ***	-0.015	0.017 ***	0.517 ***
IIHP	0.032	5.521 ***	0.321 ***	0.673 ***
MSG	-0.023	-1.773	-0.074	-0.111
IR	-0.089	-24.854 *	-1.368	-4.495 **
GDPG	0.040	2.219	-0.155	-0.646
UE	-0.230	-32.472	-1.999	-7.713 **
USDE	-0.110	0.777	-1.317	-2.578
DSIZE	0.465 **	13.046	-0.029	-2.112
DHOLDING	0.023	0.670	0.309 ***	0.410 *
EHOLDING	-0.002	-2.825 *	0.061	0.202
ID	0.010	-4.110 **	0.073	0.030
DEV	-0.001	-1.623	0.350	1.143
MD	0.021	-0.803	0.062	0.102
DSIZE×AVE	$-6.09 \times 10^{-7} ***$	1.06×10^{-6}	1.41×10^{-6}	$5.22 \times 10^{-6} *$
DHOLDING×AVE	$6.74 \times 10^{-8} *$	$-7.35 \times 10^{-6} *$	$-4.15 \times 10^{-7} *$	-9.43×10^{-7}
EHOLDING×AVE	-2.47×10^{-8}	-1.20×10^{-6}	-2.44×10^{-8}	-4.90×10^{-7}
ID×AVE	$1.24 \times 10^{-7} *$	6.96×10^{-7}	-6.54×10^{-8}	-5.67×10^{-9}
DEV×AVE	$-8.59 \times 10^{-8} **$	-3.49×10^{-6}	$-6.45 \times 10^{-7} **$	$-1.65 \times 10^{-6} **$
MD×AVE	-6.85×10^{-7}	$4.62 \times 10^{-6} *$	$3.63 \times 10^{-7} **$	$8.80 \times 10^{-7} **$
Adjusted R ²	0.025	0.029	0.051	0.046

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. Note: DV: dependent variable; EPS: earnings per share; ROA: return on assets; ROE: return on equity; AVE: advertising expenditure; YEAR: the seniority of the company; SIZE: total assets (log-transformed); DEBT: debt ratio; STOR: stock turnover rate; IIHP: institutional investor holding percentage; MSG: money supply growth rate; IR: inflation rate; GDPG: GDP growth rate; UE: unemployment rate; USDE: USD exchange rate; DSIZE: director board size; DHOLDING: percentage of director stock holding; EHOLDING: percentage of outside shareholdings; ID: percentage of independent directors; DEV: degree of deviation between control rate and cash flow rate; MD: percentage of inside director.

Model 3 shows that SIZE, IIHP, and STOR significantly and positively influenced ROA, similar to Model 2. DEBT maintained a significant and negative influence on ROA. DHOLDING significantly and positively influenced ROA with a coefficient of 0.309. Among moderator variables, DHOLDING and DEV have negative moderating effects on the relationship between AVE and ROA; however, MD has a positive moderating effect. These results support H4, H5, and H7.

Model 4 indicates that SIZE, DEBT, STOR, and IIHP had significantly influenced ROE, similar to their effect on ROA in Model 3. Additionally, YEAR had a positive effect on ROE, though it had a non-significant impact on ROA. Notably, the inflation rate and unemployment rate had a significant and negative influence on ROE. All moderator variables are in contrast to the ROA model, except for DSIZE, which had a significant and positive influence on CP.

5. Discussion and Implications

5.1. Discussion and Theoretical Implications

The findings of our study indicate that AVE, macroeconomic variables, and CG affected the profitability of TWSE/GTSM-listed tourism companies. In addition, a number of CG variables have a moderating effect on the effects of BE on CP. Table 4 illustrates the results.

Table 4. Summary of Significance in Panel Regression Results.

