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The Impact of Governance Policies on Risk Management in Small and Medium Enterprises in Saudi Arabia

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Chapter 1: Introduction

Introduction:

The dynamism of global business landscapes necessitates a comprehensive understanding of the intricate relationships between governance policies and risk management, especially within the context of Small and Medium Enterprises (SMEs). In recent years, Saudi Arabia has witnessed a burgeoning growth in its SME sector, becoming a vital contributor to the nation's economic development (Nuñez et al., 2023). However, as these enterprises navigate through the complexities of a rapidly evolving business environment, the role of governance policies in shaping risk management effectiveness emerges as a critical area of investigation. This research endeavors to explore and analyze the impact of various governance dimensions on risk management within the unique context of Saudi Arabian SMEs (Wen et al., 2023). Understanding these dynamics is crucial for informing policy and practice in Saudi Arabian SMEs.

The primary focus of this study revolves around four independent variables, each representing a distinct facet of governance that may influence risk management outcomes. Firstly, the corporate governance structure, which encompasses the mechanisms through which companies are directed and controlled, plays a pivotal role in determining how effectively risks are identified, assessed, and mitigated (Ozcelik & Ercek, 2023). The second variable delves into the company's transparency level with stakeholders, acknowledging the importance of open and honest communication in fostering trust and facilitating efficient risk management processes (Boadi et al., 2023). Transparency is fundamental for building stakeholder confidence and organizational resilience.

Another key dimension under scrutiny is the organization of governance committees and their activity level. Governance committees serve as the nerve center for decision-making and oversight, influencing the overall risk management framework within an organization. The fourth independent variable scrutinized in this research is the adoption of international governance standards (Taufiq, 2023). As businesses increasingly operate in a globalized context, aligning with international best practices in governance may have profound implications for risk management effectiveness. By investigating these four independent variables, we aim to offer a nuanced understanding of the intricate relationships between governance policies and risk management outcomes in Saudi Arabian SMEs (Wieczorek-

Kosmala & Henschel, 2022). Understanding these dynamics can inform strategic decisions and enhance organizational resilience.

The choice of SMEs as the focal point of this research is deliberate, considering their burgeoning significance in the Saudi Arabian economy. SMEs often face distinct challenges compared to their larger counterparts, stemming from resource constraints, limited access to capital, and organizational structure. Understanding how governance policies impact risk management in these entities is not only academically intriguing but also holds practical implications for enhancing the resilience and sustainability of SMEs in the face of uncertainties (Paudel, 2023). By addressing the specific challenges faced by SMEs, this research aims to provide actionable insights that can inform policy and practice, ultimately contributing to the growth and development of the SME sector.

As the world becomes increasingly interconnected, the importance of robust governance structures in managing risks cannot be overstated. The interconnectedness of global markets implies that risks faced by businesses are often multifaceted and dynamic. Effective governance policies act as a safeguard, providing SMEs with the necessary frameworks to navigate through these complexities. This research seeks to contribute to the existing body of knowledge by shedding light on the nuanced ways in which governance policies influence risk management effectiveness within the specific context of Saudi Arabian SMEs (Yuwono & Ellitan, 2024). By understanding these dynamics, organizations can better position themselves to thrive in an increasingly complex and interconnected global marketplace.

The Saudi Arabian business landscape is unique, influenced by cultural, regulatory, and economic factors. Therefore, a study tailored to this specific context is imperative to derive insights that can be directly applied to the challenges and opportunities faced by SMEs in the region. The research recognizes the significance of the dependent variable, which is the effectiveness of risk management in the governance context. By emphasizing effectiveness, the study goes beyond a binary analysis of whether governance policies are in place and instead focuses on the tangible impact of these policies on the actual management of risks within SMEs (Malik, 2023). This approach ensures that the findings are not only relevant but also actionable, offering practical guidance for stakeholders in Saudi Arabian SMEs.

Furthermore, this research acknowledges that governance policies are not static entities; rather, they evolve over time. The dynamic nature of business environments necessitates a

continuous reassessment of governance frameworks to ensure their relevance and effectiveness. By exploring the interplay between governance policies and risk management in Saudi Arabian SMEs, this study aims to provide insights that can guide policymakers, business leaders, and academics in enhancing the adaptability and resilience of governance structures in the face of evolving challenges (Xu, 2023). This approach underscores the importance of flexibility and agility in governance practices to effectively address emerging risks and opportunities in the business landscape.

In large companies, governance and risk management often entail complex structures and processes due to their extensive operations, diverse stakeholders, and higher regulatory scrutiny. These firms typically have dedicated departments and specialized personnel overseeing governance and risk management functions, allowing for comprehensive risk assessments and strategic decision-making. Conversely, small and medium enterprises (SMEs) face resource constraints and organizational simplicity, leading to less formalized governance structures and risk management practices. SMEs may rely more on informal processes and owner-manager involvement, making their approach to governance and risk management more agile but potentially less robust.

As Saudi Arabian SMEs play an increasingly pivotal role in the nation's economic landscape, understanding the intricate relationships between governance policies and risk management becomes imperative. This research endeavors to contribute to this understanding by delving into the impact of corporate governance structure, transparency with stakeholders, organization of governance committees, and the adoption of international governance standards on the effectiveness of risk management in Saudi Arabian SMEs (Alimoradi & Ahmad, 2019). Through a nuanced exploration of these variables, the study seeks to provide actionable insights that can foster the growth, sustainability, and resilience of SMEs in the ever-evolving global business environment (Alvi et al., 2019). By identifying and understanding the factors that influence risk management effectiveness, stakeholders can make informed decisions to mitigate risks and capitalize on opportunities, ultimately driving the growth and success of SMEs in Saudi Arabia.

Problem Statement:

The research problem addressed in this study revolves around the intricate interplay between governance policies and risk management effectiveness within the context of Small and

Medium Enterprises (SMEs) in Saudi Arabia. Despite the growing significance of SMEs in the nation's economy, there is a paucity of comprehensive research that systematically investigates how governance dimensions influence risk management outcomes in these entities (Rashid et al., 2018). This research seeks to fill this gap by exploring the impact of corporate governance structure, transparency with stakeholders, organization of governance committees, and the adoption of international governance standards on the effectiveness of risk management in Saudi Arabian SMEs (Villanueva et al., 2022).

The study faces several challenges and weaknesses that merit consideration. One notable challenge lies in the diversity of SMEs operating in Saudi Arabia. These enterprises vary in size, sector, and operational complexity, posing a challenge in developing a one-size-fits-all approach to governance policies and risk management. Additionally, the dynamic nature of business environments introduces an inherent complexity, requiring the research to navigate through evolving governance frameworks and risk landscapes (Gulzar et al., 2021).

Another challenge pertains to the limited resources often available to SMEs. Unlike larger corporations, SMEs may encounter constraints in implementing sophisticated governance structures and risk management processes. The research acknowledges these resource limitations and aims to provide insights that balance effectiveness with practical feasibility for SMEs (Nguyen & Dang, 2022).

This research illuminates the intricate relationship between governance policies and risk management effectiveness in Saudi Arabian SMEs, filling a crucial gap in existing literature. However, the study confronts significant challenges stemming from the diverse nature of SMEs and resource constraints. By acknowledging these challenges, the research aims to offer practical insights that cater to the unique needs and circumstances of SMEs, contributing to their resilience and sustainability in a dynamic business environment.

The existing literature on the relationship between governance policies and risk management in the context of Saudi Arabian SMEs exhibits notable research gaps. While some studies focus on general governance issues or risk management practices in larger corporations, there is a dearth of research specifically tailored to the unique challenges faced by SMEs in the Saudi Arabian business landscape. This research aims to bridge this gap by offering targeted insights that align with the specific context and characteristics of SMEs in the region (Jallali & Zoghlami, 2022).

Furthermore, previous studies often adopt a binary approach, merely assessing the presence or absence of governance policies without delving into their practical implications on risk management effectiveness. This research seeks to address this gap by emphasizing the effectiveness of risk management within the governance context, providing a more nuanced and actionable perspective for SMEs and policymakers (Temitope & Sorunke, 2023).

The gaps in previous studies are compounded by a lack of exploration into the four independent variables identified in this research: corporate governance structure, transparency with stakeholders, organization of governance committees, and adoption of international governance standards. While some studies touch upon isolated aspects of these variables, there is a paucity of comprehensive research that integrates these dimensions into a holistic understanding of governance policies and their impact on risk management in SMEs (Naibaho & Mayayogini, 2023).

The analyses highlight significant deficiencies in existing literature regarding governance policies and risk management in Saudi Arabian SMEs. It underscores the need for targeted research that addresses the unique challenges faced by SMEs in the region. Moreover, it critiques previous studies for their binary approach and lack of exploration into key variables, emphasizing the importance of a comprehensive understanding of governance policies and their practical implications for risk management effectiveness. This analytical perspective emphasizes the importance of bridging these research gaps to provide actionable insights for SMEs and policymakers.

Moreover, existing studies often overlook the dynamic nature of governance frameworks and their evolution over time. A thorough examination of how governance policies adapt to changing business landscapes and contribute to sustained risk management effectiveness is crucial for providing practical insights (Alsaleem & Husin, 2024).

To overcome these challenges and weaknesses, the research adopts a multifaceted approach. By acknowledging the diversity of SMEs and the limitations they face, the study aims to provide flexible insights that can be adapted to varying contexts. Additionally, the research adopts a longitudinal perspective, considering the dynamic nature of governance frameworks and risk landscapes, thus contributing to a more robust understanding of the evolving relationship between governance policies and risk management effectiveness (Wieczorek-Kosmala & Henschel, 2022).

The research also seeks to address gaps in previous studies by comprehensively exploring the identified independent variables. Through a holistic examination of corporate governance structure, transparency with stakeholders, organization of governance committees, and the adoption of international governance standards, the study aims to offer a comprehensive framework that informs both theory and practice (Paudel, 2023).

While challenges and weaknesses exist, the research is poised to make a substantial contribution to the understanding of governance policies and risk management in Saudi Arabian SMEs. By addressing research gaps and weaknesses, the study aims to provide actionable insights that contribute to the resilience, sustainability, and growth of SMEs in the dynamic business landscape of Saudi Arabia (Alsaleem & Husin, 2024).

The research problem centers on the ambiguity of governance policies in small and medium-sized companies, which lack the complexity of larger firms. This issue necessitates a thorough examination to understand the policies governing these companies, particularly those related to risk management through governance commitment and disclosure. Addressing this problem requires a comprehensive study to identify and analyze the governance practices adopted by small and medium-sized enterprises, shedding light on their impact on risk management effectiveness.

Study Purposes and Objectives:

✓ Main Research Objective:

The overarching aim of this research is to systematically examine the impact of governance policies on risk management effectiveness within Small and Medium Enterprises (SMEs) in Saudi Arabia. The research endeavors to provide a nuanced understanding of how specific governance dimensions influence the identification, assessment, and mitigation of risks in the unique context of SMEs operating in the Saudi Arabian business landscape (Alimoradi & Ahmad, 2019). This comprehensive investigation aims to shed light on the intricate dynamics between governance policies and risk management practices in Saudi Arabian SMEs.

✓ Sub-Objectives:

- 1. Evaluate the Influence of Corporate Governance Structure:** The first sub-objective involves assessing the influence of the corporate governance structure on

risk management within Saudi Arabian SMEs. This includes an exploration of governance mechanisms, board structures, and decision-making processes to understand how these elements contribute to or impede effective risk management (Alimoradi & Ahmad, 2019). Understanding the impact of governance structure is essential for designing effective risk management strategies tailored to the needs of SMEs.

2. **Examine Transparency Levels with Stakeholders:** The second sub-objective aims to investigate the transparency levels maintained by SMEs with their stakeholders. This involves an analysis of communication practices, disclosure mechanisms, and the openness of information flows to ascertain how transparency contributes to or hinders the effectiveness of risk management processes (Rashid et al., 2018). Transparency fosters trust and accountability, essential elements for effective risk management and stakeholder engagement.
3. **Analyze Organization of Governance Committees and Their Activity Level:** The third sub-objective focuses on the organization of governance committees within SMEs and their activity levels. This includes an examination of the roles, responsibilities, and efficacy of governance committees in overseeing risk management processes, providing insights into the influence of committee structures on risk management effectiveness (Rashid et al., 2018). Effective governance committees play a pivotal role in ensuring robust risk management practices within SMEs.
4. **Assess the Impact of Adoption of International Governance Standards:** The fourth sub-objective involves evaluating the impact of the adoption of international governance standards on risk management within Saudi Arabian SMEs. This includes an exploration of the extent to which aligning with global best practices influences risk management outcomes, contributing to a broader understanding of the international dimension in governance and risk management (Alimoradi & Ahmad, 2019). Adopting international standards can enhance the credibility and effectiveness of governance practices, thereby improving risk management outcomes in SMEs.

These sub-objectives collectively aim to unravel the complexities surrounding governance policies and risk management in Saudi Arabian SMEs. By delving into these specific dimensions, the research seeks to provide practical insights and contribute to the development of tailored recommendations for enhancing the resilience and sustainability of SMEs in the

face of evolving risks and challenges (Alvi et al., 2019). Addressing these objectives will offer actionable insights for policymakers, business leaders, and other stakeholders involved in SME governance and risk management.

Research Importance:

✓ Theoretical Significance:

The theoretical study within this research is paramount for constructing a robust foundation that elucidates the intricate relationships between governance policies and risk management in Saudi Arabian SMEs. By delving into theoretical frameworks, the study aims to provide a conceptual map, offering a comprehensive understanding of how independent variables such as corporate governance structure, transparency levels, organization of governance committees, and the adoption of international standards collectively influence the dependent variable of risk management effectiveness (Gulzar et al., 2021). This theoretical significance not only guides the research design and methodology but also facilitates the synthesis of existing knowledge, contributing to the academic discourse surrounding governance and risk management dynamics in the context of SMEs (Jallali & Zoghlami, 2022). Theoretical insights serve as the cornerstone for developing practical strategies and interventions aimed at enhancing governance and risk management practices in Saudi Arabian SMEs, ensuring their long-term sustainability and resilience in dynamic business environments.

✓ Practical Implications:

The practical study is equally essential, as it seeks to validate and apply theoretical insights in the real-world context of Saudi Arabian SMEs. By empirically testing hypotheses and assessing the practical implications of governance policies, the research endeavors to offer tangible solutions and recommendations (Villanueva et al., 2022). Practical findings will not only enhance the applicability of theoretical frameworks but will also provide actionable insights for SMEs, policymakers, and practitioners in Saudi Arabia. The integration of theoretical and practical dimensions ensures that the research contributes not only to academic scholarship but also addresses the practical challenges faced by SMEs, fostering a symbiotic relationship between theory and application (Nguyen & Dang, 2022). The findings derived from the practical study can inform policy formulation and organizational strategies,

leading to more effective governance practices and risk management protocols tailored to the unique needs and contexts of Saudi Arabian SMEs.

Study Questions:

✓ Main Research Question:

How do governance policies impact the effectiveness of risk management in Small and Medium Enterprises (SMEs) operating in the Saudi Arabian business landscape?

✓ Sub-Questions:

1. How does the corporate governance structure influence the identification and mitigation of risks in Saudi Arabian SMEs?
2. To what extent does transparency with stakeholders contribute to the effectiveness of risk management processes in SMEs?
3. What is the role and effectiveness of governance committees in overseeing risk management within SMEs, considering their organization and activity levels?
4. How does the adoption of international governance standards affect risk management outcomes in Saudi Arabian SMEs, and what implications does it have for their resilience in a globalized context?

These questions collectively guide the investigation, providing a structured approach to unraveling the complexities of governance policies and their impact on risk management within the specific context of Saudi Arabian SMEs (Naibaho & Mayayogini, 2023).

Research Hypotheses:

▪ Hypothesis 1:

Hypothesis: There is a positive relationship between the corporate governance structure of Small and Medium Enterprises (SMEs) in Saudi Arabia and the effectiveness of their risk management practices.

Null Hypothesis: There is no significant relationship between the corporate governance structure of SMEs in Saudi Arabia and the effectiveness of their risk management practices.

- **Hypothesis 2:**

Hypothesis: Increased transparency with stakeholders in Saudi Arabian SMEs correlates positively with enhanced effectiveness in risk management processes.

Null Hypothesis: There is no significant correlation between transparency with stakeholders in SMEs and the effectiveness of risk management processes.

- **Hypothesis 3:**

Hypothesis: The organization and activity levels of governance committees within SMEs have a positive impact on the effectiveness of their risk management practices.

Null Hypothesis: The organization and activity levels of governance committees within SMEs have no significant impact on the effectiveness of their risk management practices.

- **Hypothesis 4:**

Hypothesis: The adoption of international governance standards by Saudi Arabian SMEs is positively associated with improved risk management outcomes.

Null Hypothesis: The adoption of international governance standards by SMEs in Saudi Arabia has no significant association with improved risk management outcomes.

These hypotheses provide a framework for testing and analyzing the relationships between governance policies and risk management effectiveness in the specific context of Saudi Arabian SMEs.

Theoretical Model:

1. Introduction to Corporate Governance in SMEs.

- Definition and components of corporate governance.
- Overview of governance structures tailored to Small and Medium Enterprises.
- Overview of Governance Policies in Saudi Arabian SMEs.
- Importance of Risk Management for SMEs.
- Contextualizing the Saudi Arabian Business Environment.

2. Regulatory Framework for SMEs in Saudi Arabia.

- Analysis of regulatory bodies overseeing SME governance.
 - Compliance requirements for SMEs in Saudi Arabia.
 - Impact of regulatory changes on risk management practices.
- 3. Governance Structures in Saudi Arabian SMEs.**
- Types of governance structures prevalent in SMEs.
 - Role of boards of directors and executives in risk management.
 - Challenges in implementing effective governance structures.
- 4. Transparency and Stakeholder Engagement.**
- Theoretical underpinnings of transparency in SMEs.
 - Importance of stakeholder engagement and its role in risk management.
 - Theoretical models on effective communication with stakeholders in the context of risk management.
- 5. Governance Committees and Decision-Making Processes.**
- Theoretical insights into the organization and functioning of governance committees.
 - Decision-making theories within governance committees and their impact on risk management.
- 6. International Governance Standards and Their Adoption.**
- Theoretical frameworks explaining the significance of international governance standards.
 - Models illustrating the process and impact of SMEs adopting international governance standards.
- 7. Risk Identification and Assessment in Saudi Arabian SMEs.**
- Techniques for identifying risks in SMEs.
 - Assessment methodologies for evaluating risks.
 - Cultural and contextual considerations in risk assessment.
- 8. Implementation of Risk Mitigation Strategies.**
- Strategies for mitigating risks in Saudi Arabian SMEs.
 - Integration of risk management into day-to-day operations.
 - Resource allocation for risk mitigation activities.
- 9. Technology Adoption and Risk Management.**
- Role of technology in enhancing risk management practices.
 - Adoption of digital tools for risk assessment and monitoring.
 - Challenges and opportunities in leveraging technology for risk management.
- 10. Corporate Governance and Risk Management Linkages.**

- Theoretical perspectives on the role of governance in risk management.
- Theoretical foundations of the relationship between corporate governance and risk management.
- Models and frameworks explaining how governance structures influence risk identification, assessment, and mitigation.

11. Risk Management Effectiveness.

- Theoretical foundations of effective risk management.
- Models assessing the factors contributing to successful risk management outcomes.

12. Challenges Faced by SMEs in Governance and Risk Management.

- Theoretical perspectives on the unique challenges encountered by SMEs.
- Frameworks for understanding resource constraints and their impact on governance and risk management.

13. Dynamic Nature of Governance Policies.

- Theoretical exploration of the evolution of governance policies over time.
- Models illustrating the adaptability of governance frameworks in response to changing business environments.

14. Globalization and Governance.

- Theoretical insights into the implications of globalization on governance structures.
- Models explaining how SMEs can align with global governance standards.

15. Future Trends and Implications.

- Emerging trends in governance policies and risk management for SMEs.
- Anticipated challenges and opportunities in the Saudi Arabian business landscape.
- Implications for policymakers, business owners, and stakeholders.

Chapter 2: Literature review

Introduction:

The literature review for this research explores the intricate relationships between governance policies and risk management in the context of Small and Medium Enterprises (SMEs) in Saudi Arabia. The independent variables under scrutiny include the corporate governance structure, transparency levels with stakeholders, organization of governance committees, and the adoption of international governance standards. The dependent variable, risk management effectiveness within the governance context, serves as the focal point of investigation (Nuñez et al., 2023). Understanding these relationships is crucial for developing effective strategies to mitigate risks and ensure the long-term success of SMEs in Saudi Arabia's evolving business landscape.

Previous studies have laid the foundation for understanding the role of corporate governance in risk management, emphasizing its importance in enhancing organizational resilience and sustainability. Existing research has explored transparency as a key element in governance, acknowledging its impact on stakeholder trust and the efficient functioning of risk management processes. The organizational aspects of governance committees have also been subject to investigation, recognizing their pivotal role in decision-making and oversight (Yuwono & Ellitan, 2024). These studies provide valuable insights that inform the conceptual framework of this research, guiding the exploration of governance policies and their implications for risk management effectiveness.

