

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

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Chapter 1: Introduction

Introduction:

Understanding the interplay between governance policies and risk mitigation strategies, particularly in the context of Small and Medium Enterprises (SMEs), has become increasingly important due to the complexity of today's business world. Recently, Saudi Arabia has experienced significant expansion in its SME sector, which is now considered an important pillar for the economic growth of the country (Nuñez et al., 2023). It is necessary to assess the effect of governance policies on the effectiveness of risk management processes, considering that the enterprises under consideration contend with issues brought about by the dramatic shifts in business conditions. In this regard, this study aims to investigate and appraise the impact of the Saudi governance dimensions on risk management related to SMEs in Saudi Arabia (Wen et al., 2023). This policy will be understood by Saudi Arabian SMEs to provide the impetus for strategic decision making.

Finally, this investigation concentrates on four independent variables that imply four different dimensions of governance affecting risk management practices. It is worth noting that the corporate governance framework, including all of the processes through which companies are directed and controlled, plays an instrumental role in enhancing the efficiency of risk identification, analysis and mitigation (Ozcelik & Ercek, 2023). Second, its information disclosure policy regarding the company's stakeholders is elucidated in the study as it relates to the company's management of risks through information flow, each as process and as product (Boadi et al., 2023). Transparency is another critical aspect of focus and stakeholder confidence in so much that organizational resilience depends on it; Another major point of focus is on the structure of governance committees and their level of activity. Governance Committees are the HR of any organisation along the lines of decision making and governance of the organisation and also shape Risk Management architecture of the organisation. The next independent variable that is examined from this study is a firm's adoption of international governance standards (Taufiq, 2023). From the global context is a world in which businesses operate, there is a heavy emphasis on the international benchmarks in governance, which upon the situation can change the effectiveness of risk management. By means of these four independent variables, we aspire to be a means to contribute to the understanding of the relationships of governance and risk management in Saudi Arabian SMEs (Wieczorek Kosmala & Henschel, 2022). Those factors are agile understood in Saudi Arabia to strengthen strategic initiatives and build enduring organisational resilience.

The selection of SMEs as the case study of this research is strategic because of their growing importance in the Saudi Arabian economy. Compared to large firms, SMEs usually encounter different and more difficult challenges as a result of more limited resources, greater difficulty obtaining capital, and their organizational structure. From an academic perspective, finding out how governance policies have an effect on risk management in these entities is interesting. From a practical standpoint, it aids in mitigating the vulnerabilities and bolstering the sustainability of SMEs facing uncertainties (Paudel, 2023). This research seeks to address the challenges that contribute to the underdeveloped state of the SME sector with the hope that it will improve policy and practice directed at the sector.

With globalization comes the necessity of managing risks with adequate governance structures as loose as the world is becoming interlinked. Understanding the problem is half the solution, as the SMEs ('Small and Medium Enterprises') are facing numerous and multi layered challenges due to the international market. Appropriate governance policies serve as a protective barrier that arms the SMEs with the frameworks needed to cut through the complexities. This study aims to fill the gap of literature on the influences of governance policies on the risk management effectiveness of Saudi Arabian SMEs. (Yuwono & Ellitan, 2024) Exploiting these patterns makes it easier for striving organizations to maneuver through an intricately woven lattice of modern business ecosystem and an agile international economy.

The businesses operating in Saudi Arabia are distinct in nature due to their culture, regulations, and underlying economy. Consequently, tailored research of this nature is essential for gaining applicable insights into the concerns and possibilities for SMEs in the region. This study highlights the significance of the dependent variable: the effectiveness of risk management in the corporate governance configuration. In this case, 'effectiveness' shifts the analysis from a simplistic appraisal of governance structures to assessing the influence such policies have on actual risk management processes within SMEs (Malik, 2023). Such strategy makes it possible that the outcomes are not only pertinent to Saudi SMEs, but also able to provide guidance that stakeholders require.

In addition, this study recognizes that governance frameworks are not set policies, and transitions occur on a continuum. The progressive changes in the conditions under which a business operates require an ongoing review of governance policy boundaries to maintain alignment and efficacy. This study focuses on the relationship of governance policies with

risk in SMEs from Saudi Arabia with the intent of providing information capable of assisting business policy shapers, executives, and theorists on how to modify governance policies to make them more adaptable and robust in the face of increasing turbulence (Xu, 2023). This emphasizes the need for a focused approach which fosters governance frameworks that can swiftly respond and adapt to changing risk landscapes.