Model	Model 1	Model 2	Model 3	Model 4
DV	EPS	Stock Price	ROA	ROE
AVE	+	ns	ns	ns
YEAR	ns	+	ns	+
SIZE	+	+	+	+
DEBT	ns	–	–	–
STOR	+	ns	+	+
IIHP	ns	+	+	+
MSG	ns	ns	ns	ns
IR	ns	–	ns	–
GDPG	ns	ns	ns	ns
UE	ns	ns	ns	–
USDE	ns	ns	ns	ns
DSIZE	+	ns	ns	ns
DHOLDING	ns	ns	+	+
EHOLDING	ns	–	ns	ns
ID	ns	–	ns	ns
DEV	ns	ns	ns	ns
MD	ns	ns	ns	ns
DSIZE × AVE	–	ns	ns	+
DHOLDING × AVE	+	–	–	ns
EHOLDING × AVE	ns	ns	ns	ns
ID × AVE	+	ns	ns	ns
DEV × AVE	–	ns	–	–
MD × AVE	ns	+	+	+

Note: “+” means positive effect, “–” means negative effect, and “ns” means non-significant effect. DV: dependent variable; EPS: earnings per share; ROA: return on assets; ROE: return on equity; AVE: advertising expenditure; YEAR: the seniority of the company; SIZE: total assets (log-transformed); DEBT: debt ratio; STOR: stock turnover rate; IIHP: institutional investor holding percentage; MSG: money supply growth rate; IR: inflation rate; GDPG: GDP growth rate; UE: unemployment rate; USDE: USD exchange rate; DSIZE: director board size; DHOLDING: percentage of director stock holding; EHOLDING: percentage of outside shareholdings; ID: percentage of independent directors; DEV: degree of deviation between control rate and cash flow rate; MD: percentage of inside director.

Table 4 highlights the significance of the regression result. Model 1, using EPS as a dependent variable, shows that AVE, SIZE, STOR, and DSIZE significantly positively influenced EPS. These results were consistent with those of Madden et al. [10]. Among moderator variables, DSIZE × AVE and DEV × AVE significantly and positively influenced EPS, and the influence of AVE on EPS diminished with an increase in DSIZE or DEV degradation. These results are consistent with those of Wang [38] and support the entrenchment hypothesis proposed by Jensen and Ruback [55], who suggested that core agency problems and information asymmetry are more likely to occur with increased DEV and when directors with control rights are inadequately supervised, threatening the other shareholders. Furthermore, ID × AVE significantly and positively influenced EPS. ID can enhance supervision on the board of directors, reduce core agency problems [55], and eliminate the risk to minority shareholders. When the board of directors is able to make fair decisions, the effects of BE on CP are enlarged. Furthermore, Roychowdhury [73] found that managers adjust employee allotment or buy back treasury stock to reinforce market investors’ confidence and prevent share price drops. In effect, they manipulate EPS to maintain EPS at a specific value.

Model 2, using stock price as a dependent variable, demonstrates that YEAR, SIZE, and IIHP significantly and positively influenced the stock price, while DEBT had a significantly negative influence. Among macroeconomic indices, the inflation variable significantly and negatively influences CP, which means that company stock price decreases with the severity of inflation. The occurrence of inflation denotes that the purchasing power of currency has dropped, or rather, that the amount of investment money in circulation has dropped, thus stagnating investment market activity. Stock prices inevitably drop when the market lacks

activity [74]. ID has a significantly negative impact on CP. This finding is consistent with the previous literature [47]. Agrawal and Knoeber [47] suggested that independent directors may boycott company investment and merger and acquisition plans to mitigate operating risk, causing the company to become more conservative, which may also cause the company to lose many opportunities to profit or expand. These losses are eventually reflected in the company's stock price. $DHOLDING \times AVE$ significantly and negatively influenced the stock price, which is consistent with the entrenchment hypothesis [57]. $MD \times AVE$ has a significantly positive influence on stock price, suggesting the positive moderation of MD on the relationship between AVE and stock price. This is because when directors serve as managers at the same time, they are able to eliminate the communication barrier between the board of directors and CEO, facilitating the implementation and fulfillment of company visions, core values, and brand strategies, thereby enhancing the effects of BE on CP [38].