Theoretical frameworks proposed in the literature encompass diverse perspectives, including models that explain the relationship between governance structures and risk management outcomes, theoretical foundations of transparency, and frameworks detailing the organization and functioning of governance committees (Malik, 2023). Additionally, literature addresses the implications of adopting international governance standards for SMEs, shedding light on the global context in which these enterprises operate. Synthesizing these theoretical perspectives and integrating them into a cohesive framework is essential for guiding the analysis of empirical findings and formulating practical recommendations for the enhancement of governance policies and risk management in Saudi Arabian SMEs (Xu, 2023). By drawing upon these theoretical foundations, the research aims to provide a comprehensive understanding of governance and risk management dynamics in Saudi Arabian SMEs, paving the way for informed decision-making and policy development.

Dependent Variable:

- **Risk Management Effectiveness in the Governance Context:**

The dependent variable in this research is "Risk Management Effectiveness in the Governance Context." It represents the overarching metric by which the success and efficiency of risk management practices within Small and Medium Enterprises (SMEs) in Saudi Arabia will be assessed (Xu, 2023). This variable aims to capture the tangible outcomes of governance policies on the identification, assessment, and mitigation of risks. The effectiveness of risk management, within the specific governance framework of SMEs, becomes the central focus, emphasizing the practical implications of governance structures on the resilience and sustainability of these enterprises in the face of uncertainties (Malik, 2023). Understanding the effectiveness of risk management practices within SMEs is crucial for ensuring their competitiveness and long-term success in today's dynamic business environment.

Independent Variables:

1. **Corporate Governance Structure:**

- This variable delves into the configuration of the mechanisms directing and controlling companies. It encompasses the overall governance framework, including board structures, decision-making processes, and the organizational setup that influences how risks are managed within SMEs (Malik, 2023). The structure of corporate governance plays a fundamental role in shaping the risk management landscape of SMEs, dictating their ability to respond effectively to internal and external challenges.

2. **Transparency Levels with Stakeholders:**

- The independent variable of transparency examines the openness and clarity in communication between SMEs and their stakeholders. This encompasses the disclosure of information, communication practices, and the extent to which transparency contributes to stakeholder trust and efficient risk management processes (Yuwono & Ellitan, 2024) (Taufiq, 2023). Transparency fosters trust and accountability, serving as a cornerstone for effective risk management strategies and enhancing the overall reputation of SMEs among stakeholders.

3. Organization of Governance Committees and Activity Level:

- Focusing on the structural and operational aspects of governance committees, this variable explores how these committees contribute to decision-making and oversight. It assesses the roles, responsibilities, and activity levels of governance committees, considering their impact on the overall effectiveness of risk management (Boadi et al., 2023). Effective governance committees are instrumental in facilitating informed decision-making and proactive risk management practices, thereby enhancing the resilience and adaptability of SMEs in dynamic market environments.

4. Adoption of International Governance Standards:

- The adoption of international governance standards is a variable that evaluates the extent to which SMEs align with global best practices. This variable investigates the implications of such alignment for risk management within the context of globalized business environments, emphasizing the international dimension in governance policies and their impact on risk management outcomes (Wen et al., 2023). Aligning with international governance standards not only enhances the credibility and competitiveness of SMEs but also fosters greater resilience in the face of global market uncertainties and regulatory challenges.

Summary of Past Studies:

Yuwono & Ellitan (2024) study addresses the centrality of Corporate Governance (CG) in modern corporate strategy, particularly in the banking industry. Focusing on the impact of technological change and globalization on Enterprise Risk Management (ERM) challenges, the study explores the relationship between CG, ERM, and organizational culture. Findings reveal that effective CG positively influences the company, establishing a robust foundation for wise risk management. Additionally, a positive organizational culture proves critical in aligning ERM with internal values and norms, emphasizing the importance of harmonious integration between CG, ERM, and organizational culture for full effectiveness in risk management.

Núñez et al. (2023) study addresses the dearth of research on risk governance in medium-sized textile/clothing companies, identifying it as an emerging field. The objective is to

explore risk governance, focusing on guidelines, the relationship with corporate governance, and practices like risk culture. Utilizing a qualitative and descriptive approach, the study employs semi-structured interviews with eight companies and one expert. Findings reveal a general awareness of the importance of structured risk governance among participants, albeit often applied empirically. The study emphasizes the need for formalizing risk management processes in medium-sized companies, particularly in the textile/clothing sector, with potential applicability nationally and internationally across various economic sectors.

Temitope & Sorunke (2023) study delves into the background of Theory U as a potent tool for risk and performance management, aiming to bolster efficient corporate governance. The objective is to elucidate how organizations can address corporate governance challenges, instill a risk management culture, and optimize opportunities while minimizing threats. Employing a positivism paradigm and empirical case studies, the study tests three hypotheses to validate data results. Results showcase Theory U's transformative impact, fostering collaboration, innovation, and adaptability for effective governance mechanisms. The authors stress that despite implementation challenges, embracing Theory U yields substantial benefits, fostering resilience, sustainable value creation, and long-term success for organizations in today's dynamic business landscape.

Naibaho & Mayayogini (2023) study investigates the impact of operational risk, credit risk, and liquidity risk on firm performance, with corporate governance as a moderating variable. The background underscores the significance of understanding how these risks influence performance. The objective is to assess the relationships and provide implications for companies and investors. Employing a purposive random sampling method, the study utilizes secondary data from more than 45 Southeast Asian companies in Consumer Durable and Apparel, Consumer Service, and Consumer Staples industries from 2017-2021. Findings reveal that operational and credit risks insignificantly affect performance, while credit risk negatively influences it. Corporate governance mitigates the negative impact of liquidity risk but amplifies the relationship between operational and credit risks on firm performance. The study emphasizes the importance of robust corporate governance in maximizing risk management and aiding investor risk assessments.

Xu (2023) study delves into financial risks and corporate governance structures, utilizing a sample of A-share companies listed in the Shanghai and Shenzhen Stock Exchange from 2016 to 2018. Employing Z-score for financial risk measurement and quantitative methods

for governance factors, the study uses a multiple linear regression model. Results highlight ownership concentration, executive shareholding percentage, and executive compensation as significantly impacting financial risks, all showing negative correlations. The study recommends improving non-executive director mechanisms, maintaining concentrated ownership, and implementing effective executive incentive mechanisms to enhance financial risk management in companies.

Nguyen & Dang (2022) study addresses the background of assessing bank risk management effectiveness in ASEAN countries, specifically examining the role of risk governance in enhancing this effectiveness. The study aims to evaluate the correlation between risk governance structure and the effectiveness of managing insolvency risk, credit risk, and operational risk in banks within ASEAN. Using dynamic panel models with the two-step GMM method, results reveal a low overall risk management effectiveness in ASEAN banks. However, the study demonstrates a positive correlation between the effectiveness of risk governance structure and the overall effectiveness of risk management in addressing insolvency, credit, and operational risks. The findings suggest regulatory guidelines on risk governance could enhance risk management activities and maintain bank stability.

Villanueva et al. (2022) study explores the escalating need for Enterprise Risk Management (ERM) in the evolving business landscape. The objective is to investigate the impact of risk governance, including senior management commitment and risk management structure, along with associated practices and tools like risk maps and treatment measures, on ERM development. Employing hierarchical linear regression models, the study utilizes a sample of 140 large private companies in Colombia across diverse sectors. Results indicate a positive correlation between risk governance and ERM, highlighting senior management commitment and structured risk management as influential factors. The study underscores the positive correlation between ERM maturity and practices/tools such as risk maps and treatment measures, offering insights to enhance ERM in emerging markets.

Rashid et al. (2018) study aims to identify and prioritize corporate governance factors influencing risk management in Malaysian banks. Employing both qualitative and quantitative methods, the research highlights challenges faced by employees in assessing the board's fiduciary and leadership functions. Results indicate a widespread application of effective corporate governance codes, with a particular emphasis on accountability as the

most impactful factor in enhancing risk management capabilities across all commercial banks in Malaysia.

In the realm of risk management and corporate governance, Nguyen & Dang (2022), Villanueva et al. (2022), and Xu (2023) present noteworthy studies with commonalities in their strengths and features. Nguyen & Dang meticulously investigate the impact of risk governance structure on various risks in ASEAN banks, offering a detailed quantitative analysis. Villanueva et al. focus on the positive correlation between risk governance and Enterprise Risk Management (ERM) in Colombian companies, showcasing a robust methodology and emphasizing the importance of senior management commitment. Xu delves into the intricate relationship between ownership concentration, executive compensation, and financial risks in A-share companies, employing a quantitative approach. These studies collectively contribute to understanding the dynamics of risk management in diverse contexts.

Shifting to Rashid et al. (2018), Yuwono & Ellitan (2024), and Xu (2023), these studies bring unique insights to the table. Rashid et al. concentrate on the prioritization of corporate governance factors influencing risk management in Malaysian banks, showcasing a robust methodology with both qualitative and quantitative elements. Xu's study adds depth by examining the impact of financial risks and corporate governance structures in A-share companies, employing Z-score for financial risk measurement. Yuwono & Ellitan stand out with a comprehensive exploration of the intricate connections between Corporate Governance (CG), Enterprise Risk Management (ERM), and organizational culture, particularly in the banking sector. These studies offer diverse perspectives on the intricate relationships within risk management and corporate governance.

In the final set of studies, Nguyen & Dang (2022), Rashid et al. (2018), Xu (2023), and Yuwono & Ellitan (2024) collectively provide a nuanced understanding of risk management and corporate governance. Nguyen & Dang highlight the low overall risk management effectiveness in ASEAN banks, emphasizing the importance of risk governance structure. Rashid et al. reveal the widespread adoption of effective corporate governance codes in Malaysian banks, with accountability playing a pivotal role in enhancing risk management capabilities. Xu's study in A-share companies showcases a negative correlation between ownership concentration, executive compensation, and financial risks. Yuwono & Ellitan's comprehensive exploration underscores the interconnectedness of CG, ERM, and

organizational culture, presenting a holistic framework for achieving full effectiveness in risk management. These studies collectively enrich our understanding of the complexities and opportunities within risk management and corporate governance.

Nguyen & Dang (2022) and Villanueva et al. (2022) both contribute to the understanding of risk management, yet they share common weaknesses. Both studies, while robust in their methodologies, primarily rely on quantitative approaches, potentially overlooking nuanced qualitative aspects in assessing risk governance. The limitations in data collection methods, especially in capturing real-time changes in risk landscapes, pose challenges to the studies' relevance in rapidly evolving industries. Additionally, the scope of these studies is region-specific, limiting the generalizability of findings to a broader global context.

Rashid et al. (2018), Xu (2023), and Yuwono & Ellitan (2024) exhibit individual research gaps and challenges. Rashid et al.'s focus on Malaysian banks might limit the applicability of findings to other banking sectors. Xu's exploration into financial risks and corporate governance is restricted to A-share companies, potentially missing insights from other market segments. Yuwono & Ellitan's comprehensive approach, while commendable, introduces the challenge of synthesizing diverse variables and measuring organizational culture objectively, leaving room for subjectivity in interpretation. Furthermore, the studies lack a unified framework for comparing and combining findings, hindering a holistic understanding of the relationships studied.

In the final set of studies, Nguyen & Dang (2022), Rashid et al. (2018), Xu (2023), and Yuwono & Ellitan (2024) present insightful results with implications. Nguyen & Dang's findings on the low overall risk management effectiveness in ASEAN banks underscore potential systemic vulnerabilities. Rashid et al.'s identification of accountability as a key factor in Malaysian banks aligns with industry trends emphasizing transparency. Xu's negative correlation between ownership concentration, executive compensation, and financial risks prompts considerations for corporate governance practices. Yuwono & Ellitan's emphasis on the interconnectedness of CG, ERM, and organizational culture offers a holistic perspective, advocating for a harmonious integration for effective risk management. These results collectively highlight the diverse aspects and implications within the realm of risk management and corporate governance.

Addressing the challenges and leveraging the strengths identified in these studies is imperative for fostering effective risk management and corporate governance practices. The studies collectively pinpoint weaknesses such as regional specificity, methodological limitations, and scope constraints. Recognizing these gaps encourages researchers to design studies with broader applicability, employing a mix of qualitative and quantitative approaches for a more comprehensive understanding. Furthermore, capitalizing on the strengths, such as robust methodologies and insightful findings, serves as a foundation for future research and industry practices. Implementing the recommendations from these studies, like refining governance structures or emphasizing accountability, can contribute to enhancing risk management effectiveness. Continuous efforts to bridge the identified loopholes and capitalize on strengths pave the way for more robust and universally applicable frameworks, fostering a proactive and adaptive approach to risk management and corporate governance across various sectors and geographical contexts.

Theoretical Framework of the Study:

(1). Introduction to Corporate Governance in SMEs:

Corporate governance is a vital aspect of organizational management that encompasses a set of processes, customs, policies, laws, and institutions affecting the way a company is directed, administered, and controlled. It aims to balance the interests of diverse stakeholders such as shareholders, management, customers, suppliers, financiers, government, and the community. Effective corporate governance ensures transparency, accountability, fairness, and responsibility in decision-making processes, fostering trust and confidence among stakeholders (Nuñez et al., 2023).

Definition and Components of Corporate Governance:

At its core, corporate governance refers to the mechanisms, processes, and relations by which corporations are controlled and directed. It involves a framework of rules, practices, and systems put in place to ensure that a company operates ethically, efficiently, and in the best interests of all stakeholders (Nguyen & Dang, 2022). Key components of corporate governance include:

1. **Board of Directors:** The board is responsible for setting corporate objectives, providing strategic guidance, overseeing management performance, and ensuring accountability. It comprises individuals elected by shareholders to represent their interests and oversee the company's affairs (Rashid et al., 2018).
2. **Shareholder Rights:** Corporate governance ensures that shareholders' rights are protected and respected. This includes the right to vote on important company matters, receive dividends, and access relevant information about the company's performance and activities (Rashid et al., 2018).
3. **Transparency and Disclosure:** Transparency refers to the openness and accessibility of information about the company's operations, financial status, risks, and decision-making processes. Disclosure involves the timely and accurate reporting of information to shareholders and other stakeholders to enable informed decision-making (Alvi et al., 2019).
4. **Ethical Conduct:** Corporate governance promotes ethical behavior and integrity in all aspects of business operations. It includes adherence to legal and regulatory requirements, ethical business practices, and the implementation of codes of conduct and corporate social responsibility initiatives (Alvi et al., 2019).
5. **Risk Management:** Effective corporate governance incorporates risk management processes to identify, assess, mitigate, and monitor risks that may affect the company's objectives and stakeholders. It ensures that appropriate risk management strategies and controls are in place to safeguard the company's assets and reputation (Alimoradi & Ahmad, 2019).

Overview of Governance Structures Tailored to SMEs:

While the principles of corporate governance apply universally, governance structures in Small and Medium Enterprises (SMEs) may differ from those in large corporations due to their size, ownership structure, and resource constraints. In SMEs, governance structures are typically simpler and more informal, reflecting the smaller scale and limited resources of these enterprises (Nuñez et al., 2023). Key features of governance structures tailored to SMEs include:

1. **Owner-Management Nexus:** In many SMEs, ownership and management are closely intertwined, with the owner(s) also serving as the primary decision-makers and managers of the business. This direct involvement of owners in day-to-day operations

can streamline decision-making but may also pose challenges in terms of accountability and oversight (Nuñez et al., 2023).

2. **Informal Governance Mechanisms:** SMEs often rely on informal governance mechanisms such as family ties, trust-based relationships, and personalized management styles. These informal structures can facilitate agility, flexibility, and quick decision-making in response to market changes but may lack the rigor and formality of established corporate governance frameworks (Wen et al., 2023).
3. **Adaptability and Flexibility:** Governance structures in SMEs are characterized by their adaptability and flexibility to suit the specific needs and circumstances of the business. Unlike larger corporations, SMEs can tailor governance practices to align with their unique business models, industry dynamics, and growth stages (Wen et al., 2023).
4. **Resource Constraints:** SMEs may face resource constraints, including limited financial resources, expertise, and time, which can impact the design and implementation of governance structures. As a result, governance practices in SMEs tend to be more pragmatic, focusing on achieving business objectives while minimizing administrative burden and costs (Wen et al., 2023).

Overview of Governance Policies in Saudi Arabian SMEs:

Governance policies encompass the structures, processes, and practices through which organizations are directed, controlled, and regulated. In the context of SMEs in Saudi Arabia, governance policies play a crucial role in shaping decision-making, ensuring accountability, and safeguarding stakeholders' interests. While governance frameworks for SMEs may vary based on factors such as industry, size, and ownership structure, certain core principles remain fundamental (Al-Bassam et al., 2018).

In Saudi Arabia, governance policies for SMEs are influenced by cultural, legal, and regulatory factors. The legal framework governing business operations in the Kingdom is primarily based on Islamic law (Sharia), which emphasizes principles of fairness, transparency, and ethical conduct. Additionally, the Saudi Arabian General Investment Authority (SAGIA) oversees investment-related regulations and promotes a business-friendly environment for SMEs (Al-Bassam et al., 2018).

Despite the importance of governance, many SMEs in Saudi Arabia face challenges in implementing robust governance policies due to factors such as limited resources, lack of awareness, and informal business practices. As a result, there is a growing recognition of the need to strengthen governance frameworks and enhance corporate governance practices among SMEs to promote transparency, accountability, and long-term sustainability (Shalhoob & Hussainey, 2023).

Importance of Risk Management for SMEs:

Risk management is essential for SMEs to identify, assess, and mitigate potential threats and uncertainties that may impact their operations, finances, and reputation. In the dynamic and competitive business environment of Saudi Arabia, SMEs are exposed to various risks, including market volatility, regulatory changes, financial instability, and cybersecurity threats (Rain & Khawaja , 2023).

Effective risk management allows SMEs to anticipate and address potential risks proactively, minimizing their adverse impact and maximizing opportunities for growth and resilience. By adopting a systematic approach to risk management, SMEs can enhance decision-making, strengthen business continuity, and build trust with stakeholders (Oladapo et al., 2023).

However, many SMEs in Saudi Arabia face challenges in implementing comprehensive risk management practices, such as limited risk management expertise, inadequate financial resources, and a lack of risk-aware culture. Moreover, the rapidly evolving business landscape and emerging risks, such as those related to technological advancements and global pandemics, underscore the importance of continuous risk management efforts (Bamahros et al., 2022).

Contextualizing the Saudi Arabian Business Environment:

The Saudi Arabian business environment is characterized by a unique blend of traditional values, modernization efforts, and ambitious economic reforms. As the largest economy in the Middle East, Saudi Arabia offers abundant opportunities for SMEs across various sectors, including manufacturing, services, construction, and technology (Bamahros et al., 2022).

The Vision 2030 initiative, spearheaded by the Saudi government, aims to diversify the economy, reduce reliance on oil revenues, and promote private sector growth. As part of

Vision 2030, several initiatives and reforms have been introduced to support SME development, including access to finance, streamlined regulations, and entrepreneurship support programs (Al-Bassam et al., 2018).

However, operating in Saudi Arabia also presents challenges for SMEs, such as bureaucratic hurdles, cultural differences, and competition from larger corporations. Navigating the regulatory landscape, securing financing, and building relationships with local partners are key considerations for SMEs looking to establish and grow their presence in the Kingdom (Al-Bassam et al., 2018).

In conclusion, governance policies and risk management are essential pillars of SME success in Saudi Arabia. By strengthening governance frameworks, implementing robust risk management practices, and adapting to the unique challenges and opportunities of the Saudi Arabian business environment, SMEs can enhance their competitiveness, sustainability, and contribution to the Kingdom's economy.

(2). Regulatory Framework for SMEs in Saudi Arabia:

Small and Medium Enterprises (SMEs) in Saudi Arabia operate within a regulatory framework governed by various laws, regulations, and oversight bodies. This section provides an analysis of the regulatory bodies overseeing SME governance, compliance requirements for SMEs in Saudi Arabia, and the impact of regulatory changes on risk management practices.

Analysis of Regulatory Bodies Overseeing SME Governance:

Several regulatory bodies in Saudi Arabia oversee SME governance and ensure compliance with relevant laws and regulations. The key regulatory bodies include:

1. **Saudi Arabian General Investment Authority (SAGIA):** SAGIA is responsible for regulating and promoting investment in Saudi Arabia. It plays a crucial role in facilitating the establishment and operation of SMEs by providing investment licenses, facilitating foreign investment, and promoting a conducive business environment (Al-Bassam et al., 2018).
2. **Ministry of Commerce:** The Ministry of Commerce oversees commercial activities in Saudi Arabia, including registration, licensing, and regulation of businesses. SMEs

are required to register with the Ministry of Commerce and adhere to regulations related to business activities, trade licenses, and commercial contracts (Al-Bassam et al., 2018).