For a corporate size, governance and risk management are often divided into a lot of processes and systems because of the number of activities undertaken by the corporation, the number of stakeholders and growing regulatory oversight. However, governance and risk management of these companies is completely segregated into different divisions and individuals who take care of governance and risk management and the process involves making a complete risk evaluation and strategic actions are taken on the basis of it. However, small and medium enterprises (SMEs) are lacking in the resources and in the organization design that is simply too simple, and, as a result, their governance and risk management processes are irregular, unofficial, and ad hoc. For SMEs, the role of informal procedures may be greater and, for example, be related to governance and risk management with enhanced flexibility but sometimes at the expense of superior robustness.

Considering the increase significance of Saudi Arabian SMEs in the country's economy, governance policies and risk management nexus has become critical. The gap addressed by this study is the lack of an impact study regarding the governance structure of risk, stakeholder transparency, architecture of governance committee, and compliance with global governance standards on risk management effectiveness in Saudi Arabian SMEs (Alimoradi & Ahmad, 2019). It can serve as a source of actionable results for empowering SME's (Alvi et al., 2019) to adapt with their struggle and source of revenue. Through that, we identify the elements that influence risk management efficiency comprehensively and that enable the stakeholders to make decisions on that front of risk reduction and growth opportunity side to subsequently speed up the development of SMEs in Saudi Arabia.

Problem Statement:

The problem of interest in this study is the relationship between the governance policies and the effectiveness of risk management in Saudi Arabian Small and Medium Enterprises (SMEs). Although SMEs have become crucial to the economy of the country, there is little detailed analysis and research that analyzes systematically the impact of other aspects of the

governance on risk management process in these enterprises (Rashid et al., 2018). The objective of this research is to examine the influence of corporate governance structures, the level of stakeholder transparency, the governance committees' organization, and the degree to which international governance standards are implemented on risk management practices with Saudi SMEs (Villanueva et al. 2022).

There are also include the issues and the research gaps which are important to mention in the study. One issue among the range of SMEs in Saudi Arabia. Thus, their small size, sector and operational complexity all differ, making it almost impossible to develop a governance and risk management framework for all. Along with this, the one thing that fast-changing business world is working for is the difficulty that the study will face in dealing with constantly moving governance and risk management strategies and structures (Gulzar et al., 2021).

Another challenge is associated with the scarce resources that are usually accessible to SMEs. Unlike big corporations, SMEs may face barriers in adopting sophisticated governance frameworks and risk management procedures. This study accepts these limitations and attempts to offer an optimized effectiveness, precision ratio in balancing feasibility with resource constraints for SMEs (Nguyen & Dang, 2022).

This study addresses the gap in the literature examining the interdependence of governance policies and risk management practices pertaining to Saudi Arabian SMEs. Nevertheless, the research faces primary difficulties that stem from the multifaceted nature of SMEs and their resource limitations. By providing practical recommendations designed to improve SMEs' economic resilience and adaptability, the study addresses the challenges posed by a volatile market while actively contributing toward the long-term sustainability of SMEs.

The empirical literature on governance policies and risk management in Saudi Arabian SMEs is scant and lacks focus. Certain studies concentrate on the broader corporate governance or risk management sectors of bigger businesses. Unfortunately, very little is known about the special considerations SMEs encounter in the Saudi Arabian market. This research is intended to address the gap by providing contextualized and relevant insights for the SMEs in the region (Jallali & Zoghlami, 2022).

Also, other scholars seem to have taken a yes or no approach in analyzing the impact of governance policies leaving aside the evaluation of their overall relevance and influence on risk management practices. This is the gap the research intends to fill by focusing on the rigor of risk management in governance to present more practical evidence to SMEs and policymakers (Temitope & Sorunke, 2023).

The gaps in prior research are worsened by inattention to the four independent variables defined in this study: corporate governance framework, stakeholder transparency, governance committees' organizational structure, and adoption of corporate governance practices from other countries. While some literature captures limited facets of these variables, there is scant integrative research that weaves these aspects into the broader narrative of governance systems and their influence on risk management in SMEs (Naibaho & Mayayogini, 2023).