Model 3, using ROA as a dependent variable, shows that SIZE, IIHP, and STOR significantly and positively influenced ROA, similar to Model 2. DEBT maintained a significant and negative influence on ROA. DHOLDING significantly and positively influenced ROA with a coefficient of 0.309. These results were consistent with the convergence of interest hypothesis proposed by [55]. The hypothesis posits that when DHOLDING increases, directors become more stringent during decision-making because their self-interest is closely related to the company's operating conditions. Therefore, the likelihood of a company operating at a loss decreases with increased stringency of directors during decision-making, consequently achieving favorable performance. Among moderator variables, DHOLDING and DEV have negative moderating effects on the relationship between AVE and ROA; however, MD has a positive moderating effect. These results support H4, H5, and H7. DHOLDING has a positive moderating effect on the relationship between AVE and EPS but a negative one on the relationships between AVE and stock price as well as the relationships between AVE and ROA. These results are similar to those proposed by Demsetz and Lehn [58], who analyzed 511 US-based companies. The authors argued that external shareholders typically focus on company earnings and net profit and rarely participate in company decision-making, thus failing to influence corporate value noticeably.

Model 4, using ROE as a dependent variable, indicates that SIZE, DEBT, STOR, and IIHP significantly influenced ROE, similar to their effect on ROA in Model 3. Additionally, YEAR had a positive effect on ROE, though it had a non-significant impact on ROA. Notably, the inflation rate and unemployment rate had a significant and negative influence on ROE. Increased inflation and unemployment rates imply that the overall macro economy is in recession, leading to increased currency devaluation and the unemployed population. The ROE of companies during bear markets is naturally lower than during bulls. Therefore, market sentiment is a key influence on CP. All moderator variables are in contrast to the ROA model, except for DSIZE, which had a significant and positive influence on CP. This suggests that increased DSIZE allows directors to formulate favorable strategic decisions through collective thinking, maximizing the unit shareholders' equity of their investment to create return [38].

5.2. Managerial Implications

The findings of our study indicate that AVE, macroeconomic variables, and CG affected the profitability of TWSE/GTSM-listed tourism companies. In addition, a number of CG variables have a moderating effect on the effects of BE on CP. Based on this, the managerial implications are discussed in the following.

5.2.1. Well-Planned and Adequately Increased Advertisement Expenditure

The empirical findings showed that BE is an indispensable asset in the tourism industry. Brands have become a key factor in consumers' product or service preferences. Moreover, BE has a significantly positive influence on CP. Therefore, budgeting for AVE enables the tourism companies to interact with consumers through advertisement and marketing, deepening consumers' impressions of a tourism product as well as effectively establishing

BE continuously. When consumers require a product or service in the future, they will recall the brand and select products or services under the brand, thereby enhancing CP [6].

5.2.2. Reinforcing CG

CG is the aspect most often overlooked, yet it plays a key role in enhancing corporate value. For example, WorldCom, a company founded at the end of the 20th century, became the world's largest communications company through continuous mergers and acquisitions. It was once ranked seventh in the Fortune Global 500. However, the e-commerce industry in the United States took a downturn at the beginning of the 21st century, and WorldCom's financial situation began to deteriorate. The company's Chief Finance Officer conspired with a number of accounts and created a fake account named "communication line cost" as a fixed asset to create favorable financial statements without the CG auditing. The scandal was uncovered by KPMG in 2002, and the case was submitted to the United States Securities and Exchange Commission. After public exposure of the scandal, investor confidence dissipated, and WorldCom's share prices dropped by 75%. Within two days, only 0.3% of peak share value remained. The company eventually filed for bankruptcy and successfully prosecuted the parties involved [73]. The United States is commonly recognized as the most robust capital market in the world, with a fair and transparent supervisory system. However, accounting fraud cases continue to emerge. Therefore, companies should reinforce CG to prevent the circulation of negative news that may cause market investors or creditors to lose confidence or the company brand to lose reputability, which could cause company funds to dissipate overnight, obstruct corporate development, or cause irreversible damage. Therefore, CG is beneficial for the company, investment market, and consumer.