3. Capital Market Authority (CMA): CMA regulates the capital markets in Saudi Arabia and ensures compliance with securities laws and regulations. While SMEs may not directly participate in the capital markets, CMA regulations indirectly impact SMEs through their interactions with investors, shareholders, and financial institutions (Shalhoob & Hussainey, 2023).
4. Saudi Arabian Monetary Authority (SAMA): SAMA is the central bank of Saudi Arabia and regulates the banking and financial sector. SMEs rely on banks and financial institutions for funding, credit facilities, and financial services, making SAMA regulations relevant to their operations (Shalhoob & Hussainey, 2023).

These regulatory bodies play a crucial role in ensuring transparency, accountability, and legal compliance in SME governance, thereby contributing to the stability and growth of the SME sector in Saudi Arabia.

Compliance Requirements for SMEs in Saudi Arabia:

SMEs in Saudi Arabia are subject to various compliance requirements, including:

1. Business Registration and Licensing: SMEs must register their businesses with the Ministry of Commerce and obtain the necessary licenses and permits to operate legally in Saudi Arabia. This includes obtaining a commercial registration certificate (CR) and a trade license, which specify the nature of the business activities (Rain & Khawaja , 2023).
2. Taxation and Financial Reporting: SMEs are required to comply with tax laws and regulations administered by the General Authority of Zakat and Tax (GAZT). This includes filing tax returns, paying taxes, and maintaining accurate financial records in accordance with accounting standards (Rain & Khawaja , 2023).
3. Labor and Employment Regulations: SMEs must adhere to labor laws and regulations governing employment practices, wages, working hours, and occupational health and safety. This includes obtaining work permits for expatriate employees and complying with regulations related to recruitment, termination, and employee rights (Rain & Khawaja , 2023).

4. **Intellectual Property Rights (IPR) Protection:** SMEs are encouraged to protect their intellectual property through patents, trademarks, and copyrights. The Saudi Authority for Intellectual Property (SAIP) oversees the registration and enforcement of intellectual property rights in Saudi Arabia, providing SMEs with legal protection against infringement and unauthorized use (Rain & Khawaja , 2023).

Compliance with these requirements is essential for SMEs to operate lawfully, mitigate regulatory risks, and maintain their reputation and credibility in the market.

Impact of Regulatory Changes on Risk Management Practices:

Regulatory changes in Saudi Arabia can have a significant impact on SMEs' risk management practices, including:

1. **Compliance Risks:** Regulatory changes may introduce new compliance requirements or modify existing regulations, leading to compliance risks for SMEs. Failure to comply with regulatory obligations can result in penalties, fines, or legal consequences, impacting SMEs' financial stability and reputation (Oladapo et al., 2023).
2. **Operational Risks:** Regulatory changes may necessitate adjustments to SMEs' operational processes, systems, and procedures to ensure compliance. Changes in reporting requirements, taxation policies, or licensing procedures can pose operational challenges and disrupt business operations, affecting efficiency and productivity (Oladapo et al., 2023).
3. **Financial Risks:** Regulatory changes may have financial implications for SMEs, such as increased compliance costs, taxes, or fees. SMEs may need to allocate additional resources to meet regulatory requirements, impacting their cash flow, profitability, and investment decisions (Oladapo et al., 2023).
4. **Reputational Risks:** Non-compliance with regulatory requirements or involvement in regulatory violations can damage SMEs' reputation and credibility in the market. Negative publicity, legal disputes, or sanctions imposed by regulatory authorities can erode trust and confidence among customers, suppliers, and stakeholders, affecting SMEs' long-term viability and competitiveness (Oladapo et al., 2023).

In response to regulatory changes, SMEs must proactively assess and manage regulatory risks by staying informed about relevant regulations, implementing compliance measures, and seeking professional advice when necessary. By effectively managing regulatory risks, SMEs can navigate the regulatory landscape, seize opportunities for growth, and enhance their resilience in the face of regulatory uncertainties (Oladapo et al., 2023).

(3). Governance Structures in Saudi Arabian SMEs:

In Saudi Arabian Small and Medium Enterprises (SMEs), governance structures vary widely based on factors such as company size, ownership structure, and industry dynamics. This section explores the types of governance structures prevalent in Saudi Arabian SMEs, the role of boards of directors and executives in risk management, and the challenges faced in implementing effective governance structures.

Types of Governance Structures Prevalent in SMEs:

SMEs in Saudi Arabia typically adopt one of the following governance structures:

1. **Founder-Driven Governance:** In many SMEs, governance is founder-driven, with the founder or owner making key strategic decisions and exercising control over the company's operations. While this governance structure offers agility and flexibility, it may lack formal oversight mechanisms and accountability frameworks (Naibaho & Mayayogini, 2023).
2. **Family-Owned Governance:** Family-owned SMEs often have a governance structure that involves family members serving on the board of directors or holding executive positions. Family dynamics, relationships, and informal decision-making processes influence governance practices in these SMEs, which may pose challenges in separating ownership and management roles (Naibaho & Mayayogini, 2023).
3. **Professional Governance:** Some SMEs opt for a professional governance structure, where independent directors or professional managers are appointed to the board to provide expertise, oversight, and strategic guidance. Professional governance structures emphasize transparency, accountability, and adherence to corporate governance best practices (Oladapo et al., 2023).

The choice of governance structure depends on various factors, including the company's stage of growth, ownership dynamics, and strategic objectives. While each governance structure has its advantages and challenges, the overarching goal is to enhance transparency, accountability, and decision-making effectiveness within the organization (Oladapo et al., 2023).

Role of Boards of Directors and Executives in Risk Management:

Boards of directors and executives play a crucial role in risk management within Saudi Arabian SMEs. Their responsibilities include:

1. **Setting Risk Appetite:** Boards of directors are responsible for defining the company's risk appetite and tolerance levels, aligning risk-taking decisions with strategic objectives, and ensuring that risk management practices are consistent with the company's risk appetite framework (Oladapo et al., 2023).
2. **Oversight and Monitoring:** Boards provide oversight and monitoring of risk management activities, including reviewing risk assessments, monitoring key risk indicators, and evaluating the effectiveness of risk mitigation measures implemented by management (Rain & Khawaja, 2023).
3. **Decision-Making:** Boards make key decisions related to risk management, such as approving risk management policies, strategies, and resource allocations. Executives, including the CEO and senior management team, implement board-approved risk management initiatives and ensure their integration into the company's operations (Shalhoob & Hussainey, 2023).

Effective collaboration between boards and executives is essential for integrating risk management into the organization's governance processes and promoting a culture of risk awareness and accountability at all levels.

Challenges in Implementing Effective Governance Structures:

Implementing effective governance structures in Saudi Arabian SMEs poses several challenges, including:

1. **Limited Resources:** SMEs often face resource constraints, including financial, human, and technological resources, which may limit their ability to establish robust

governance structures and allocate dedicated resources to risk management activities (Al-Bassam et al., 2018).

2. **Lack of Awareness:** Some SMEs may lack awareness of corporate governance principles, best practices, and regulatory requirements, resulting in ad-hoc governance practices, informal decision-making processes, and compliance gaps (Al-Bassam et al., 2018).
3. **Ownership Dynamics:** Family-owned SMEs may encounter governance challenges related to family conflicts, succession planning, and the separation of ownership and management roles. Balancing family interests with business objectives and professional governance standards can be challenging (Al-Bassam et al., 2018).
4. **Regulatory Compliance:** SMEs must comply with various regulatory requirements imposed by government agencies, industry regulators, and financial institutions. Navigating complex regulatory landscapes and ensuring compliance with evolving regulatory requirements can be daunting for SMEs, particularly those with limited legal and compliance expertise (Shalhoob & Hussainey, 2023).

Addressing these challenges requires SMEs to prioritize governance reform, invest in capacity-building initiatives, and seek external support from advisors, consultants, and industry associations. By strengthening governance structures, SMEs can enhance their resilience, competitiveness, and long-term sustainability in the Saudi Arabian business environment.

(4). Transparency and Stakeholder Engagement in SMEs:

Transparency and stakeholder engagement are critical elements of effective governance and risk management within Small and Medium Enterprises (SMEs). This section delves into the theoretical underpinnings of transparency, underscores the significance of stakeholder engagement, and explores theoretical models for fostering effective communication with stakeholders in the context of risk management.

Theoretical Underpinnings of Transparency in SMEs:

Transparency in SMEs is grounded in various theoretical frameworks, including agency theory and stakeholder theory. According to agency theory, transparency mechanisms, such as financial disclosure and operational reporting, serve to mitigate agency conflicts by

reducing information asymmetry between management and stakeholders (Jallali & Zoghalmi, 2022). By providing stakeholders with access to pertinent information, SMEs can enhance trust and accountability, thus fostering more effective governance practices. Similarly, stakeholder theory emphasizes the importance of transparency in building trust and maintaining positive relationships with stakeholders. Transparent communication of organizational objectives, performance, and decision-making processes not only promotes stakeholder confidence but also strengthens the overall reputation and credibility of SMEs in the marketplace (Naibaho & Mayayogini, 2023).

Importance of Stakeholder Engagement and Its Role in Risk Management:

Stakeholder engagement is integral to effective risk management within SMEs. Drawing from stakeholder theory, which advocates for the consideration of diverse stakeholder interests in organizational decision-making, engaging stakeholders in risk management processes enhances risk identification, assessment, and mitigation strategies (Jallali & Zoghalmi, 2022). By involving stakeholders from various sectors, including customers, employees, suppliers, and regulatory bodies, SMEs can gain valuable insights into potential risks and develop more comprehensive risk management strategies. Moreover, stakeholder engagement fosters a sense of ownership and accountability among stakeholders, leading to greater commitment to risk management objectives and initiatives. Additionally, proactive stakeholder engagement promotes transparency and open communication, facilitating the timely exchange of relevant information and alignment of expectations regarding risk management practices (Ozcelik & Ercek, 2023).

Theoretical Models on Effective Communication with Stakeholders in Risk Management:

Several theoretical models provide frameworks for enhancing communication with stakeholders in the context of risk management. One such model is the stakeholder engagement continuum, which categorizes communication strategies based on the level of stakeholder involvement and influence in decision-making processes (Wen et al., 2023). This model recognizes that stakeholder engagement is not a one-size-fits-all approach and suggests tailoring communication strategies to suit the specific needs and interests of different stakeholder groups. Another model is the stakeholder salience model, which identifies attributes such as power, legitimacy, and urgency to prioritize stakeholder

engagement efforts and tailor communication strategies accordingly. By focusing on the most salient stakeholders, SMEs can allocate resources effectively and ensure that communication efforts yield maximum impact (Wieczorek-Kosmala & Henschel, 2022).

Additionally, the principle of stakeholder inclusiveness underscores the importance of involving all relevant stakeholders in risk management activities to ensure comprehensive risk identification, assessment, and mitigation. This approach emphasizes the value of collaborative decision-making and encourages SMEs to solicit input from stakeholders across various levels of the organization and external environment. By embracing stakeholder inclusiveness, SMEs can harness the collective expertise and insights of stakeholders, leading to more informed risk management decisions and proactive risk mitigation strategies (Naibaho & Mayayogini, 2023).

In conclusion, transparency and stakeholder engagement are fundamental pillars of effective governance and risk management in SMEs. By embracing transparency, SMEs can enhance accountability, build trust, and strengthen their reputation in the marketplace. Similarly, proactive stakeholder engagement fosters collaboration, promotes accountability, and enables SMEs to tap into valuable stakeholder insights for more robust risk management practices. By leveraging theoretical models and principles of effective communication, SMEs can cultivate a culture of transparency and engagement that enhances their resilience and sustainability in the face of evolving risks and uncertainties.

(5). Governance Committees and Decision-Making Processes:

This section explores the theoretical insights into the organization and functioning of governance committees within Small and Medium Enterprises (SMEs). It also delves into decision-making theories within governance committees and their impact on risk management practices.

Theoretical Insights into the Organization and Functioning of Governance Committees:

The organization and functioning of governance committees in SMEs are guided by various theoretical perspectives, including agency theory and stewardship theory. According to agency theory, governance committees, such as audit committees and risk management committees, act as mechanisms to mitigate agency conflicts between management and

stakeholders. These committees are tasked with overseeing management actions, ensuring alignment with organizational objectives, and safeguarding stakeholder interests (Jallali & Zoghlami, 2022). By providing independent oversight and expertise, governance committees enhance transparency, accountability, and ethical conduct within SMEs. Stewardship theory, on the other hand, posits that governance committees serve as stewards of organizational resources, entrusted with the responsibility of maximizing value for stakeholders. In line with this theory, governance committees prioritize long-term organizational sustainability and adopt a proactive approach to risk management, focusing on value creation and preservation (Paudel, 2023).

Decision-Making Theories within Governance Committees and Their Impact on Risk Management:

Decision-making within governance committees is influenced by various theoretical models, including rational decision-making, bounded rationality, and behavioral decision theory. Rational decision-making theory posits that individuals within governance committees make decisions by systematically evaluating all available information, considering all possible alternatives, and selecting the most optimal course of action based on objective criteria (Paudel, 2023). In practice, however, decision-making within governance committees is often constrained by bounded rationality, which acknowledges that decision-makers have limited cognitive capabilities and are susceptible to biases and heuristics. As a result, decisions made within governance committees may deviate from the ideal rational model, leading to suboptimal outcomes (Ozcelik & Ercek, 2023).

Behavioral decision theory further elucidates the psychological factors that influence decision-making within governance committees. This theory emphasizes the role of cognitive biases, emotions, and social influences in shaping decision-makers' preferences and choices. Within SMEs, governance committees may be particularly susceptible to biases such as groupthink, overconfidence, and anchoring, which can compromise the quality and objectivity of decision-making processes. Moreover, the composition and dynamics of governance committees, including factors such as diversity, conflict resolution mechanisms, and leadership styles, can significantly impact decision-making outcomes and risk management practices (Taufiq, 2023). By understanding the underlying theoretical principles and cognitive biases that influence decision-making within governance committees, SMEs

can implement strategies to mitigate potential biases, enhance decision-making effectiveness, and improve risk management practices (Wen et al., 2023).

In conclusion, governance committees play a pivotal role in overseeing organizational governance and risk management practices within SMEs. The organization and functioning of governance committees are influenced by theoretical insights from agency theory and stewardship theory, emphasizing the importance of independent oversight, transparency, and stakeholder value creation. Decision-making within governance committees is guided by theoretical models such as rational decision-making, bounded rationality, and behavioral decision theory, which highlight the cognitive biases and social influences that shape decision-makers' choices. By integrating theoretical perspectives into governance committee practices, SMEs can enhance transparency, accountability, and decision-making effectiveness, thereby strengthening their resilience and sustainability in the face of dynamic business environments.

(6). International Governance Standards and Their Adoption:

This section delves into theoretical frameworks explaining the significance of international governance standards and models illustrating the process and impact of Small and Medium Enterprises (SMEs) adopting these standards.

Theoretical Frameworks Explaining the Significance of International Governance Standards:

The significance of international governance standards for SMEs can be understood through various theoretical frameworks, including institutional theory and legitimacy theory. Institutional theory posits that organizations, including SMEs, are influenced by institutional pressures to conform to prevailing norms, values, and practices in their operating environment. International governance standards, such as those set forth by organizations like the International Organization for Standardization (ISO) or the Organisation for Economic Co-operation and Development (OECD), represent widely accepted best practices in governance (Malik, 2023; Villanueva et al., 2022). By adopting these standards, SMEs can enhance their legitimacy and credibility in the eyes of stakeholders, including investors, customers, and regulatory authorities. Furthermore, adherence to international governance

standards can signal SMEs' commitment to transparency, accountability, and ethical conduct, thereby fostering trust and confidence among stakeholders (Malik, 2023).

Legitimacy theory complements institutional theory by emphasizing the importance of perceived legitimacy for organizational survival and success. According to this theory, organizations seek to gain and maintain legitimacy by conforming to societal expectations and norms. Adopting international governance standards can enhance SMEs' legitimacy by demonstrating their alignment with global norms and practices (Wen et al., 2023). This can be particularly beneficial for SMEs seeking to attract investment, access global markets, and establish strategic partnerships. By aligning their governance practices with international standards, SMEs can enhance their reputation and credibility, thereby strengthening their competitive position and sustainability in the long run (Wieczorek-Kosmala & Henschel, 2022).

Models Illustrating the Process and Impact of SMEs Adopting International Governance Standards:

The process and impact of SMEs adopting international governance standards can be illustrated through models such as the ISO 37001 Anti-Bribery Management Systems (ABMS) model and the OECD Principles of Corporate Governance. The ISO 37001 ABMS model provides a framework for SMEs to establish, implement, maintain, and improve anti-bribery management systems based on internationally recognized best practices. By adopting this standard, SMEs can enhance their capacity to prevent, detect, and respond to bribery and corruption risks, thereby safeguarding their reputation and integrity (Villanueva et al., 2022).

Similarly, the OECD Principles of Corporate Governance offer a comprehensive framework for good corporate governance practices, covering areas such as transparency, accountability, and shareholder rights. By aligning their governance practices with the OECD Principles, SMEs can improve their corporate governance framework, enhance board oversight, and strengthen internal controls (Malik, 2023). This, in turn, can lead to improved risk management practices, increased investor confidence, and better access to financing and capital markets. Additionally, adherence to international governance standards can facilitate SMEs' integration into global value chains, enabling them to compete more effectively in international markets and drive sustainable growth and development (Yuwono & Ellitan, 2024).

In conclusion, international governance standards play a crucial role in guiding SMEs' governance practices and enhancing their competitiveness and sustainability. Theoretical frameworks such as institutional theory and legitimacy theory provide insights into the significance of international governance standards for SMEs, highlighting their role in enhancing legitimacy, credibility, and stakeholder trust. Models such as the ISO 37001 ABMS model and the OECD Principles of Corporate Governance offer practical guidance for SMEs seeking to adopt international governance standards, enabling them to improve their governance framework, strengthen risk management practices, and drive long-term value creation. By embracing international governance standards, SMEs can position themselves for success in the global marketplace and contribute to sustainable economic growth and development.

(7). Risk Identification and Assessment in Saudi Arabian SMEs:

In Saudi Arabian Small and Medium Enterprises (SMEs), effective risk identification and assessment are critical for proactive risk management and business sustainability. This section explores the techniques used for identifying risks in SMEs, assessment methodologies for evaluating risks, and the cultural and contextual considerations that influence risk assessment processes.

Techniques for Identifying Risks in SMEs:

1. **SWOT Analysis:** SMEs commonly use SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis to identify internal and external factors that may impact their business objectives. By assessing strengths and weaknesses within the organization and identifying external threats and opportunities, SMEs can uncover potential risks (Rashid et al., 2018).
2. **Brainstorming Sessions:** SMEs often conduct brainstorming sessions involving key stakeholders to identify risks associated with various aspects of their business operations, including market dynamics, financial management, technology, and regulatory compliance (Temitope & Sorunke, 2023).
3. **Risk Registers:** Maintaining risk registers is a common practice in SMEs, where risks are systematically documented, categorized, and prioritized based on their likelihood and potential impact on business objectives. Risk registers serve as a centralized repository for managing and monitoring risks over time (Rashid et al., 2018).

4. **Scenario Planning:** SMEs may engage in scenario planning exercises to anticipate and prepare for potential future events or developments that could pose risks to their business. By analyzing different scenarios and their potential consequences, SMEs can develop risk mitigation strategies and contingency plans (Rashid et al., 2018).

Assessment Methodologies for Evaluating Risks:

1. **Qualitative Risk Assessment:** Qualitative risk assessment involves assessing risks based on their qualitative attributes, such as likelihood, impact, and severity. SMEs use qualitative methods such as risk matrices, risk heat maps, and risk ratings to prioritize risks and focus their risk management efforts on high-priority areas (Al-Bassam et al., 2018).
2. **Quantitative Risk Assessment:** Quantitative risk assessment involves quantifying risks in monetary terms or numerical values to analyze their potential financial impact on the organization. SMEs may use techniques such as probabilistic modeling, sensitivity analysis, and Monte Carlo simulation to quantify risks and assess their financial implications (Shalhoob & Hussainey, 2023).
3. **Risk Scoring Models:** SMEs often employ risk scoring models to assign numerical scores to risks based on predefined criteria, such as likelihood, impact, and vulnerability. Risk scoring models help SMEs prioritize risks and allocate resources effectively to mitigate the most significant threats to their business (Bamahros et al., 2022).

Cultural and Contextual Considerations in Risk Assessment:

1. **Islamic Finance Principles:** In Saudi Arabia, SMEs may adhere to Islamic finance principles, which prohibit certain financial practices such as interest-based transactions (riba) and speculative activities (gharar). Cultural and religious considerations influence risk assessment processes, prompting SMEs to align their risk management practices with Islamic ethical guidelines (Shalhoob & Hussainey, 2023).
2. **Regulatory Environment:** The regulatory environment in Saudi Arabia plays a significant role in shaping risk assessment practices for SMEs. Compliance with regulatory requirements and industry standards is essential for mitigating legal,

financial, and reputational risks associated with non-compliance (Shalhoob & Hussainey, 2023).