The analyses are also concerned with the insufficient attention given to governance policies and risk management within Saudi Arabian SMEs. It calls for more focused studies that look into the specific problems this segment faces in the region. At the same time, it critiques earlier works for oversimplifying the research problem and neglecting major elements, which hinders constructive analysis of governance policies and their operational efficacy in risk management. This perspective of analysis illustrates the need to address these gaps in order to assist SMEs and other relevant stakeholders as well as decision-makers in the form of evidence-based policy recommendations.

Most studies fail to recognize the governance frameworks and their shifts over time. Understanding how governance strategies dynamically aligns with business evolution and maintained effectiveness in risk mitigation is important for practical understanding (Alsaleem & Husin, 2024).

To address these shortcomings, the research undertakes several approaches simultaneously. Recognizing the constraints faced by SMEs, the research aims to derive contextually versatile conclusions tailored to their needs. Furthermore, the study adopts a time-ordered perspective, addressing the complexity of governance frameworks and risk-related changes over time, therefore enhancing the understanding of the relationship between governance frameworks and effectiveness in risk management (Wieczorek-Kosmala & Henschel, 2022).

The research also attempts to fill the gaps identified by the past studies through the analysis of the set of independent variables. It involves study of corporate governance structure, accountability to stakeholders, formation of governance committee, which are the important aspects in developing a broad theory-practice framework (Paudel, 2023).

While there are some challenges and gaps, the study is in a position to serve as a contribution for increasing understanding of governance policies and risk management of SMEs in Saudi Arabia. The research intends to fill the gap and weakness with practical recommendations that will help SMEs get resilient, sustainable and expand within the evolution of socio-economic environment of Saudi Arabia (Alsaleem & Husin, 2024).

The key problem of the research is unclear governance policies in small and medium enterprises as these enterprises are free from the complicated interdependent operations as the large enterprises is. Therefore, policies governing these companies should be explored in the light of this situation, particularly as far as risk management of governance commitment and disclosure is concerned. This is a problem that needs to be properly studied on how SMEs governance structure affects risk management processes.

Study Purposes and Objectives:

✓ Main Research Objective:

This study aims to carefully examine the effectiveness of risk management in Saudi Arabian small and medium enterprises (SMEs) under the influence of the governance policies. This aims to virtually help in understanding the effect of certain governance facets in the identification, measurement, and management of risk within SMEs in Saudi Arabian context (Alimoradi & Ahmad, 2019). A particular undertaking in this study relates to the relationship between governing regulations and the risks management in Saudi Arabia's SMEs.

✓ Sub-Objectives:

- 1. Evaluate the Influence of Corporate Governance Structure:** This first sub objective consists in assessing the effects that the corporate governance of Saudi Arabian SMEs has on their risk management. Additionally, this includes an exploration on governance mechanisms, board structures, and decision-making processes to investigate how these factors are used or create an obstacle to good risk management (Alimoradi & Ahmad, 2019). Designing effective risk management

strategies to SMEs' requirements requires having an insight into the governance structure impact.

2. **Examine Transparency Levels with Stakeholders:** The second sub objective tries to find out the transparency levels maintained by SMEs with the stakeholders. The focus of this analysis is communication practices, disclosure mechanisms and the openness of information flows in order to understand what transparency means for the use of transparency to facilitate risk management processes (Rashid et al., 2018). Transparency is the basis of trust and accountability, allowing for accountability in risk management and stakeholder engagement.
3. **Analyze Organization of Governance Committees and Their Activity Level:** The third sub objective is the organization of the governance committees in SMEs and its level of activity. This includes an examination of the committee roles, committee responsibilities and committee effectiveness in risk management process (Rashid et al., 2018). Governing committees that help an SME to have good risk management practices are very effective.
4. **Assess the Impact of Adoption of International Governance Standards:** The fourth sub-objective is to assess the impact of the adoption of international governance standards in risk management in Saudi Arabian SMEs. Some of this has to do with how far risk management outcomes are influenced by becoming aligned with global best practices for the purposes of a fuller understanding of the international aspect of governance and risk management (Alimoradi & Ahmad, 2019). The adoption of international standards can boost credibility and effectiveness of governance prospects to such degree that they contribute to better risk management outcomes for SMEs.