The minimum value of the ID of the observed sample in this study was 0, suggesting that a number of the investigated companies failed to implement CG policies. This descriptive statistic recommends that these companies establish or adjust their board of directors, adjust DSIZE, appoint independent directors, enhance DHOLDING, and reallocate internal holding/cross-shareholding structures as soon as possible. According to the empirical results, DSIZE has a negative moderating effect on the effects of BE on CP. ID reduces the risk of corporate decisions, benefits comprehensive corporate development, and enhances CP. Increased DHOLDING denotes an increased consistency between the interests of the directors and the company, which encourages directors to make the most beneficial decisions for the company to enhance self-interest, which is consistent with the convergence of interest hypothesis [54]. By reconfiguring internal holding structures, companies can reduce DEV, the likelihood of core agency problems caused by the reduced board of directors, and the risk of fraud. Consequently, market investors' confidence in the company may be reinforced. Moreover, the effects of BE on CP increase with a reduction in DEV.

In summary, TWSE/GTSM-listed tourism companies should endeavor to establish or improve their BE through advertisement rather than engaging in traditional price competition or reducing costs. Brands provide added value to products and services, incentivizing consumers to select a company's branded products or services, thereby enhancing its profitability [5,6,11,32,33]. Moreover, reinforcing CG can magnify the effects of BE on CP, assisting companies in their efforts to increase corporate performance [38,39].

6. Conclusions, Limitations, and Future Research

This paper used data from the Taiwan Economics Journal Database, covering a total of 196 records from 32 tourism-listed companies for 16 years ranging from 2000 to 2015. This study investigated the moderating effect of corporate governance on the relationship between BE and CP in terms of EPS, stock price, ROA, and ROE in Taiwanese-listed tourism companies to validate the convergence of interest hypothesis [54]. Six corporate control variables (total assets, years of operation, debt ratio, operating performance, stock turnover rate, and institutional investors' holding rate) and five macroeconomic control variables

(unemployment rate, USD exchange rate, Gross Domestic Product growth rate, inflation rate, and money supply growth rate) to construct a regression model. The empirical results validate the research hypothesis through the fixed-effect panel regression. AVE (a proxy variable for BE) has a significantly positive impact on EPS. Regarding the impact of control variables, the empirical results indicate that YEAR, SIZE, STOR, and IIHP had a positive influence; however, DEBT negatively affected CP. Among the macroeconomic variables, IR and UE negatively influenced CP, suggesting that CP is reduced when the market is in recession (i.e., increased inflation and unemployment). DSIZE had a negative moderating effect on the relationship between AVE and EPS as well as a positive moderating effect on the relationship between AVE and ROA. In addition, DHOLDING had a positive moderating effect on the relationship between AVE and EPS but a negative one on the relationships between AVE and stock price as well as the relationships between AVE and ROA. The literature argued that external shareholders typically focus on company earnings and net profit and rarely participate in company decision-making, thus failing to influence corporate value noticeably [58]. The outcomes of the EPS model differed from those of the other models. ID positively moderated the relationship between AVE and EPS. DEV \times AVE negatively influenced EPS, ROA, and ROE. Finally, MD \times AVE significantly and positively influenced EPS, ROA, and ROE.

Regarding research limitations, it is important to note that this study exclusively analyzed data from Taiwanese tourism-listed companies within a 16-year timeframe. Therefore, the applicability of these findings to other industries and countries may be limited. Future studies might expand the data collection period to obtain results with increased explanatory power. Meanwhile, future studies might use AVE as a percentage of sales to be the proxy variable of BE. The utilization of the CG score from a different database could be an alternative avenue for future research. Furthermore, this paper examined TWSE/GTSM-listed tourism companies. Taiwan is an island economy with a smaller economic and industrial scale than other countries. Future studies could include samples from similar industries (e.g., the aviation industry) and other areas/countries to obtain more generalized results.

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