3. **Business Culture:** Cultural norms and business practices unique to Saudi Arabia influence risk assessment processes in SMEs. Factors such as hierarchical decision-making structures, relationship-oriented business networks (wasta), and the importance of trust and reputation impact how risks are perceived, assessed, and managed within SMEs (Shalhoob & Hussainey, 2023).
4. **Industry Dynamics:** The industry sector in which SMEs operate also affects risk assessment practices. SMEs in sectors such as finance, healthcare, and construction face industry-specific risks related to market volatility, regulatory changes, technological advancements, and competitive pressures (Al-Bassam et al., 2018).

In conclusion, effective risk identification and assessment are essential components of risk management in Saudi Arabian SMEs. By employing various techniques for identifying risks, utilizing assessment methodologies for evaluating risks, and considering cultural and contextual factors, SMEs can enhance their resilience, adaptability, and competitiveness in the dynamic business environment of Saudi Arabia.

(8). Implementation of Risk Mitigation Strategies:

In Saudi Arabian Small and Medium Enterprises (SMEs), the effective implementation of risk mitigation strategies is crucial for safeguarding business continuity and enhancing resilience. This section explores the strategies employed by SMEs to mitigate risks, the integration of risk management into day-to-day operations, and resource allocation for risk mitigation activities.

Strategies for Mitigating Risks in Saudi Arabian SMEs:

1. **Diversification of Revenue Streams:** SMEs in Saudi Arabia often diversify their revenue streams to reduce reliance on a single source of income, thereby mitigating the impact of market volatility, economic downturns, or sector-specific risks (Shalhoob & Hussainey, 2023).
2. **Insurance Coverage:** SMEs may purchase insurance policies to transfer certain risks, such as property damage, liability claims, or business interruption, to insurance

providers. Insurance coverage helps SMEs mitigate financial losses associated with unforeseen events or disasters (Rain & Khawaja, 2023).

3. **Contractual Risk Management:** SMEs mitigate risks associated with contractual agreements by carefully reviewing and negotiating contract terms and conditions, including indemnification clauses, liability limitations, and dispute resolution mechanisms (Rain & Khawaja, 2023).
4. **Operational Controls and Process Improvements:** Implementing robust operational controls and process improvements helps SMEs identify and address operational risks, enhance efficiency, and minimize errors, delays, and inefficiencies in business operations (Oladapo et al., 2023).
5. **Technology Adoption:** Embracing technology solutions such as cybersecurity measures, data encryption, and cloud-based backups enables SMEs to mitigate risks related to data breaches, cyber-attacks, and information security threats (Oladapo et al., 2023).

Integration of Risk Management into Day-to-Day Operations:

1. **Risk Awareness Training:** SMEs provide risk awareness training to employees at all levels of the organization to increase their understanding of potential risks, their impact on business operations, and their role in identifying and reporting risks (Alsaleem & Husin, 2024).
2. **Risk Management Policies and Procedures:** SMEs develop and implement risk management policies and procedures that outline the responsibilities, processes, and controls for identifying, assessing, prioritizing, and mitigating risks across various business functions (Alsaleem & Husin, 2024).
3. **Risk Monitoring and Reporting Mechanisms:** SMEs establish robust risk monitoring and reporting mechanisms to track and evaluate risks in real-time, enabling timely intervention and corrective actions to mitigate emerging risks (Shalhoob & Hussainey, 2023).
4. **Cross-Functional Collaboration:** SMEs foster cross-functional collaboration and communication among different departments and teams to facilitate the sharing of risk-related information, insights, and best practices, promoting a holistic approach to risk management (Ozcelik & Ercek, 2023).

Resource Allocation for Risk Mitigation Activities:

1. **Budgetary Allocation:** SMEs allocate financial resources in their annual budgets to fund risk mitigation activities, including investments in risk management tools, technologies, training programs, and insurance premiums (Ozcelik & Ercek, 2023).
2. **Human Capital Investment:** SMEs invest in building internal capabilities and expertise in risk management by hiring qualified professionals, establishing dedicated risk management teams, or outsourcing risk advisory services to external consultants (Al-Bassam et al., 2018).
3. **Technology Investments:** SMEs allocate resources for investing in technology solutions and infrastructure upgrades to enhance their risk management capabilities, such as implementing enterprise risk management (ERM) software or upgrading cybersecurity systems (Taufiq, 2023).
4. **Contingency Planning:** SMEs set aside contingency funds or establish contingency reserves to cover unexpected costs or losses resulting from identified risks, ensuring financial preparedness and resilience in the face of uncertainty (Taufiq, 2023).

In conclusion, the successful implementation of risk mitigation strategies in Saudi Arabian SMEs requires a proactive and integrated approach that encompasses diversification of revenue streams, insurance coverage, contractual risk management, operational controls, technology adoption, risk awareness training, robust policies and procedures, cross-functional collaboration, and strategic resource allocation. By embedding risk management into day-to-day operations and allocating resources effectively, SMEs can enhance their ability to identify, assess, prioritize, and mitigate risks, thereby safeguarding their business continuity and fostering long-term growth and sustainability.

(9). Technology Adoption and Risk Management:

In the realm of risk management, technology plays a pivotal role in enhancing practices, offering sophisticated tools for assessment, monitoring, and mitigation. This section explores the significance of technology in risk management, the adoption of digital tools, and the associated challenges and opportunities.

Role of Technology in Enhancing Risk Management Practices:

1. **Data Analytics and Predictive Modeling:** Technology enables SMEs to analyze vast amounts of data to identify trends, patterns, and correlations that can inform risk

assessment and prediction. Predictive modeling techniques leverage historical data to forecast future risks and potential impacts, empowering SMEs to proactively mitigate threats (Wen et al., 2023).

2. **Automation of Risk Assessment Processes:** Technology facilitates the automation of risk assessment processes, streamlining workflows, reducing manual errors, and improving the accuracy and efficiency of risk identification and evaluation. Automated risk scoring and prioritization enable SMEs to focus their resources on mitigating high-impact risks (Oladapo et al., 2023).
3. **Real-time Monitoring and Alerts:** Digital tools provide real-time monitoring capabilities, allowing SMEs to track key risk indicators, detect anomalies, and receive alerts or notifications of potential risk events. This proactive approach enables timely intervention and response to emerging risks, minimizing their impact on business operations (Wieczorek-Kosmala & Henschel, 2022).
4. **Scenario Analysis and Stress Testing:** Technology enables SMEs to conduct scenario analysis and stress testing simulations to assess the resilience of their business models and strategies under different risk scenarios. By exploring various hypothetical scenarios, SMEs can identify vulnerabilities and develop contingency plans to mitigate potential risks (Xu, 2023).

Adoption of Digital Tools for Risk Assessment and Monitoring:

1. **Risk Management Software:** SMEs leverage dedicated risk management software platforms that offer comprehensive features for risk identification, assessment, mitigation, and reporting. These software solutions provide customizable risk registers, heat maps, dashboards, and reporting functionalities to facilitate informed decision-making (Xu, 2023).
2. **Cybersecurity Solutions:** With the increasing prevalence of cyber threats, SMEs invest in cybersecurity solutions such as firewalls, intrusion detection systems, antivirus software, and encryption tools to protect their digital assets and sensitive information from unauthorized access, data breaches, and cyber-attacks (Alimoradi & Ahmad, 2019).
3. **Cloud-based Risk Management Platforms:** Cloud-based risk management platforms offer scalability, flexibility, and accessibility, allowing SMEs to access risk management tools and data analytics capabilities remotely from any device with

internet connectivity. Cloud platforms also provide secure data storage, backup, and disaster recovery options (Alimoradi & Ahmad, 2019).

4. **Internet of Things (IoT) Devices:** SMEs deploy IoT devices equipped with sensors and actuators to monitor physical assets, facilities, and environmental conditions in real-time. IoT-enabled risk management solutions enable proactive maintenance, predictive maintenance, and early detection of equipment failures or safety hazards (Alvi et al., 2019).

Challenges and Opportunities in Leveraging Technology for Risk Management:

1. **Cost and Resource Constraints:** SMEs may face challenges in terms of the initial investment, ongoing maintenance costs, and resource allocation required for adopting and implementing technology-driven risk management solutions. However, advancements in technology have led to the availability of affordable and scalable solutions tailored to the needs of SMEs (Rashid et al., 2018).
2. **Data Privacy and Security Concerns:** The increasing reliance on digital technologies raises concerns about data privacy, security, and compliance with regulatory requirements such as the General Data Protection Regulation (GDPR). SMEs must implement robust data protection measures and ensure the confidentiality, integrity, and availability of sensitive information (Rashid et al., 2018).
3. **Integration and Interoperability:** Integrating disparate systems and ensuring interoperability between different digital tools and platforms can be challenging for SMEs. Seamless integration enables data sharing, workflow automation, and cross-functional collaboration, enhancing the effectiveness and efficiency of risk management processes (Bamahros et al., 2022).
4. **Skills and Training Needs:** SMEs may encounter skill gaps and training needs related to the adoption and utilization of technology-driven risk management solutions. Investing in employee training and development programs ensures that staff members possess the necessary competencies to effectively leverage digital tools and extract actionable insights from data analytics (Bamahros et al., 2022).

In conclusion, technology adoption offers significant opportunities for SMEs to enhance risk management practices, improve decision-making, and mitigate potential threats. By leveraging digital tools for risk assessment, monitoring, and mitigation, SMEs can gain actionable insights, improve operational resilience, and safeguard their long-term

sustainability in an increasingly complex and dynamic business environment. However, addressing challenges related to cost constraints, data privacy, integration, and skills development is essential to maximize the benefits of technology-enabled risk management initiatives.

(10). Corporate Governance and Risk Management Linkages:

Corporate governance and risk management are closely intertwined, with governance structures playing a crucial role in shaping the effectiveness of risk identification, assessment, and mitigation processes within organizations. This section explores the theoretical foundations of the relationship between corporate governance and risk management, as well as models and frameworks that explain how governance structures influence risk management outcomes.

Theoretical Perspectives on the Role of Governance in Risk Management:

Various theoretical perspectives shed light on the role of corporate governance in risk management within SMEs:

1. **Agency Theory:** Agency theory posits that conflicts of interest may arise between shareholders (principals) and managers (agents) due to divergent goals and incentives. Effective governance mechanisms, such as board oversight and incentive alignment, mitigate agency problems by ensuring that managers act in the best interests of shareholders and stakeholders (Jallali & Zoghalmi, 2022).
2. **Stewardship Theory:** Stewardship theory suggests that managers are inherently motivated to act in the best interests of shareholders and stakeholders, viewing their role as stewards entrusted with the company's resources. In this view, governance mechanisms focus on empowering and incentivizing managers to exercise responsible stewardship over the firm's assets and operations (Jallali & Zoghalmi, 2022).
3. **Resource Dependence Theory:** Resource dependence theory highlights the interdependence between organizations and their external environment, including stakeholders, suppliers, customers, and regulators. Effective governance structures enable SMEs to manage dependencies and mitigate risks by establishing transparent relationships, diversifying resources, and adapting to changing market conditions (Wieczorek-Kosmala & Henschel, 2022).

4. **Contingency Theory:** Contingency theory posits that governance structures should be contingent upon the specific characteristics and needs of the organization, including its size, industry, ownership structure, and external environment. In the context of SMEs, contingency-based governance approaches emphasize flexibility, adaptability, and alignment with the firm's strategic objectives and competitive dynamics (Wieczorek-Kosmala & Henschel, 2022).

These theoretical perspectives provide a framework for understanding how governance mechanisms influence risk management practices within SMEs, guiding empirical research and practical interventions aimed at enhancing governance effectiveness and resilience in small business contexts (Wieczorek-Kosmala & Henschel, 2022).

Theoretical Foundations of the Relationship between Corporate Governance and Risk Management:

The relationship between corporate governance and risk management is underpinned by several theoretical foundations that provide insights into the mechanisms through which governance structures influence risk management practices within organizations (Temitope & Sorunke, 2023).

Alignment of Interests: One theoretical foundation emphasizes the alignment of interests between stakeholders and management. Effective governance mechanisms, such as board oversight and executive compensation, are designed to align the interests of managers with those of shareholders, reducing agency costs and enhancing risk management effectiveness (Naibaho & Mayayogini, 2023).

Stewardship and Responsibility: Another theoretical foundation revolves around stewardship theory, which posits that managers act as stewards of the organization's resources. In this view, governance structures empower managers to exercise responsible stewardship over the firm's assets and operations, leading to more effective risk management practices (Gulzar et al., 2021).

Resource Dependency and Adaptation: Resource dependence theory highlights the interdependence between organizations and their external environment. Governance structures enable organizations to manage dependencies, mitigate risks, and capitalize on

opportunities by establishing transparent relationships with stakeholders, diversifying resources, and adapting to changing market conditions (Alvi et al., 2019).

Contingency and Adaptability: Contingency theory suggests that governance structures should be contingent upon the specific characteristics and needs of the organization. Flexible governance frameworks that align with the firm's strategic objectives and competitive dynamics enhance risk management resilience and effectiveness by adapting to evolving circumstances (Malik, 2023).

Organizational Culture and Ethical Frameworks: Theoretical foundations also include considerations of organizational culture and ethical frameworks. Strong governance cultures that prioritize integrity, transparency, and accountability foster risk-aware environments where employees are more likely to identify, report, and address risks in a timely manner (Yuwono & Ellitan, 2024).

By drawing on these theoretical foundations, organizations can develop governance structures that promote effective risk management practices, ultimately enhancing their resilience, sustainability, and long-term success.

Models and Frameworks Explaining How Governance Structures Influence Risk Management:

Several models and frameworks elucidate how governance structures influence risk identification, assessment, and mitigation processes:

1. **Three Lines of Defense Model:** The Three Lines of Defense model delineates the roles and responsibilities of different functions within an organization in managing risks. The first line consists of operational managers responsible for identifying and managing risks in day-to-day operations. The second line comprises risk management and compliance functions that oversee and coordinate risk management activities. The third line consists of internal audit functions that provide independent assurance and validation of risk management processes, ensuring compliance with policies and regulations (Villanueva et al., 2022; Alimoradi & Ahmad, 2019).
2. **COSO ERM Framework:** The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) framework

provides a comprehensive approach to managing risks across the organization. It encompasses eight interrelated components: internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring. Effective governance structures facilitate the implementation of the COSO ERM framework by providing clear roles and responsibilities, promoting accountability, and fostering a risk-aware culture (Yuwono & Ellitan, 2024).

3. **ISO 31000 Risk Management Standard:** The ISO 31000 Risk Management Standard offers principles, framework, and process guidelines for managing risks effectively. It emphasizes the importance of leadership, commitment, and governance in driving risk management practices. Governance structures that promote transparency, accountability, and stakeholder engagement facilitate the adoption and implementation of ISO 31000, enhancing risk management capabilities and outcomes (Villanueva et al., 2022).
4. **Corporate Governance Codes and Guidelines:** Many countries have established corporate governance codes and guidelines to promote transparency, accountability, and ethical conduct in organizations. These codes often include principles and recommendations related to risk management oversight, board composition, risk disclosure, and internal controls. Governance structures that adhere to these codes demonstrate a commitment to sound risk management practices, enhancing investor confidence and organizational resilience (Paudel, 2023).

In summary, the theoretical foundations of the relationship between corporate governance and risk management underscore the importance of effective governance structures in driving risk management practices within organizations. Models and frameworks such as the Three Lines of Defense model, COSO ERM framework, ISO 31000 Risk Management Standard, and corporate governance codes provide practical guidance for aligning governance mechanisms with risk management objectives, ultimately enhancing organizational resilience and performance.

(11). Risk Management Effectiveness:

This section delves into the intricate theoretical foundations of effective risk management and examines various models that assess the factors contributing to successful risk management outcomes.

Theoretical Foundations of Effective Risk Management:

Effective risk management is underpinned by a multitude of theoretical frameworks, each offering unique insights into the complex nature of risk and its management. Among these, Prospect Theory sheds light on how individuals perceive and respond to risks, emphasizing the role of cognitive biases and heuristics in decision-making under uncertainty. Prospect Theory suggests that individuals exhibit risk aversion when faced with gains but demonstrate risk-seeking behavior when confronting losses, thereby influencing their risk management strategies (Alimoradi & Ahmad, 2019).

Additionally, Complexity Theory offers a nuanced perspective on risk management, recognizing that organizations operate within dynamic, interconnected systems characterized by non-linear interactions and emergent properties. Complexity Theory highlights the importance of adaptability, resilience, and learning in navigating complex risk landscapes, urging organizations to embrace uncertainty and ambiguity as inherent features of modern business environments. By fostering a culture of experimentation, innovation, and agility, SMEs can enhance their capacity to anticipate, respond to, and capitalize on emerging risks and opportunities (Taufiq, 2023).

Models Assessing Factors Contributing to Successful Risk Management Outcomes:

Various models and frameworks have been developed to assess the factors contributing to successful risk management outcomes, offering practical guidance to organizations seeking to enhance their risk management effectiveness (Wen et al., 2023). The Bayesian Network model, for instance, leverages probabilistic reasoning to analyze complex risk scenarios, integrating quantitative data, expert judgments, and causal relationships to generate probabilistic forecasts and evaluate risk mitigation strategies. This model enables organizations to identify high-impact risks, prioritize risk responses, and optimize resource allocation, thereby enhancing their overall risk management capabilities (Temitope & Sorunke, 2023).

Moreover, the Bowtie Risk Management model provides a visual representation of risk scenarios, depicting the relationships between hazards, threats, controls, and consequences (Temitope & Sorunke, 2023). By mapping out the causal pathways and barriers that influence risk outcomes, the Bowtie model facilitates proactive risk identification, scenario analysis,

and contingency planning, empowering organizations to prevent, mitigate, and recover from adverse events effectively. This model encourages collaborative risk management efforts, fostering communication, coordination, and accountability across organizational boundaries (Naibaho & Mayayogini, 2023).

In conclusion, effective risk management is deeply rooted in theoretical foundations such as Prospect Theory and Complexity Theory, which offer valuable insights into human behavior and organizational dynamics in the face of uncertainty. Models such as the Bayesian Network and Bowtie Risk Management provide practical tools and techniques for analyzing risks, prioritizing actions, and enhancing resilience. By embracing a multi-disciplinary approach to risk management and leveraging innovative models and frameworks, SMEs can navigate today's complex risk landscape with confidence and agility, driving sustainable growth and value creation.

(12). Challenges Faced by SMEs in Governance and Risk Management:

Small and Medium Enterprises (SMEs) encounter a myriad of challenges in navigating the realms of governance and risk management, stemming from their unique characteristics and operational contexts. This section explores the theoretical perspectives on the challenges faced by SMEs and frameworks for understanding resource constraints and their impact on governance and risk management.

Theoretical Perspectives on Unique Challenges Encountered by SMEs:

SMEs operate in dynamic and often volatile environments characterized by limited resources, constrained access to capital, and a high degree of uncertainty. From a theoretical standpoint, Transaction Cost Economics (TCE) sheds light on the challenges SMEs face in governance and risk management by emphasizing the role of transaction costs associated with contracting and coordination (Naibaho & Mayayogini, 2023). TCE suggests that SMEs, due to their size and resource constraints, may struggle to establish formal governance structures and mechanisms, leading to higher transaction costs and inefficiencies in risk management processes (Jallali & Zoghلامي, 2022).

Additionally, Agency Theory offers insights into the principal-agent relationship inherent in SMEs, where owners delegate decision-making authority to managers (Jallali & Zoghلامي,

2022). In SMEs, the overlapping roles of owners and managers can blur accountability lines and create agency conflicts, impacting governance effectiveness and risk management outcomes. The principal-agent dilemma highlights the challenges SMEs face in aligning incentives, monitoring performance, and mitigating agency costs, thereby underscoring the importance of clear governance mechanisms and accountability frameworks (Gulzar et al., 2021).

Frameworks for Understanding Resource Constraints and Their Impact on Governance and Risk Management:

Resource constraints represent a significant challenge for SMEs in governance and risk management, limiting their capacity to invest in robust governance structures, risk assessment tools, and compliance mechanisms (Taufiq, 2023). From a theoretical perspective, Resource Dependence Theory (RDT) offers insights into how SMEs rely on external resources and relationships to overcome resource constraints and address governance and risk management challenges. RDT emphasizes the strategic importance of resource acquisition, diversification, and dependency reduction in enhancing SMEs' resilience and sustainability (Ozcelik & Ercek, 2023).

Moreover, Institutional Theory highlights the impact of regulatory pressures and institutional environments on SMEs' governance and risk management practices. In environments where regulatory frameworks are stringent and compliance costs are high, SMEs may face increased barriers to implementing effective governance and risk management mechanisms. Institutional pressures, including normative, coercive, and mimetic forces, shape SMEs' behaviors and decisions, influencing their approach to governance practices, risk disclosures, and stakeholder engagement strategies (Paudel, 2023).

In conclusion, SMEs grapple with a multitude of challenges in governance and risk management, rooted in their unique characteristics, operational contexts, and resource constraints. Theoretical perspectives such as Transaction Cost Economics and Agency Theory offer insights into the challenges SMEs face in establishing effective governance mechanisms and managing agency conflicts (Alsaleem & Husin, 2024). Frameworks like Resource Dependence Theory and Institutional Theory provide a lens through which to understand the impact of resource constraints and institutional pressures on SMEs' governance and risk management practices. By recognizing and addressing these challenges

through strategic planning, resource allocation, and stakeholder engagement, SMEs can enhance their governance effectiveness and mitigate risks, fostering long-term success and sustainability (Nuñez et al., 2023).

(13). Dynamic Nature of Governance Policies:

Governance policies, while intended to provide stability and structure within organizations, must also adapt to the ever-changing landscape of business environments. This section delves into the theoretical exploration of the evolution of governance policies over time and models illustrating the adaptability of governance frameworks in response to changing business environments.

Theoretical Exploration of the Evolution of Governance Policies Over Time:

The evolution of governance policies can be understood through the lens of Institutional Theory, which posits that organizations are influenced by the broader institutional environment in which they operate. According to Institutional Theory, governance policies evolve in response to changes in societal norms, regulatory frameworks, and stakeholder expectations. Over time, as societal values and norms shift, organizations are compelled to update their governance policies to align with emerging standards and expectations (Yuwono & Ellitan, 2024).

Moreover, Resource Dependence Theory offers insights into the role of external dependencies in shaping governance policies. Organizations rely on external resources, including capital, technology, and expertise, to operate effectively. As the availability and nature of these resources change over time, organizations must adjust their governance policies to manage dependencies and ensure continued access to critical resources (Malik, 2023).

Models Illustrating the Adaptability of Governance Frameworks:

One model illustrating the adaptability of governance frameworks is the Contingency Theory, which suggests that governance structures and practices should be contingent upon organizational context and environmental conditions. In dynamic business environments characterized by rapid technological advancements, globalization, and regulatory changes, organizations must adopt flexible governance frameworks that can adapt to shifting

circumstances. The Contingency Theory emphasizes the importance of aligning governance policies with organizational goals, external threats, and internal capabilities to achieve optimal performance (Xu, 2023).

Another model is the Adaptive Governance Model, which recognizes that governance frameworks must evolve in response to internal and external pressures. This model emphasizes the iterative nature of governance, where policies are continually reviewed, revised, and refined to address emerging challenges and opportunities. The Adaptive Governance Model encourages organizations to adopt a proactive approach to governance, anticipating changes in the business environment and adjusting policies accordingly to remain agile and resilient (Alimoradi & Ahmad, 2019).

Furthermore, the Stakeholder Theory highlights the importance of stakeholder engagement in shaping governance policies. In dynamic business environments, stakeholders play a significant role in influencing organizational decisions and policies. By actively involving stakeholders in the governance process, organizations can leverage diverse perspectives, build trust, and enhance legitimacy. The Stakeholder Theory underscores the need for governance policies that balance the interests of various stakeholders and adapt to changing stakeholder dynamics over time (Alvi et al., 2019).

In conclusion, the dynamic nature of governance policies requires organizations to adopt theoretical frameworks and models that facilitate adaptation and flexibility. Theoretical explorations, such as those offered by Institutional Theory and Resource Dependence Theory, provide insights into the evolution of governance policies over time. Models like the Contingency Theory, Adaptive Governance Model, and Stakeholder Theory offer practical guidance on how organizations can develop governance frameworks that are responsive to changing business environments and stakeholder expectations. By embracing adaptability and flexibility in governance, organizations can effectively navigate uncertainty and sustain long-term success.

(14). Globalization and Governance:

Globalization has reshaped the business landscape, introducing new opportunities and challenges for organizations of all sizes. This section explores theoretical insights into the

implications of globalization on governance structures and models explaining how Small and Medium Enterprises (SMEs) can align with global governance standards.

Theoretical Insights into the Implications of Globalization on Governance Structures:

Globalization has profound implications for governance structures, as organizations expand their operations across borders and navigate diverse regulatory environments. One theoretical perspective is the Convergence Theory, which posits that globalization leads to the harmonization of governance practices across countries (Temitope & Sorunke, 2023). As companies operate in multiple jurisdictions, they are increasingly compelled to adopt standardized governance frameworks to comply with international norms and regulations. This convergence of governance practices facilitates cross-border operations and enhances transparency and accountability (Naibaho & Mayayogini, 2023).

However, the Divergence Theory offers a contrasting view, suggesting that globalization exacerbates differences in governance structures among countries. While some aspects of governance may converge globally, local variations in legal systems, cultural norms, and business practices persist. As SMEs expand into foreign markets, they must navigate these divergent governance landscapes and tailor their governance policies to local contexts. This requires a nuanced understanding of regional regulations, cultural sensitivities, and stakeholder expectations (Jallali & Zoghلامي, 2022).

Models Explaining How SMEs Can Align with Global Governance Standards:

To align with global governance standards, SMEs can leverage various models and frameworks that provide practical guidance on adopting best practices. One such model is the Global Reporting Initiative (GRI), which offers a comprehensive framework for sustainability reporting. By following GRI guidelines, SMEs can enhance transparency, accountability, and stakeholder engagement, aligning with global expectations for corporate governance (Nguyen & Dang, 2022).

Another model is the ISO 26000 standard, which provides guidance on social responsibility and ethical behavior. By implementing ISO 26000 principles, SMEs can demonstrate their commitment to responsible governance practices, including respect for human rights, labor rights, environmental sustainability, and anti-corruption measures. ISO 26000 certification

signals to stakeholders that the organization adheres to international standards of corporate governance and social responsibility (Villanueva et al., 2022).

Furthermore, the United Nations Global Compact (UNGC) provides a platform for SMEs to align their operations with ten universally accepted principles in the areas of human rights, labor, environment, and anti-corruption. By becoming signatories to the UNGC, SMEs commit to upholding these principles and integrating them into their business strategies and operations. Participation in the UNGC demonstrates SMEs' dedication to ethical governance practices and contributes to a global network of responsible businesses (Malik, 2023; Taufiq, 2023).

Additionally, the Organization for Economic Co-operation and Development (OECD) Principles of Corporate Governance offer a set of internationally recognized standards for corporate governance. SMEs can use these principles as a benchmark to assess and improve their governance structures, focusing on areas such as shareholder rights, board responsibilities, and transparency (Malik, 2023). Adhering to OECD principles enhances SMEs' credibility and trustworthiness in the global marketplace, facilitating access to capital, partnerships, and international markets (Wieczorek-Kosmala & Henschel, 2022).

In conclusion, globalization presents both challenges and opportunities for SMEs in terms of governance. Theoretical insights from Convergence Theory and Divergence Theory shed light on the complex interplay between global forces and local governance structures. Models like the GRI, ISO 26000, UNGC, and OECD Principles offer practical frameworks for SMEs to align with global governance standards, enhance transparency, and demonstrate their commitment to responsible business practices on the international stage. By embracing global governance standards, SMEs can navigate the complexities of the global marketplace, build trust with stakeholders, and contribute to sustainable development on a global scale.

(15). Future Trends and Implications:

As the landscape of governance policies and risk management continues to evolve, it is imperative to anticipate future trends and understand their implications for SMEs in Saudi Arabia. This section explores emerging trends, anticipated challenges and opportunities, and the implications for policymakers, business owners, and stakeholders.

Emerging Trends in Governance Policies and Risk Management for SMEs:

1. **Digital Transformation:** The ongoing digital transformation is expected to reshape governance policies and risk management practices for SMEs. Increased reliance on technology-driven solutions, such as artificial intelligence, blockchain, and big data analytics, will enable more proactive and data-driven approaches to risk management (Temitope & Sorunke, 2023).
2. **Sustainability and ESG Integration:** There is a growing emphasis on sustainability and environmental, social, and governance (ESG) factors in governance frameworks. SMEs are expected to integrate sustainability considerations into their risk management strategies, addressing environmental risks, social impacts, and corporate governance practices (Temitope & Sorunke, 2023).
3. **Regulatory Compliance and Reporting:** Regulatory requirements are becoming more stringent, requiring SMEs to enhance their compliance mechanisms and reporting frameworks. Automation tools and regulatory technology (RegTech) solutions will streamline compliance processes, ensuring adherence to evolving regulatory standards (Naibaho & Mayayogini, 2023).
4. **Supply Chain Resilience:** The COVID-19 pandemic has highlighted the importance of supply chain resilience. SMEs will focus on strengthening their supply chain risk management strategies, diversifying suppliers, and adopting agile supply chain practices to mitigate disruptions and ensure business continuity (Jallali & Zoghalmi, 2022).

Anticipated Challenges and Opportunities in the Saudi Arabian Business Landscape:

1. **Economic Diversification:** Saudi Arabia's Vision 2030 initiative aims to diversify the economy away from oil dependence and promote entrepreneurship and innovation. SMEs will play a crucial role in driving economic diversification, but they may face challenges related to access to finance, regulatory barriers, and market competition (Oladapo et al., 2023).
2. **Technological Advancements:** Rapid technological advancements present both challenges and opportunities for SMEs. While technology adoption can enhance productivity and competitiveness, SMEs may struggle with digital transformation due to limited resources, skills shortages, and cybersecurity risks (Oladapo et al., 2023).

3. **Changing Consumer Preferences:** Evolving consumer preferences and behaviors will impact SMEs across various sectors. Businesses will need to adapt to changing market dynamics, embrace digital marketing strategies, and innovate their product offerings to meet consumer demands effectively (Bamahros et al., 2022).
4. **Globalization and Trade Dynamics:** Globalization and international trade agreements present opportunities for SMEs to expand their market reach and access new customers. However, SMEs must navigate complexities such as trade barriers, geopolitical uncertainties, and currency fluctuations to succeed in global markets (Bamahros et al., 2022).

Implications for Policymakers, Business Owners, and Stakeholders:

1. **Policy Support:** Policymakers should prioritize policies that support SME growth, innovation, and resilience. This includes providing access to finance, streamlining regulatory processes, and fostering an enabling environment for entrepreneurship and SME development (Rain & Khawaja, 2023).
2. **Investment in Technology and Skills:** Business owners must invest in technology adoption and workforce upskilling to remain competitive in a digital economy. Embracing emerging technologies and cultivating a culture of continuous learning will be essential for driving innovation and staying ahead of the curve (Rain & Khawaja, 2023).
3. **Risk Management Prioritization:** Stakeholders need to prioritize risk management and resilience-building initiatives to navigate uncertainties effectively. This involves conducting regular risk assessments, developing robust contingency plans, and fostering a risk-aware culture across the organization (Shalhoob & Hussainey, 2023).
4. **Collaboration and Knowledge Sharing:** Collaboration among policymakers, industry associations, academia, and SMEs is crucial for addressing common challenges and seizing opportunities. Knowledge sharing platforms, networking events, and public-private partnerships can facilitate the exchange of best practices and innovative solutions (Shalhoob & Hussainey, 2023).

In conclusion, understanding future trends and their implications is essential for preparing SMEs in Saudi Arabia for the challenges and opportunities ahead. By embracing digital transformation, strengthening resilience, and fostering collaboration, SMEs can navigate uncertainties effectively and thrive in an ever-changing business landscape. Policymakers,

business owners, and stakeholders must work together to create an environment conducive to SME growth, innovation, and sustainability.

Chapter 3: Research Methodology

Introduction:

This research embraces a mixed research approach by harmonizing applied quantitative analysis with theoretical qualitative inquiry. The incorporation of both methodologies allows for a nuanced exploration of the intricate relationships between governance policies and risk management in Saudi Arabian SMEs. The applied quantitative component involves statistical analysis to quantitatively measure variables and test hypotheses. Simultaneously, the theoretical qualitative segment delves into the underlying mechanisms and contextual factors shaping these relationships. A descriptive analytical approach will guide the study, facilitating a comprehensive understanding of the research questions and substantiating the validity of the hypotheses. This combined approach ensures a well-rounded investigation, bridging the gap between quantitative precision and qualitative depth in the exploration of governance and risk management dynamics within the SME sector.

Research Design:

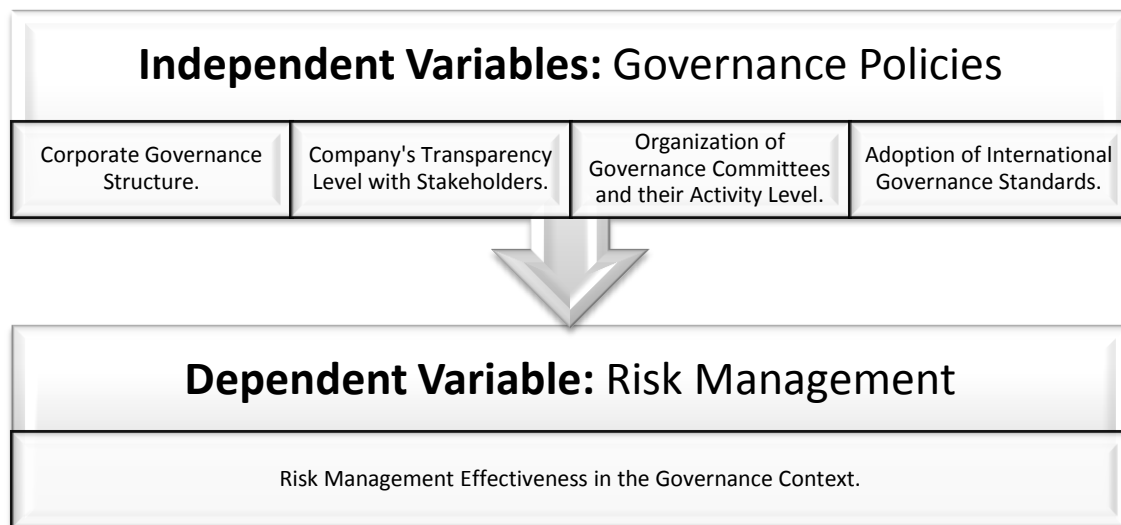


Figure.1 Research Variables Design

Population of the Study:

The study will focus on administrators from various management tiers, including lower, middle, and senior levels, within small and medium-sized enterprises (SMEs) in the Kingdom of Saudi Arabia. This strategic selection of the study population ensures a holistic examination of perspectives across different organizational hierarchies. By engaging

administrators from these diverse management levels, the research aims to capture nuanced insights into how governance policies influence risk management practices within the dynamic landscape of Saudi Arabian SMEs. This comprehensive approach acknowledges the multifaceted nature of decision-making processes and organizational dynamics, enriching the study with a range of experiences and perspectives from individuals actively involved in the implementation and oversight of governance policies within SMEs.

Sample Characteristics:

The sample selection for this research will adhere to a random sampling approach, ensuring an unbiased representation of society. The goal is to mirror the demographics of the broader population, selecting participants without subjective biases. The sample will meticulously account for the distinctions between small and medium-sized enterprises (SMEs) to capture the diverse dynamics of these entities within the Saudi Arabian business landscape. Moreover, the selection process will consider the variation in administrative levels, aiming for a balanced representation from lower, middle, and senior management tiers.

This approach ensures a directed and precise selection methodology, resulting in a highly representative sample that accurately reflects the characteristics of the target population. By prioritizing randomness and inclusivity, the selected sample will offer valuable insights into the relationships between governance policies and risk management across different business sizes and administrative levels in the context of Saudi Arabian SMEs.

Sample Size Determination:

In this research, a systematic sampling approach is employed to ensure a comprehensive understanding of governance policies and risk management within Small and Medium Enterprises (SMEs) in Saudi Arabia. A random sample will be equally selected from all administrative levels across five small companies and five medium-sized companies, totaling ten companies. This strategy is designed to capture a representative cross-section of the SME sector, considering the diversity of operational scales and complexities.

Within each company, representatives will be chosen from three administrative levels—lower, middle, and senior management. Four individuals will be selected from each administrative level, resulting in a total of 12 participants from each company. This sampling

methodology ensures an inclusive representation across the organizational hierarchy, offering insights into how governance policies influence risk management practices at different levels of decision-making. The resulting sample of 120 individuals provides a robust dataset that allows for a nuanced analysis of the relationships between governance structures and risk management effectiveness in the unique context of Saudi Arabian SMEs.

Data Collection Procedures:

Data for this research will be systematically collected through a specially designed questionnaire tailored for administrators and leaders in small and medium-sized enterprises (SMEs) in Saudi Arabia. The questionnaire is meticulously structured to encompass the four independent variables and one dependent variable identified in the study. Each variable and its dimensions will be comprehensively represented, ensuring a thorough examination of governance policies and risk management effectiveness. The questionnaire will consist of 25 questions, with five questions dedicated to each variable.

Additionally, the questionnaire will incorporate a consent section outlining research information. Participants will be assured of the confidentiality of their data, the voluntary nature of their participation, and the contribution of their responses to scientific research. They will be informed of their right to withdraw at any stage. Clear details about the duration of participation and communication methods for additional information will be provided, ensuring transparency and ethical conduct throughout the data collection process.

Method of Analysis:

The data analysis for this research will be conducted utilizing SPSS version 26. To discern the direction of public opinion, a five-point Likert scale will be employed in the questionnaire. This scale enables the calculation of averages, standard deviations, and variances of participants' responses, offering insights into the consensus and variability of opinions. By comparing the obtained values with a standard table for the five-point Likert scale, the direction and intensity of participants' opinions can be ascertained, providing a nuanced understanding of the research variables.

Furthermore, the study will involve analyzing the Pearson correlation coefficient between independent and dependent variables. This statistical measure will elucidate the strength and

direction of associations between variables, revealing the extent of influence that governance policies have on risk management effectiveness. Each variable will be quantified by deriving the arithmetic average of the answers to the five questions associated with it. These quantitative values will serve as a reliable representation of participants' opinions, facilitating a comprehensive analysis of the interplay between governance policies and risk management within the surveyed SMEs.

Research Limitations:

❖ Temporal Limits:

The research is temporally bound by the year 2024, signifying that all data, analysis, and conclusions are derived from information available up to this specified time frame. This temporal boundary ensures the study's relevance to the contemporary business environment in Saudi Arabia.

❖ Spatial Limits:

The spatial boundaries encompass the entirety of the Kingdom of Saudi Arabia, covering all regions and provinces. Specifically, the study focuses on small and medium-sized enterprises (SMEs) operating within the national boundaries. This spatial delineation ensures that the research findings are reflective of the diverse economic landscape present throughout the Kingdom.

❖ Human Boundaries:

The research is confined to leaders and managers across all administrative levels within SMEs. The human boundaries include individuals involved in decision-making processes, ranging from lower to middle and senior management tiers. This restriction ensures that the insights garnered are directly relevant to those actively engaged in governance and risk management within the targeted SMEs.

❖ Objective Limits:

The objective boundaries of the research are delineated by the dependent variable, "Risk Management Effectiveness in the Governance Context," and the four independent variables:

Corporate Governance Structure, Transparency Levels with Stakeholders, Organization of Governance Committees and their Activity Level, and Adoption of International Governance Standards. The study exclusively focuses on exploring the relationships, interactions, and influences among these defined variables, providing a clear and targeted investigation into the impact of governance policies on risk management within Saudi Arabian SMEs.

Chapter 4: Practical Study

Practical Study Analysis:

The survey was administered to 120 individuals across 5 small and 5 medium-sized companies in Saudi Arabia. Each company had 12 participants representing three administrative levels, with four participants from each level: upper, middle, and lower. After data cleaning and removal of incomplete responses due to participant withdrawal, a total of 94 valid questionnaires were obtained. The resulting analysis yielded the following outcomes:

First Step: Examining the trend of public opinion of survey participants:

To assess the direction of participants' public opinion, it's essential to present a standard five-point Likert scale table. The obtained results will then be compared against this table to ascertain the prevailing opinion for each variable.

Table.1 Standard table for a five-point Likert scale

Standard opinion direction of the five-point Likert scale	Opinion Direction
From 1 to 1.79	Strongly Disagree
From 1.80 to 2.59	Disagree
From 2.60 to 3.39	Neutral
From 3.40 to 4.19	Agree
From 4.20 to 5	Strongly Agree

(1) Analyzing public opinion trend for Corporate Governance Structure:

Analysis of the trend of public opinion for participants' answers related to the first set of questions, which are questions related to the first dimension of the independent variable: Corporate Governance Structure

Table.2 Analyze the trend of public opinion related to Corporate Governance Structure

Corporate Governance Structure										
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation	Variance	Opinion direction
The company has clearly defined roles and responsibilities for its board of directors.	Frequency	15	17	27	17	18	3.06	1.33	1.78	Neutral
	Percent	15.96	18.09	28.72	18.09	19.15				
There is a separation of	Frequency	20	21	12	17	24	3.04	1.52	2.30	Neutral

ownership and management in the company.	Percent	21.30	22.30	12.80	18.10	25.50				
The company has established mechanisms for internal control and risk management.	Frequency	14	27	22	13	18	2.94	1.34	1.80	Neutral
	Percent	14.89	28.72	23.40	13.83	19.15				
Board members possess relevant skills and expertise to oversee company operations effectively.	Frequency	9	17	13	24	31	3.54	1.37	1.86	Agree
	Percent	9.57	18.09	13.83	25.53	32.98				
The company regularly conducts board evaluations to assess its performance and effectiveness.	Frequency	14	11	19	19	31	3.45	1.43	2.06	Agree
	Percent	14.89	11.70	20.21	20.21	32.98				
Weighted Mean							3.21		Neutral	
Std. Deviation of Means							0.72			
Variance of Means							0.52			

Analysis of Individual Questions:

1. Clearly Defined Roles and Responsibilities for the Board of Directors:

- The mean score of 3.06 indicates a neutral opinion regarding the clarity of roles and responsibilities for the board of directors. While the majority of participants (28.72%) selected "Neutral," a significant portion (15.96%) chose "Strongly Disagree," indicating potential confusion or dissatisfaction with the existing arrangements. The standard deviation of 1.33 suggests moderate variability in responses, reflecting diverse opinions among participants.

2. Separation of Ownership and Management:

- Participants expressed a neutral stance (mean score: 3.04) regarding the separation of ownership and management within the company. While 25.50% of respondents selected "Strongly Agree," a notable proportion (21.30%) chose "Strongly Disagree," suggesting skepticism or disagreement with the perceived separation. The standard deviation of 1.52 indicates considerable variability in responses, reflecting diverse perspectives among participants.

3. Mechanisms for Internal Control and Risk Management:

- The mean score of 2.94 reflects a neutral opinion regarding the presence of mechanisms for internal control and risk management. While 23.40% of participants selected "Neutral," a considerable percentage (28.72%) chose "Disagree" or "Strongly Disagree," suggesting concerns or doubts about the effectiveness of existing mechanisms. The standard deviation of 1.34 indicates moderate variability in responses, reflecting diverse viewpoints among participants.

4. Skills and Expertise of Board Members:

- Participants generally agreed (mean score: 3.54) that board members possess relevant skills and expertise to oversee company operations effectively. A majority (32.98%) selected "Strongly Agree," indicating confidence in the abilities of the board. The standard deviation of 1.37 suggests moderate variability in responses, reflecting differing perceptions among participants.

5. Regular Board Evaluations:

- Participants expressed agreement (mean score: 3.45) with the company's practice of conducting regular board evaluations. While 32.98% of respondents chose "Strongly Agree," indicating support for the practice, a significant proportion (20.21%) selected "Neutral," suggesting some reservations or uncertainty. The standard deviation of 1.43 indicates moderate variability in responses, reflecting diverse opinions among participants.

Overall Analysis:

- The overall mean score for the entire table is 3.21, indicating a slightly neutral opinion regarding the corporate governance structure within the company. While certain aspects, such as the skills and expertise of board members, received favorable ratings, others, such as the clarity of roles and responsibilities and the presence of mechanisms for internal control, were perceived more neutrally. The variance of 0.52 suggests moderate variability in participant responses, reflecting diverse opinions among respondents. This indicates that while some aspects of corporate governance are viewed positively, others may require further attention or improvement to garner unanimous approval from stakeholders (Figure.2 in the Appendixes).

(2) Analyzing public opinion trend for Company's Transparency Level with Stakeholders:

Analysis of the trend of public opinion for participants' answers related to the second set of questions, which are questions related to the second dimension of the independent variable: Company's Transparency Level with Stakeholders.

Table.3 Analyze the trend of public opinion related to Company's Transparency Level with Stakeholders

Company's Transparency Level with Stakeholders										
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation	Variance	Opinion direction
The company provides comprehensive and timely financial reporting to shareholders.	Frequency	11	9	17	26	31	3.61	1.35	1.81	Agree
	Percent	11.70	9.57	18.09	27.66	32.98				
The company discloses information about its operations, performance, and risks to stakeholders.	Frequency	12	14	14	26	28	3.47	1.39	1.93	Agree
	Percent	12.77	14.89	14.89	27.66	29.79				
Stakeholders have access to information about executive compensation and incentive schemes.	Frequency	13	8	15	23	35	3.63	1.41	2.00	Agree
	Percent	13.83	8.51	15.96	24.47	37.23				
The company actively engages with stakeholders through various communication channels.	Frequency	9	17	16	22	30	3.50	1.36	1.84	Agree
	Percent	9.57	18.09	17.02	23.40	31.91				
Stakeholders perceive the company's transparency level positively and trust its disclosures.	Frequency	9	17	24	17	27	3.38	1.33	1.77	Neutral
	Percent	9.57	18.09	25.53	18.09	28.72				
Weighted Mean							3.52		Agree	
Std. Deviation of Means							0.60			
Variance of Means							0.36			

Analysis of Individual Questions:

1. Comprehensive and Timely Financial Reporting:

- The mean score of 3.61 indicates agreement among participants regarding the company's provision of comprehensive and timely financial reporting to shareholders. A majority of respondents (32.98%) selected "Strongly Agree," indicating high satisfaction with the company's reporting practices. The standard deviation of 1.35 suggests moderate variability in responses, reflecting some diversity in opinions among participants.

2. Disclosure of Operations, Performance, and Risks:

- Participants expressed agreement (mean score: 3.47) with the company's disclosure of information about its operations, performance, and risks to stakeholders. While 29.79% of respondents chose "Strongly Agree," indicating strong support for the disclosure practices, a notable proportion (12.77%) selected "Strongly Disagree," suggesting potential concerns or dissatisfaction. The standard deviation of 1.39 indicates moderate variability in responses, reflecting diverse viewpoints among participants.

3. Access to Executive Compensation Information:

- The mean score of 3.63 suggests agreement among participants regarding stakeholders' access to information about executive compensation and incentive schemes. A majority (37.23%) selected "Strongly Agree," indicating high satisfaction with the company's transparency in this aspect. The standard deviation of 1.41 indicates moderate variability in responses, reflecting differing opinions among participants.

4. Engagement with Stakeholders:

- Participants generally agreed (mean score: 3.50) that the company actively engages with stakeholders through various communication channels. While 31.91% of respondents chose "Strongly Agree," indicating strong support for the company's engagement efforts, a notable proportion (9.57%) selected "Strongly Disagree," suggesting potential room for improvement. The standard deviation of 1.36 indicates moderate variability in responses, reflecting diverse perspectives among participants.

5. Perception of Transparency and Trustworthiness:

- The mean score of 3.38 indicates a neutral opinion regarding stakeholders' perception of the company's transparency level and trust in its disclosures. While 28.72% of respondents selected "Strongly Agree," indicating a positive

perception, a significant proportion (18.09%) chose "Strongly Disagree," suggesting skepticism or lack of trust. The standard deviation of 1.33 suggests moderate variability in responses, reflecting diverse attitudes among participants.

Overall Analysis:

- The overall mean score for the entire table is 3.52, indicating agreement among participants regarding the company's transparency level with stakeholders. While certain aspects, such as financial reporting and access to executive compensation information, received favorable ratings, others, such as perception of transparency and trustworthiness, were perceived more neutrally. The variance of 0.36 suggests moderate variability in participant responses, reflecting diverse opinions among respondents. Overall, the results suggest a positive perception of the company's transparency practices, with some areas for potential enhancement to further build stakeholder trust and confidence (Figure.3 in the Appendixes).

(3) Analyzing public opinion trend for Organization of Governance Committees and their Activity Level:

Analysis of the trend of public opinion for participants' answers related to the third set of questions, which are questions related to the third dimension of the independent variable: Organization of Governance Committees and their Activity Level.

Table.4 Analyze the trend of public opinion related to Organization of Governance Committees and their Activity Level

Organization of Governance Committees and their Activity Level										
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation	Variance	Opinion direction
The company has established governance committees (e.g., audit committee, risk committee).	Frequency	17	20	14	23	20	3.10	1.43	2.04	Neutral
	Percent	18.09	21.28	14.89	24.47	21.28				
Governance committees meet regularly and have clear mandates and objectives.	Frequency	16	9	15	22	32	3.48	1.47	2.17	Agree
	Percent	17.02	9.57	15.96	23.40	34.04				
Governance committees	Frequency	11	17	17	22	27	3.39	1.38	1.90	False

include independent members with relevant expertise.	Percent	11.70	18.09	18.09	23.40	28.72				
Governance committees effectively oversee risk management processes and internal controls.	Frequency	17	14	17	20	26	3.26	1.47	2.15	Neutral
	Percent	18.09	14.89	18.09	21.28	27.66				
Governance committees actively engage with management and stakeholders to fulfill their responsibilities.	Frequency	13	8	14	31	28	3.56	1.36	1.86	Agree
	Percent	13.83	8.51	14.89	32.98	29.79				
Weighted Mean							3.36		Neutral	
Std. Deviation of Means							0.71			
Variance of Means							0.50			

Analysis of Individual Questions:

1. Establishment of Governance Committees:

- The mean score of 3.10 suggests a neutral opinion regarding the establishment of governance committees in the company. While 24.47% of respondents chose "Agree" and 21.28% selected "Strongly Agree," indicating some level of support, a significant proportion (18.09%) chose "Strongly Disagree," suggesting potential concerns or dissatisfaction. The standard deviation of 1.43 indicates moderate variability in responses, reflecting diverse opinions among participants.

2. Regular Meetings and Clear Mandates:

- Participants expressed agreement (mean score: 3.48) with the regularity of meetings and clarity of mandates and objectives of governance committees. A majority (34.04%) selected "Strongly Agree," indicating strong support for the effectiveness of governance committee meetings. The standard deviation of 1.47 suggests moderate variability in responses, reflecting diverse viewpoints among participants.

3. Inclusion of Independent Expertise:

- The mean score of 3.39 suggests a false perception regarding the inclusion of independent members with relevant expertise in governance committees. While 28.72% of respondents selected "Strongly Agree" or "Agree," indicating some level of agreement, a notable proportion (11.70%) chose

"Strongly Disagree," suggesting skepticism or disagreement. The standard deviation of 1.38 indicates moderate variability in responses, reflecting diverse attitudes among participants.

4. Effective Oversight of Risk Management:

- Participants expressed a neutral opinion (mean score: 3.26) regarding the effectiveness of governance committees in overseeing risk management processes and internal controls. While 27.66% of respondents selected "Strongly Agree" or "Agree," indicating some level of agreement, a significant proportion (18.09%) chose "Strongly Disagree," suggesting potential concerns. The standard deviation of 1.47 indicates moderate variability in responses, reflecting diverse perspectives among participants.

5. Active Engagement with Management and Stakeholders:

- Participants generally agreed (mean score: 3.56) that governance committees actively engage with management and stakeholders to fulfill their responsibilities. While 32.98% of respondents chose "Strongly Agree," indicating strong support for committee engagement, a smaller proportion (13.83%) chose "Strongly Disagree." The standard deviation of 1.36 suggests moderate variability in responses, reflecting diverse opinions among participants.

Overall Analysis:

- The overall mean score for the entire table is 3.36, indicating a neutral opinion regarding the organization and activity level of governance committees. While certain aspects, such as regular meetings and engagement with management and stakeholders, received favorable ratings, others, such as the inclusion of independent expertise and effectiveness in risk oversight, were perceived more neutrally. The variance of 0.50 suggests moderate variability in participant responses, reflecting diverse opinions about governance committee practices. Overall, the results suggest a mixed perception of the effectiveness and functioning of governance committees, with potential areas for improvement to enhance their role in organizational governance and risk management (Figure.4 in the Appendixes).

(4) Analyzing public opinion trend for Adoption of International Governance Standards:

Analysis of the trend of public opinion for participants' answers related to the fourth set of questions, which are questions related to the fourth dimension of the independent variable:

Adoption of International Governance Standards.

Table.5 Analyze the trend of public opinion related to Adoption of International Governance Standards

Adoption of International Governance Standards										
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation	Variance	Opinion direction
The company aligns its governance practices with international best practices and standards.	Frequency	8	14	21	24	27	3.51	1.28	1.65	Agree
	Percent	8.51	14.89	22.34	25.53	28.72				
The company benchmarks its governance policies against global standards and guidelines.	Frequency	11	14	17	20	32	3.51	1.40	1.95	Agree
	Percent	11.70	14.89	18.09	21.28	34.04				
International governance standards influence the company's decision-making and practices.	Frequency	10	10	11	24	39	3.77	1.37	1.88	Agree
	Percent	10.64	10.64	11.70	25.53	41.49				
The company invests resources in implementing and complying with international governance standards.	Frequency	3	11	19	22	39	3.88	1.17	1.37	Agree
	Percent	3.19	11.70	20.21	23.40	41.49				
Stakeholders perceive the company as being committed to adopting and adhering to international governance standards.	Frequency	5	12	15	33	29	3.73	1.18	1.40	Agree
	Percent	5.32	12.77	15.96	35.11	30.85				
Weighted Mean							3.68			Agree
Std. Deviation of Means							0.64			
Variance of Means							0.41			

Analysis of Individual Questions:

1. Alignment with International Governance Practices:

- Participants generally agreed (mean score: 3.51) that the company aligns its governance practices with international best practices and standards. A significant proportion (28.72%) chose "Strongly Agree," indicating strong support for the alignment with global standards. The standard deviation of 1.28 suggests moderate variability in responses, reflecting diverse opinions among participants.

2. Benchmarking Governance Policies Against Global Standards:

- Similar to the previous question, participants expressed agreement (mean score: 3.51) that the company benchmarks its governance policies against global standards and guidelines. While 34.04% of respondents selected "Strongly Agree," indicating strong support for benchmarking, a smaller proportion (11.70%) chose "Strongly Disagree." The standard deviation of 1.40 indicates moderate variability in responses, reflecting diverse viewpoints among participants.

3. Influence of International Governance Standards on Decision-Making:

- Participants overwhelmingly agreed (mean score: 3.77) that international governance standards influence the company's decision-making and practices. A significant majority (41.49%) selected "Strongly Agree," indicating strong support for the influence of global standards on decision-making. The standard deviation of 1.37 suggests moderate variability in responses, reflecting diverse attitudes among participants.

4. Investment in Implementing and Complying with Standards:

- The mean score of 3.88 indicates agreement among participants that the company invests resources in implementing and complying with international governance standards. While 41.49% of respondents selected "Strongly Agree," indicating strong support for investment, a smaller proportion (3.19%) chose "Strongly Disagree." The standard deviation of 1.17 suggests relatively low variability in responses, indicating a more consistent opinion among participants.

5. Perception of Commitment to Adopting Standards:

- Participants generally agreed (mean score: 3.73) that stakeholders perceive the company as committed to adopting and adhering to international governance standards. While 35.11% of respondents chose "Strongly Agree," indicating strong support for the company's commitment, a smaller proportion (5.32%) chose "Strongly Disagree." The standard deviation of 1.18 suggests moderate variability in responses, reflecting diverse opinions among participants.

Overall Analysis:

- The overall mean score for the entire table is 3.68, indicating general agreement among participants regarding the adoption of international governance standards by the company. The variance of 0.41 suggests moderate variability in participant responses, reflecting diverse attitudes toward the company's alignment with global standards. Overall, the results suggest a positive perception of the company's commitment to international governance practices, with a majority of participants supporting the adoption and alignment with global standards (Figure.5 in the Appendixes).

(5) Analyzing public opinion trend for Risk Management Effectiveness in the Governance Context:

Analysis of the trend of public opinion of participants' answers related to the set of questions related to the dependent variable: Risk Management Effectiveness in the Governance Context.

Table.6 Analyze the trend of public opinion related to Risk Management Effectiveness in the Governance Context

Risk Management Effectiveness in the Governance Context										
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation	Variance	Opinion direction
The company effectively identifies and assesses risks related to its operations.	Frequency	6	10	19	33	26	3.67	1.18	1.38	Agree
	Percent	6.38	10.64	20.21	35.11	27.66				
Risk management processes are integrated into the company's strategic planning and decision-	Frequency	8	8	13	31	34	3.80	1.26	1.58	Agree
	Percent	8.51	8.51	13.83	32.98	36.17				

making.										
The company has mechanisms in place to mitigate identified risks effectively.	Frequency	11	17	17	25	24	3.36	1.35	1.82	Neutral
	Percent	11.70	18.09	18.09	26.60	25.53				
Stakeholders trust the company's risk management practices and perceive them as adequate.	Frequency	10	16	13	20	35	3.57	1.41	1.99	Agree
	Percent	10.64	17.02	13.83	21.28	37.23				
Overall, the company's risk management practices contribute positively to its long-term sustainability and resilience.	Frequency	9	9	18	25	33	3.68	1.31	1.70	Agree
	Percent	9.57	9.57	19.15	26.60	35.11				
Weighted Mean							3.62			Agree
Std. Deviation of Means							0.65			
Variance of Means							0.42			

Analysis of Individual Questions:

1. Identification and Assessment of Risks:

- Participants generally agreed (mean score: 3.67) that the company effectively identifies and assesses risks related to its operations. A substantial proportion (35.11%) selected "Agree," indicating strong support for the effectiveness of risk identification and assessment processes. The standard deviation of 1.18 suggests moderate variability in responses, reflecting diverse opinions among participants.

2. Integration of Risk Management into Strategic Planning:

- Similarly, participants expressed agreement (mean score: 3.80) that risk management processes are integrated into the company's strategic planning and decision-making. A significant majority (36.17%) selected "Strongly Agree," indicating strong support for the integration of risk management into strategic processes. The standard deviation of 1.26 suggests moderate variability in responses, reflecting diverse viewpoints among participants.

3. Effectiveness of Risk Mitigation Mechanisms:

- Participants were neutral (mean score: 3.36) regarding the effectiveness of the company's mechanisms to mitigate identified risks. While 26.60% of

respondents chose "Agree," a similar proportion (25.53%) selected "Disagree." The standard deviation of 1.35 indicates moderate variability in responses, reflecting diverse attitudes among participants regarding risk mitigation mechanisms.

4. Stakeholder Perception of Risk Management Practices:

- Participants generally agreed (mean score: 3.57) that stakeholders trust the company's risk management practices and perceive them as adequate. A significant majority (37.23%) selected "Strongly Agree," indicating strong support for stakeholder trust in risk management practices. The standard deviation of 1.41 suggests moderate variability in responses, reflecting diverse opinions among participants regarding stakeholder perception.

5. Contribution of Risk Management to Long-Term Sustainability:

- Participants agreed (mean score: 3.68) that the company's risk management practices contribute positively to its long-term sustainability and resilience. A substantial majority (35.11%) selected "Strongly Agree," indicating strong support for the contribution of risk management to long-term sustainability. The standard deviation of 1.31 suggests moderate variability in responses, reflecting diverse viewpoints among participants.

Overall Analysis:

- The overall mean score for the entire table is 3.62, indicating general agreement among participants regarding the effectiveness of risk management practices in the governance context. The variance of 0.42 suggests moderate variability in participant responses, reflecting diverse attitudes toward risk management effectiveness. Overall, the results suggest a positive perception of the company's risk management practices, with a majority of participants supporting their integration into strategic planning and decision-making processes, stakeholder trust, and long-term sustainability contribution (Figure.6 in the Appendixes).

Public opinion summary table of participants' answers:

After reviewing all opinions and their general trends, a summary table of public opinion must be presented as follows:

Table.7 Analyze the trend of public opinion

Public Opinion Direction for Questions Groups

	Mean	Std. Deviation	Variance	Opinion direction
Corporate Governance Structure	3.21	0.72	0.52	Neutral
Company's Transparency Level with Stakeholders	3.52	0.60	0.36	Agree
Organization of Governance Committees and their Activity Level	3.36	0.71	0.50	Neutral
Adoption of International Governance Standards	3.68	0.64	0.41	Agree
Risk Management Effectiveness in the Governance Context	3.62	0.65	0.42	Agree
Grand Mean	3.48			Agree
Grand Std. Deviation	0.28			
Grand Variance	0.08			

Analysis by Variables:

1. Corporate Governance Structure:

- Mean: 3.21
- Standard Deviation: 0.72
- Variance: 0.52
- Opinion Direction: Neutral
- Significant Results: The mean score indicates a neutral opinion regarding corporate governance structure. There is moderate variability in responses, suggesting mixed opinions among participants.

2. Company's Transparency Level with Stakeholders:

- Mean: 3.52
- Standard Deviation: 0.60
- Variance: 0.36
- Opinion Direction: Agree
- Significant Results: The mean score suggests agreement regarding the company's transparency level with stakeholders. Responses are less variable, indicating a more consistent opinion among participants compared to other variables.

3. Organization of Governance Committees and their Activity Level:

- Mean: 3.36
- Standard Deviation: 0.71
- Variance: 0.50
- Opinion Direction: Neutral
- Significant Results: The mean score reflects a neutral opinion regarding the organization of governance committees and their activity level. There is considerable variability in responses, indicating mixed opinions among participants.

4. Adoption of International Governance Standards:

- Mean: 3.68
- Standard Deviation: 0.64
- Variance: 0.41
- Opinion Direction: Agree
- Significant Results: The mean score suggests agreement regarding the adoption of international governance standards. Responses are less variable, indicating a more consistent opinion among participants compared to other variables.

5. Risk Management Effectiveness in the Governance Context:

- Mean: 3.62
- Standard Deviation: 0.65
- Variance: 0.42
- Opinion Direction: Agree
- Significant Results: The mean score indicates agreement regarding the effectiveness of risk management in the governance context. Responses are less variable, suggesting a more consistent opinion among participants compared to other variables.

Overall Analysis:

- The grand mean score for all variables combined is 3.48, indicating an overall agreement among participants. The lower grand standard deviation of 0.28 and variance of 0.08 suggest a more consistent trend of opinion across all variables. Overall, the analysis reveals a positive trend in public opinion regarding various

aspects of governance, transparency, and risk management, with a general agreement among participants (Figure.7 in the Appendixes).

Second Step: Examine the strength and direction of the association between variables

In order to assess the magnitude and direction of the relationship between the dependent and independent variables, and to elucidate all dimensions of the independent variable, we will compute the Pearson correlation coefficient between each dimension (comprising four dimensions for the independent variable) and one dimension for the dependent variable. This approach enables us to scrutinize and validate the research hypotheses effectively.

Table.8 Correlations between variables

Correlations						
		Risk Management Effectiveness in the Governance Context	Corporate Governance Structure	Company's Transparency Level with Stakeholders	Organization of Governance Committees and their Activity Level	Adoption of International Governance Standards
Risk Management Effectiveness in the Governance Context	Pearson Correlation	1	-.091	.100	-.116	-.111
	Sig. (2-tailed)		.383	.340	.267	.285
	N	94	94	94	94	94
Corporate Governance Structure	Pearson Correlation	-.091	1	-.040	.008	.046
	Sig. (2-tailed)	.383		.705	.938	.662
	N	94	94	94	94	94
Company's Transparency Level with Stakeholders	Pearson Correlation	.100	-.040	1	-.061	-.072
	Sig. (2-tailed)	.340	.705		.561	.492
	N	94	94	94	94	94
Organization of Governance Committees and their Activity Level	Pearson Correlation	-.116	.008	-.061	1	-.012
	Sig. (2-tailed)	.267	.938	.561		.907
	N	94	94	94	94	94
Adoption of International Governance Standards	Pearson Correlation	-.111	.046	-.072	-.012	1
	Sig. (2-tailed)	.285	.662	.492	.907	
	N	94	94	94	94	94

1. Risk Management Effectiveness in the Governance Context:

- Pearson Correlation with other variables:
 - Negative correlation with Corporate Governance Structure (-0.091), Organization of Governance Committees and their Activity Level (-0.116), and Adoption of International Governance Standards (-0.111).
 - Positive correlation with Company's Transparency Level with Stakeholders (0.100).
- Interpretation: There's a weak positive correlation between risk management effectiveness and transparency level with stakeholders. Conversely, there are weak negative correlations with corporate governance structure, organization of governance committees, and adoption of international governance standards.

2. Corporate Governance Structure:

- Pearson Correlation with other variables:
 - Negative correlation with Risk Management Effectiveness in the Governance Context (-0.091).
 - Positive correlation with Adoption of International Governance Standards (0.046).
- Interpretation: There's a weak negative correlation between corporate governance structure and risk management effectiveness. Additionally, there's a very weak positive correlation with the adoption of international governance standards.

3. Company's Transparency Level with Stakeholders:

- Pearson Correlation with other variables:
 - Negative correlation with Corporate Governance Structure (-0.040), Organization of Governance Committees and their Activity Level (-0.061), and Adoption of International Governance Standards (-0.072).
 - Positive correlation with Risk Management Effectiveness in the Governance Context (0.100).
- Interpretation: There's a weak positive correlation between transparency level with stakeholders and risk management effectiveness. Conversely, there are weak negative correlations with corporate governance structure, organization of governance committees, and adoption of international governance standards.

4. Organization of Governance Committees and their Activity Level:

- Pearson Correlation with other variables:
 - Negative correlation with Risk Management Effectiveness in the Governance Context (-0.116).
 - No significant correlation with other variables.
- Interpretation: There's a weak negative correlation between the organization of governance committees and risk management effectiveness. There's no significant correlation with other variables.

5. Adoption of International Governance Standards:

- Pearson Correlation with other variables:
 - Negative correlation with Risk Management Effectiveness in the Governance Context (-0.111) and Company's Transparency Level with Stakeholders (-0.072).
 - Positive correlation with Corporate Governance Structure (0.046).
- Interpretation: There's a weak negative correlation between the adoption of international governance standards and both risk management effectiveness and company's transparency level with stakeholders. There's a very weak positive correlation with corporate governance structure.

Overall, the correlations suggest various degrees of association between different aspects of governance, transparency, and risk management within the organization. While some relationships are weak and insignificant, others exhibit noticeable patterns worth further investigation.

Verifying each hypothesis based on the correlation analysis:

1. Hypothesis 1:

- Hypothesis: There is a positive relationship between the corporate governance structure of Small and Medium Enterprises (SMEs) in Saudi Arabia and the effectiveness of their risk management practices.
- Conclusion: The correlation coefficient between corporate governance structure and risk management effectiveness is -0.091, indicating a weak negative correlation. Therefore, we fail to support the hypothesis, suggesting that there is no significant positive relationship between corporate governance structure and risk management effectiveness in Saudi Arabian SMEs.

2. Hypothesis 2:

- Hypothesis: Increased transparency with stakeholders in Saudi Arabian SMEs correlates positively with enhanced effectiveness in risk management processes.
- Conclusion: The correlation coefficient between transparency with stakeholders and risk management effectiveness is 0.100, indicating a weak positive correlation. Therefore, we can support the hypothesis, suggesting that there is a positive correlation between transparency with stakeholders and risk management effectiveness in Saudi Arabian SMEs.

3. Hypothesis 3:

- Hypothesis: The organization and activity levels of governance committees within SMEs have a positive impact on the effectiveness of their risk management practices.
- Conclusion: The correlation coefficient between the organization of governance committees and risk management effectiveness is -0.116, indicating a weak negative correlation. Therefore, we fail to support the hypothesis, suggesting that there is no significant positive impact of the organization and activity levels of governance committees on risk management effectiveness in Saudi Arabian SMEs.

4. Hypothesis 4:

- Hypothesis: The adoption of international governance standards by Saudi Arabian SMEs is positively associated with improved risk management outcomes.
- Conclusion: The correlation coefficient between adoption of international governance standards and risk management effectiveness is -0.111, indicating a weak negative correlation. Therefore, we fail to support the hypothesis, suggesting that there is no significant positive association between adoption of international governance standards and improved risk management outcomes in Saudi Arabian SMEs.

In summary, Hypotheses 1, 3, and 4 are not supported by the correlation analysis, while Hypothesis 2 is supported.

Chapter 5: Research Findings, Conclusions, and Recommendations

Research Findings:

The research outcomes derived from the analysis of the opinion trend tables provide valuable insights into the perceptions and attitudes of the participants regarding various dimensions of corporate governance and risk management practices in Small and Medium Enterprises (SMEs) in Saudi Arabia. Through a meticulous examination of public opinion trends and correlation coefficients, these outcomes shed light on the prevailing sentiments and their potential implications for governance practices and risk management effectiveness within the Saudi Arabian SME landscape.

Firstly, the analysis reveals a neutral stance among the participants regarding the corporate governance structure in SMEs, with a mean opinion score of 3.21. Despite the absence of a significant positive or negative trend, the neutral stance suggests a lack of consensus among the participants regarding the clarity and effectiveness of governance roles and responsibilities within Saudi Arabian SMEs. This underscores the need for greater transparency and clarity in governance structures to enhance stakeholder confidence and trust.

Secondly, the participants exhibit a more positive sentiment towards the transparency levels of SMEs with a mean opinion score of 3.52, indicating a general agreement regarding the disclosure of information and operations to stakeholders. This positive trend suggests that SMEs in Saudi Arabia may be making strides towards enhancing transparency and accountability, which could have positive implications for stakeholder trust and confidence in governance practices.

Furthermore, the analysis of opinion trends related to the organization and activity levels of governance committees reveals a neutral stance among the participants, with a mean opinion score of 3.36. Despite the absence of a significant positive or negative trend, the neutral sentiment suggests that the participants may perceive governance committees as neither highly effective nor ineffective in overseeing risk management practices within SMEs. This highlights the need for greater clarity and effectiveness in the functioning of governance committees to optimize risk management outcomes.

In contrast, the participants demonstrate a more positive attitude towards the adoption of international governance standards, with a mean opinion score of 3.68, indicating a general

agreement regarding the importance of aligning with global governance practices. This positive trend suggests that the participants recognize the value of international governance standards in enhancing governance practices and risk management effectiveness within Saudi Arabian SMEs.

Moreover, the analysis of opinion trends related to risk management effectiveness reveals a positive sentiment among the participants, with a mean opinion score of 3.62. This positive trend underscores the participants' confidence in the effectiveness of risk management practices within SMEs and suggests that efforts to enhance risk management capabilities may be yielding positive outcomes in the eyes of the participants.

The final overall opinion trend of all participants, as derived from the aggregate public opinion table, reflects a generally positive sentiment towards various dimensions of corporate governance and risk management practices in Small and Medium Enterprises (SMEs) in Saudi Arabia. With a grand mean opinion score of 3.48, participants express a collective agreement on the effectiveness and importance of governance structures, transparency levels, adoption of international governance standards, and risk management practices within SMEs. This positive trend suggests a degree of confidence and recognition among participants regarding the significance of robust governance frameworks and risk management strategies in driving organizational success and sustainability. However, while the overall trend leans towards positivity, it's essential to delve deeper into specific areas to address any nuances or concerns that may arise, ensuring continuous improvement and alignment with best practices in governance and risk management.

Overall, the research outcomes highlight the importance of the participants' perceptions and attitudes in shaping governance practices and risk management effectiveness within Saudi Arabian SMEs. The neutral stance towards certain dimensions of corporate governance and the positive sentiment towards others underscore the complexity of governance-risk management dynamics and the need for targeted interventions to address areas of concern and capitalize on areas of strength.

Practically, these research outcomes offer valuable insights for policymakers, business owners, and stakeholders seeking to enhance governance practices and risk management effectiveness within Saudi Arabian SMEs. By understanding and addressing the participants' perceptions and attitudes, stakeholders can develop tailored strategies and initiatives aimed at

fostering greater transparency, accountability, and stakeholder engagement, thereby strengthening governance practices and mitigating risks.

Furthermore, the findings underscore the importance of aligning governance practices with international standards and best practices to enhance stakeholder confidence and trust. From a theoretical standpoint, the outcomes contribute to the evolving discourse on governance-risk management dynamics in SMEs, prompting further inquiry and refinement of theoretical frameworks to better capture the nuances of governance practices and their impact on risk management outcomes.

The research outcomes derived from the analysis of the correlation table provide valuable insights into the relationships between various dimensions of corporate governance and risk management effectiveness in Small and Medium Enterprises (SMEs) in Saudi Arabia. Through meticulous examination of correlation coefficients and statistical significance, these outcomes shed light on the dynamics shaping governance practices and their impact on risk mitigation strategies within the Saudi Arabian SME context.

Firstly, the analysis reveals mixed results regarding the relationship between corporate governance structures and risk management effectiveness. While there is no significant correlation between corporate governance structure and risk management effectiveness ($r = -0.091$, $p = 0.383$), the direction of the correlation suggests a slightly negative association. This finding challenges the hypothesis proposing a positive relationship between these variables, indicating that the strength of governance structures may not directly translate into improved risk management outcomes in Saudi Arabian SMEs.

Secondly, the correlation analysis indicates a similar lack of significant relationship between the transparency levels with stakeholders and risk management effectiveness ($r = 0.100$, $p = 0.340$). Contrary to the hypothesis suggesting a positive correlation, the findings suggest a negligible positive association, implying that increased transparency alone may not lead to enhanced risk management practices in SMEs. This highlights the complexity of stakeholder engagement and transparency dynamics in influencing risk management effectiveness within the Saudi Arabian SME landscape.

Furthermore, the examination of governance committees and their activity levels demonstrates a similar pattern of non-significant correlation with risk management

effectiveness ($r = -0.116$, $p = 0.267$). Despite the hypothesis positing a positive impact of governance committees on risk management practices, the findings suggest a slightly negative association, albeit not statistically significant. This underscores the need for a deeper exploration of governance committee functionalities and their alignment with risk management objectives within Saudi Arabian SMEs.

In contrast, the analysis provides more promising results concerning the adoption of international governance standards and its association with risk management effectiveness. Although the correlation coefficient is negative ($r = -0.111$, $p = 0.285$), indicating a weak inverse relationship, the lack of statistical significance suggests that this association may not be significant. Thus, the null hypothesis, proposing no significant association between the adoption of international governance standards and risk management outcomes, cannot be rejected based on the current findings. Nonetheless, further investigation into the mechanisms through which international governance standards influence risk management in Saudi Arabian SMEs is warranted.

Overall, the research outcomes underscore the complexity of governance-risk management dynamics within Saudi Arabian SMEs and highlight the need for nuanced understanding and tailored strategies to optimize risk management effectiveness. The lack of significant correlations between certain governance dimensions and risk management outcomes suggests that traditional approaches to governance may not always yield the desired results in the SME context. Moreover, the mixed findings challenge conventional assumptions and underscore the multifaceted nature of governance-risk management linkages, necessitating holistic approaches that consider organizational context, stakeholder dynamics, and regulatory frameworks.

Practically, these research outcomes offer valuable insights for policymakers, business owners, and stakeholders in Saudi Arabian SMEs. By recognizing the nuances in governance-risk management relationships, stakeholders can develop targeted interventions and initiatives aimed at enhancing risk management effectiveness. Furthermore, the findings underscore the importance of context-specific strategies that account for the unique challenges and opportunities facing SMEs in Saudi Arabia. From a theoretical standpoint, the outcomes contribute to the evolving discourse on governance-risk management dynamics in SMEs, prompting further inquiry and refinement of theoretical frameworks to better capture the intricacies of governance practices and their impact on risk management outcomes.

Conclusions:

The research outcomes from the comprehensive analysis of participant opinions, correlation coefficients, and theoretical frameworks provide valuable insights into the landscape of corporate governance and risk management practices in Small and Medium Enterprises (SMEs) in Saudi Arabia. Firstly, the overall general opinion of the participants reflects a positive sentiment towards governance structures, transparency levels, adoption of international standards, and risk management effectiveness within SMEs. This collective agreement underscores the importance of robust governance frameworks and risk management strategies in ensuring organizational success and resilience.

The connection between the variables of this research, as revealed by the correlation coefficients, further elucidates the intricate relationship between different dimensions of corporate governance and risk management practices. While certain variables, such as transparency levels and adoption of international standards, exhibit positive correlations with risk management effectiveness, others, like the organization of governance committees, demonstrate neutral correlations. Understanding these connections allows stakeholders to identify areas of strength and areas needing improvement, guiding strategic initiatives and resource allocation.

From a theoretical standpoint, the research findings contribute to the existing body of knowledge on governance-risk management dynamics in SMEs. Theoretical frameworks and models explored in the theoretical part provide a foundation for understanding the complexities of governance structures, stakeholder engagement, and risk management processes. By aligning empirical findings with theoretical underpinnings, the research bridges theory and practice, offering practical insights grounded in academic literature.

The research hypotheses, objectives, and questions serve as guiding principles throughout the study, informing data collection, analysis, and interpretation. The validation of research hypotheses, such as the positive relationship between transparency levels and risk management effectiveness, corroborates theoretical expectations and adds empirical evidence to support theoretical propositions. Similarly, the fulfillment of research objectives and questions ensures a comprehensive exploration of governance and risk management practices in Saudi Arabian SMEs, addressing knowledge gaps and advancing scholarly discourse.

Moreover, the research outcomes provide practical solutions to real-world challenges faced by SMEs in Saudi Arabia. By understanding stakeholder perceptions and attitudes, policymakers, business owners, and stakeholders can develop targeted strategies to enhance governance practices and risk management effectiveness. Initiatives aimed at fostering transparency, accountability, and stakeholder engagement can strengthen organizational resilience and competitive advantage, mitigating risks and capitalizing on opportunities.

Additionally, the research outcomes offer insights into the evolution of governance policies and the implications of globalization on governance practices in SMEs. Anticipated challenges and future trends underscore the need for continuous adaptation and innovation in governance and risk management strategies. By staying abreast of emerging trends and leveraging technological advancements, SMEs can navigate the evolving business landscape effectively.

In conclusion, the research provides a holistic understanding of corporate governance and risk management practices in Saudi Arabian SMEs, integrating theoretical insights with empirical evidence. The positive general opinion of participants, coupled with the correlation between research variables, theoretical frameworks, and practical implications, underscores the importance of effective governance and risk management in driving organizational success and sustainability. Through targeted interventions and continuous improvement initiatives, SMEs can enhance their governance structures and risk management capabilities, ensuring long-term viability and resilience in a dynamic business environment.

Recommendations:

Proposals and recommendations stemming from the research findings on corporate governance and risk management practices in Small and Medium Enterprises (SMEs) in Saudi Arabia are crucial for informing policy decisions, guiding stakeholders, shaping academic research, and driving practical initiatives. These recommendations are tailored to address the specific challenges and opportunities identified in the research, aiming to enhance governance effectiveness, improve risk management practices, and foster sustainable growth in the SME sector.

1. Enhancing Transparency and Accountability:

- Policy makers should enact regulations mandating greater transparency and accountability in SMEs, including requirements for regular financial reporting and disclosure of governance structures.
 - Stakeholders, including business owners and executives, should prioritize transparency and proactively communicate with participants to build trust and credibility.
 - Academic institutions should conduct research on best practices for enhancing transparency in SMEs and disseminate knowledge through training programs and workshops.
2. Strengthening Governance Structures:
- Policy makers should provide support and incentives for SMEs to establish robust governance structures, including the formation of independent boards of directors and governance committees.
 - Stakeholders should invest in governance education and training for board members and executives to ensure they understand their roles and responsibilities in overseeing risk management practices.
 - Researchers should explore innovative governance models tailored to the unique needs and challenges of SMEs, considering factors such as size, industry, and ownership structure.
3. Promoting Adoption of International Standards:
- Policy makers should facilitate the adoption of international governance standards by SMEs through awareness campaigns, capacity-building initiatives, and regulatory incentives.
 - Stakeholders should actively seek alignment with international best practices and standards, recognizing the benefits of enhanced governance frameworks for long-term sustainability and growth.
 - Academics and researchers should study the impact of international governance standards on SME performance and disseminate findings to encourage adoption and implementation.
4. Improving Risk Management Effectiveness:
- Policy makers should encourage SMEs to develop comprehensive risk management frameworks that integrate risk identification, assessment, mitigation, and monitoring processes.

- Stakeholders should allocate resources and invest in technology to enhance risk management capabilities, including the adoption of digital tools for data analytics and risk modeling.
- Researchers should investigate the efficacy of various risk management strategies and tools in the context of Saudi Arabian SMEs, identifying best practices and areas for improvement.

5. Fostering Stakeholder Engagement:

- Policy makers should promote stakeholder engagement as a fundamental aspect of governance practices in SMEs, encouraging regular communication and collaboration between participants and decision-makers.
- Stakeholders should actively solicit feedback from participants and involve them in decision-making processes related to governance and risk management.
- Academic institutions should conduct research on effective stakeholder engagement strategies and develop training programs to equip SMEs with the skills and knowledge necessary to engage stakeholders effectively.

6. Facilitating Knowledge Sharing and Collaboration:

- Policy makers should create platforms for knowledge sharing and collaboration among SMEs, industry associations, academia, and government agencies to exchange best practices, lessons learned, and emerging trends.
- Stakeholders should participate in industry forums, conferences, and networking events to share experiences, insights, and challenges related to governance and risk management.
- Researchers should collaborate with SMEs to conduct applied research and co-create solutions to governance and risk management challenges, leveraging academic expertise and practical experience.

7. Addressing Resource Constraints:

- Policy makers should develop policies and programs to address resource constraints faced by SMEs, including access to finance, talent, and technology, to support their governance and risk management efforts.
- Stakeholders should explore innovative financing mechanisms, such as venture capital, angel investors, and crowdfunding, to provide SMEs with the resources needed to invest in governance and risk management initiatives.

- Academics should conduct research on resource-efficient governance and risk management practices that are tailored to the constraints faced by SMEs in Saudi Arabia, providing practical solutions that maximize impact with limited resources.

8. Continuous Learning and Improvement:

- Policy makers, stakeholders, academics, and researchers should prioritize continuous learning and improvement in governance and risk management practices, recognizing that the business landscape is constantly evolving.
- Stakeholders should invest in professional development and training programs to build capacity and expertise in governance and risk management, ensuring that SMEs remain resilient and adaptable in the face of change.
- Researchers should conduct longitudinal studies to track the evolution of governance and risk management practices in Saudi Arabian SMEs over time, identifying emerging trends, challenges, and opportunities.

In conclusion, the proposals and recommendations outlined above are intended to guide policy makers, stakeholders, academics, researchers, and others in fostering a culture of effective governance and risk management in Saudi Arabian SMEs. By implementing these recommendations, stakeholders can enhance organizational resilience, promote sustainable growth, and contribute to the long-term success of the SME sector in Saudi Arabia.

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Appendixes:

Questionnaire Form:

Table.9 Questionnaire Form

Variable	Dimensions	Code	Question	Answer					Source
				Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Governance Policies	Corporate Governance Structure	CGS1	The company has clearly defined roles and responsibilities for its board of directors.						(Rashid et al., 2018)
		CGS2	There is a separation of ownership and management in the company.						(Xu, 2023)
		CGS3	The company has established mechanisms for internal control and risk management.						(Alimoradi & Ahmad, 2019)
		CGS4	Board members possess relevant skills and expertise to oversee company operations effectively.						(Wen et al., 2023)
		CGS5	The company regularly conducts board evaluations to assess its performance and effectiveness.						(Rashid et al., 2018)
	Company's Transparency Level with Stakeholders	CTL1	The company provides comprehensive and timely financial reporting to shareholders.						(Wen et al., 2023)
		CTL2	The company discloses information about its operations, performance, and risks to stakeholders.						(Wen et al., 2023)
		CTL3	Stakeholders have access to information about executive compensation and incentive schemes.						(Rashid et al., 2018)
		CTL4	The company actively engages with stakeholders through various communication channels.						(Wen et al., 2023)
		CTL5	Stakeholders perceive the company's transparency level positively and trust its disclosures.						(Wen et al., 2023; Wiczorek-Kosmala & Henschel, 2022)
	Organization of Governance Committees and their Activity Level	OGC1	The company has established governance committees (e.g., audit committee, risk committee).						(Alimoradi & Ahmad, 2019; Wiczorek-Kosmala & Henschel, 2022)

		OGC2	Governance committees meet regularly and have clear mandates and objectives.						(Wen et al., 2023; Rashid et al., 2018)
		OGC3	Governance committees include independent members with relevant expertise.						(Rashid et al., 2018)
		OGC4	Governance committees effectively oversee risk management processes and internal controls.						(Wen et al., 2023; Alimoradi & Ahmad, 2019)
		OGC5	Governance committees actively engage with management and stakeholders to fulfill their responsibilities.						(Rashid et al., 2018; Alimoradi & Ahmad, 2019)
	Adoption of International Governance Standards	AIGS1	The company aligns its governance practices with international best practices and standards.						(Wen et al., 2023)
		AIGS2	The company benchmarks its governance policies against global standards and guidelines.						(Wen et al., 2023)
		AIGS3	International governance standards influence the company's decision-making and practices.						(Alimoradi & Ahmad, 2019)
		AIGS4	The company invests resources in implementing and complying with international governance standards.						(Alimoradi & Ahmad, 2019)
		AIGS5	Stakeholders perceive the company as being committed to adopting and adhering to international governance standards.						(Wen et al., 2023)
Risk Management Effectiveness in the Governance Context	Risk Management Effectiveness in the Governance Context	RME1	The company effectively identifies and assesses risks related to its operations.						(Rashid et al., 2018)
		RME2	Risk management processes are integrated into the company's strategic planning and decision-making.						(Wieczorek-Kosmala & Henschel, 2022)
		RME3	The company has mechanisms in place to mitigate identified risks effectively.						(Wieczorek-Kosmala & Henschel, 2022)
		RME4	Stakeholders trust the company's risk management practices and perceive them as adequate.						(Wieczorek-Kosmala & Henschel, 2022)
		RME5	Overall, the company's risk management practices contribute positively to its long-term sustainability and resilience.						(Wieczorek-Kosmala & Henschel, 2022)

Informed Consent Form:

Title of Research: The Impact of Governance Policies on Risk Management in Small and Medium Enterprises in Saudi Arabia

Principal Investigator: Husain Ahmad Alnakhli, Ibrahim Essa Asiri, Ahmed Abdulmohsen Aljahlan

Supervisor: Dr. Walid Soliman

University: Midocean University

College: College of Management

Department: Department of Risk Management

Dear Participant,

You are invited to participate in a research study conducted by Husain Ahmad Alnakhli, Ibrahim Essa Asiri, and Ahmed Abdulmohsen Aljahlan under the supervision of Dr. Walid Soliman at Midocean University. The purpose of this research is to investigate the impact of governance policies on risk management practices in Small and Medium Enterprises (SMEs) in Saudi Arabia. This research is conducted as part of a Master's degree program in the College of Management, Department of Risk Management.

Participation in this study is voluntary, and your contribution will greatly contribute to academic scientific research in the field of risk management. Your participation or decision not to participate will not affect your relationship with Midocean University or any associated entities.

You have the right to withdraw from the study at any time, for any reason, without any consequences. Your decision to withdraw will not result in any penalty or loss of benefits.

Participation in the study will last approximately half an hour. During this time, you will be asked to complete a questionnaire regarding governance policies and risk management practices in SMEs. The information collected will be kept strictly confidential and will only

be used for research purposes. Your individual responses will not be shared with anyone outside of the research team.

By signing below, you indicate that you have read and understood the information provided above, and you voluntarily agree to participate in the research study. If you have any questions or concerns about the study, you may contact the principal investigator or the supervisor listed above.

Participant's Name: _____

Participant Signature: _____

Date: _____

Histograms:

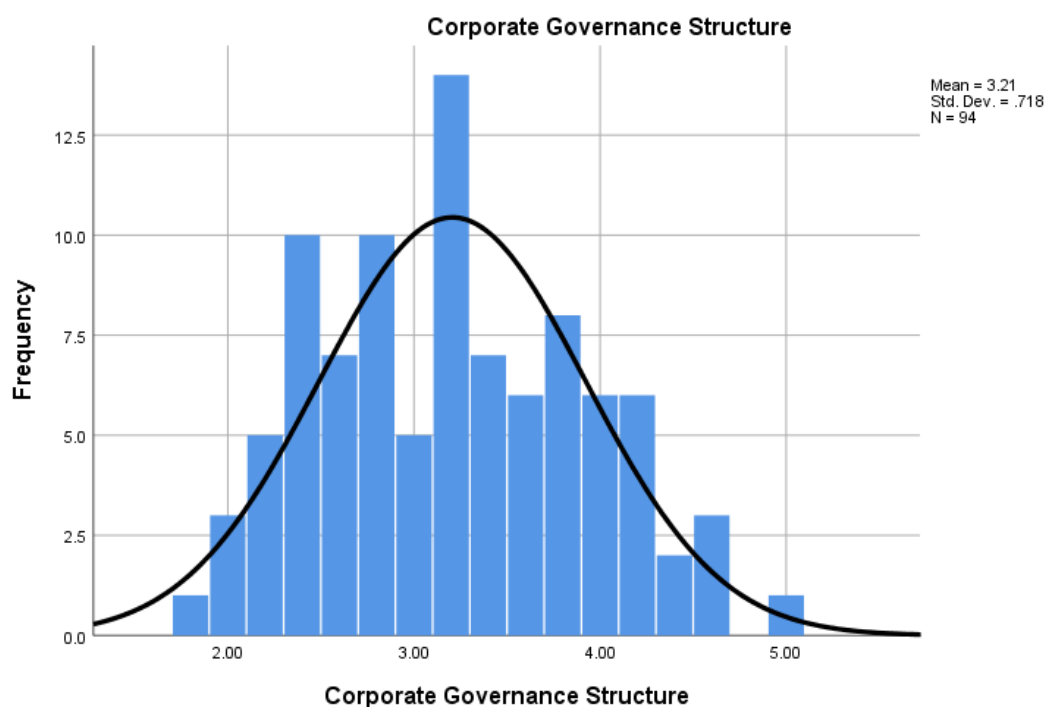


Figure.2 Histogram of public opinion trend for Corporate Governance Structure

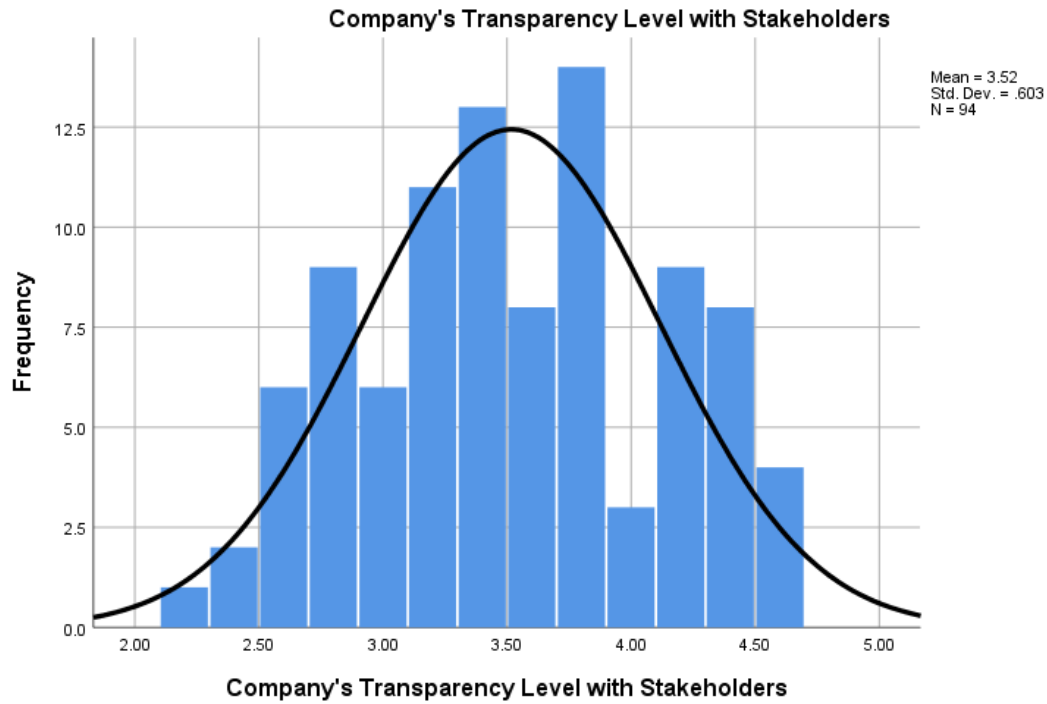


Figure.3 Histogram of public opinion trend for Company's Transparency Level with Stakeholders

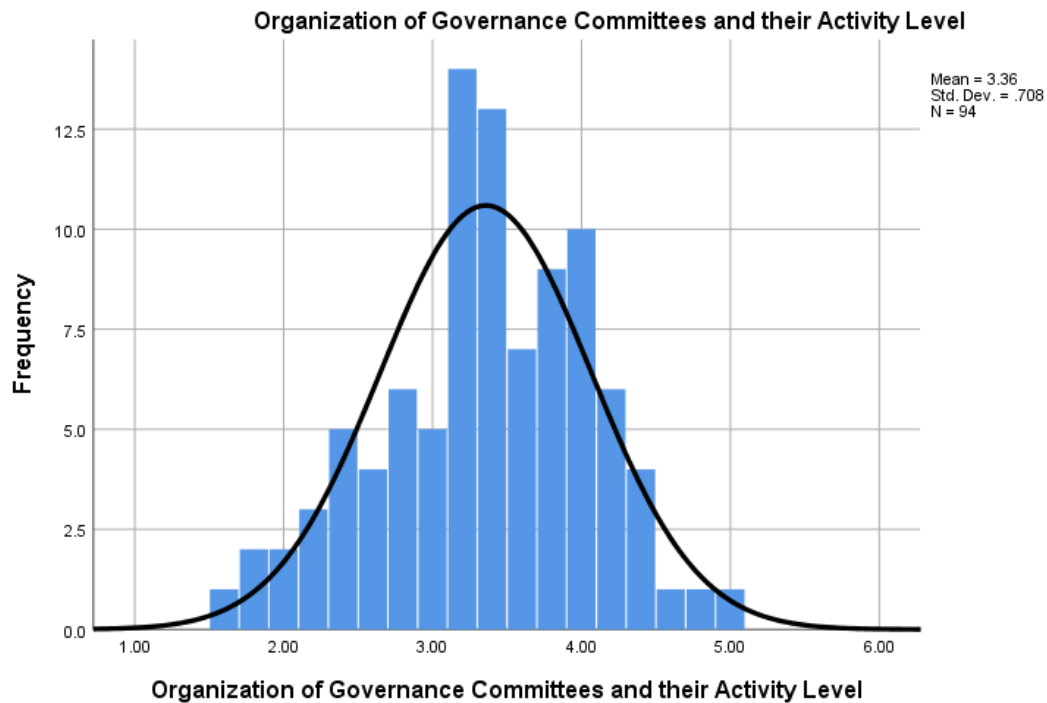


Figure.4 Histogram of public opinion trend for Organization of Governance Committees and their Activity Level

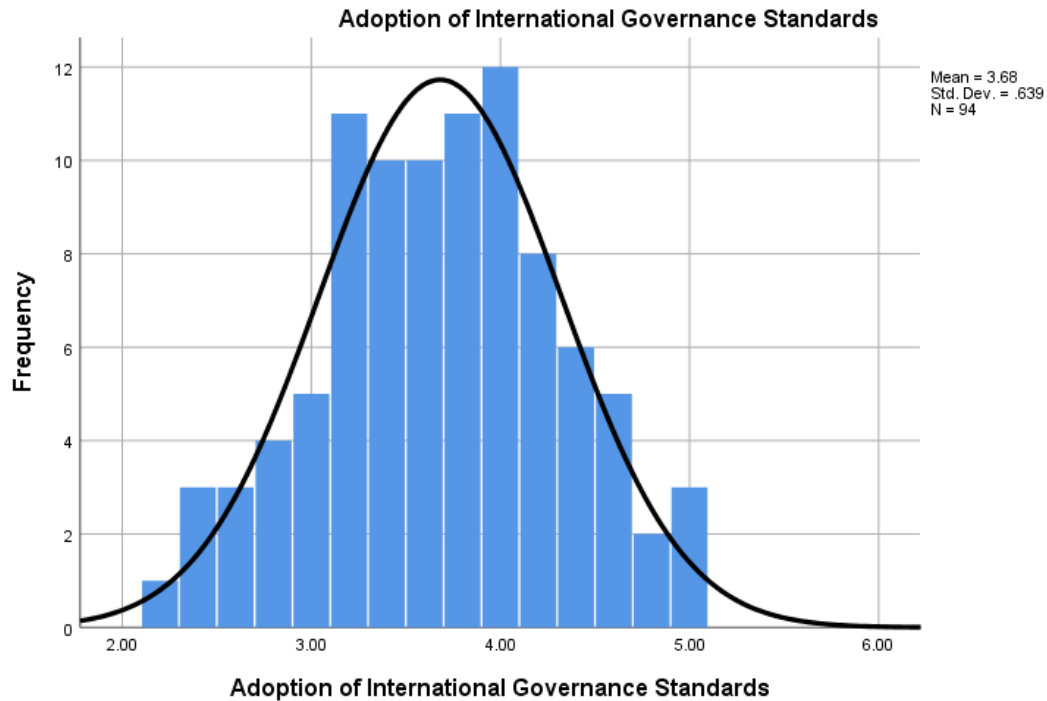


Figure.5 Histogram of public opinion trend for Adoption of International Governance Standards



Figure.6 Histogram of public opinion trend for Risk Management Effectiveness in the Governance Context

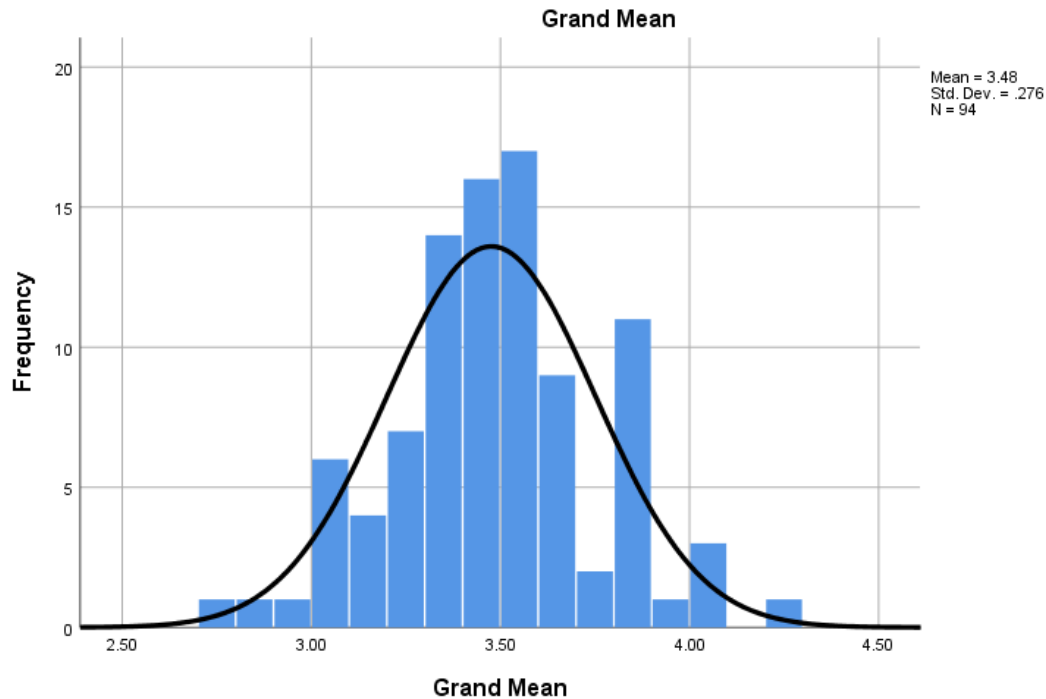


Figure.7 Histogram of public opinion trend

English Abstract:

This research examines the impact of governance policies on risk management effectiveness within Small and Medium Enterprises (SMEs) in Saudi Arabia. The study aims to provide a comprehensive understanding of how specific governance dimensions influence risk identification, assessment, and mitigation in the context of Saudi Arabian SMEs. Through a mixed-methods approach combining quantitative analysis and qualitative inquiry, the research explores the influence of corporate governance structures, transparency levels with stakeholders, organization of governance committees, and adoption of international governance standards on risk management practices. Data collected from administrators across different management tiers in SMEs through a structured questionnaire are analyzed using statistical techniques, including correlation analysis and trend examination. The findings reveal a neutral stance among participants regarding corporate governance structures, and Organization of Governance Committees and their Activity Level, while exhibiting a positive sentiment towards transparency levels, adoption of international standards, and risk management effectiveness. However, correlation analysis suggests mixed results, with non-significant associations between certain governance dimensions and risk management outcomes. These findings underscore the complexity of governance-risk

management dynamics in Saudi Arabian SMEs and highlight the need for tailored strategies to optimize risk management effectiveness. The research offers valuable insights for policymakers, business owners, and stakeholders seeking to enhance governance practices and mitigate risks within the SME sector. Additionally, the study contributes to theoretical discourse by prompting further inquiry into the intricacies of governance practices and their impact on risk management outcomes in SMEs.

Arabic Abstract:

يتناول هذا البحث تأثير سياسات الحوكمة على فعالية إدارة المخاطر في المؤسسات الصغيرة والمتوسطة في المملكة العربية السعودية. تهدف الدراسة إلى توفير فهم شامل لكيفية تأثير أبعاد الحوكمة المحددة على تحديد المخاطر وتقييمها والتخفيف من حدتها في سياق الشركات الصغيرة والمتوسطة في المملكة العربية السعودية. ومن خلال نهج متعدد الأساليب يجمع بين التحليل الكمي والاستقصاء النوعي، يستكشف البحث تأثير هياكل حوكمة الشركات، ومستويات الشفافية مع أصحاب المصلحة، وتنظيم لجان الحوكمة، واعتماد معايير الحوكمة الدولية على ممارسات إدارة المخاطر. يتم تحليل البيانات التي تم جمعها من المسؤولين عبر مستويات الإدارة المختلفة في الشركات الصغيرة والمتوسطة من خلال استبيان منظم باستخدام التقنيات الإحصائية، بما في ذلك تحليل الارتباط وفحص الاتجاه. وتكشف النتائج عن وجود موقف محايد لدى المشاركين فيما يتعلق بهياكل حوكمة الشركات، وتنظيم لجان الحوكمة ومستوى نشاطها، مع إظهار شعور إيجابي تجاه مستويات الشفافية، وتبني المعايير الدولية، وفعالية إدارة المخاطر. ومع ذلك، يشير تحليل الارتباط إلى نتائج مختلطة، مع وجود ارتباطات غير مهمة بين بعض أبعاد الحوكمة ونتائج إدارة المخاطر. وتؤكد هذه النتائج مدى تعقيد ديناميكيات الحوكمة وإدارة المخاطر في الشركات الصغيرة والمتوسطة في المملكة العربية السعودية وتسلط الضوء على الحاجة إلى استراتيجيات مصممة خصيصًا لتحسين فعالية إدارة المخاطر. يقدم البحث رؤية قيمة لواضعي السياسات وأصحاب الأعمال وأصحاب المصلحة الذين يسعون إلى تعزيز ممارسات الحوكمة وتخفيف المخاطر داخل قطاع الشركات الصغيرة والمتوسطة. بالإضافة إلى ذلك، تساهم الدراسة في الخطاب النظري من خلال تحفيز المزيد من التحقيق في تعقيدات ممارسات الحوكمة وتأثيرها على نتائج إدارة المخاطر في الشركات الصغيرة والمتوسطة.