Coherently, these sub-objectives intend to increase understanding about governance policies and risk management in Saudi Arabian SMEs. The research delves into these exemplary dimensions with the aim of intelligibility the way to formulate practical insights as well as to offer a range of recommendations that emphasize the resilience and sustainability of SME's in the foreseeable future circumstances of evolving risks and challenges (Alvi et al. 2019). These objectives will yield actionable insights to policymakers, business executives, and other stakeholders in SME governance and risk management.

Research Importance:

✓ Theoretical Significance:

In addition, the study of theory within this research is so vital to the development of a robust foundation which clearly elucidates the subtle links that exist between governance policies and risk management in Saudi Arabian SMEs. It delves into theoretical frameworks that would help understand the separate variables such as corporate governance structure, transparency level, setup of governance committees and adoption of international standards to how the collective influence the dependent variable, risk management effectiveness (Gulzar et al., 2021). Even though this theoretical significance, as much as it guides the research design and methodology, helps to synthesize existing knowledge on governance and risk management dynamics in relation to SMEs, it also contributes to the academic discourse on governance and risk management dynamics with regards to SMEs (Jallali & Zoghلامي, 2022). To enhance governance and risk management practice in Saudi Arabian SMEs, developing practical strategy and interventions based on theory, is the foundation for giving practical strategies and intervention so that the Saudi Arabian SMEs are long term sustainable and resilient in dynamic business environment.

✓ Practical Implications:

The hard work involved in this practice is equally valuable, aiming to validate and apply theoretical insights in to the real Saudi smes environment. The research tries to present tangible solutions and recommendations by empirically testing hypotheses and assessing the practical implications of governance policies (Villanueva et al., 2022). Findings are practical to not only make theoretical frameworks more applicable but similarly they will provide information that is actionable for SMEs, policymakers, and practitioners in Saudi Arabia. A theoretical and practical dimension, integrated in the research offers a contribution not only the academic scholarship but also a practical solution to the problem of the SME, creating a symbiotic relationship between the theory and application (Nguyen & Dang, 2022). The practical study would generate findings that can help guide policy formulation and organizational strategies toward more efficient and effective governance practices and risk management protocols that better take into consideration the particular does 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:

In this research literature review is made on the intricate governance policy and risk management relations in various small and medium enterprises (SMEs) of Saudi Arabia. The independent variables of primary concern are the corporate governance structure, transparency of the company with the stakeholders, organization of the governance committees, and the use of international standards of governance. The dependent variable, risk management effectiveness within the governance context, serves as the focal point of investigation (Nuñez et al., 2023). These relationships are the key to developing appropriate strategies to diminish the risks or to guarantee the continuation of the success of SMEs in the Saudi Arabian business environment during the developing stage.

The Past studies have done the foundation for a study of corporate governance in terms of risk management, strengthening the core for organizational resilience and sustainability. Various work has studied transparency as an important factor of governance stressing its importance for stakeholder trust and the proper operation of risk management processes. Investigation also occurs for the organization aspects of governance committees when they are in charge of a decision based on oversight (Yuwono & Ellitan, 2024). The results achieved from these studies give valuable insights that serve as basis for the conceptual framework of this research and to explore governance policies and its implications to the effectiveness of risk management.

Of the theoretical frameworks proposed in the literature, they are extremely diverse, ranging from explained models regarding how governance structures relate to risk management outcomes, theoretical foundations of transparency, and so on that expound on the organization and operation of governance committees (Malik 2023). It also looks at the implications of adopting international governance standards for SMEs and puts the discussion into the global context for these enterprises to operate. In order to forge ahead in directing the analysis of empirical findings and developing practical recommendations on how to improve governance policies and risk management in Saudi Arabian SMEs, it is imperative to synthesize these theoretical perspectives in to a coherent framework (Xu, 2023). The research further attempts to achieve a comprehensive view of governance and risk management dynamics in Saudi Arabian SMEs, so as to make informed decision and policy development.

Dependent Variable:

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

In this research the dependent variable is ‘Risk Management Effectiveness in the Governance Context’. The overarching metric by which the appraisal of the success and efficiency of risk management practices took place in Saudi Arabian small and medium enterprises (Xu, 2023). The objective of this variable is to capture the tangible effects of governance policies’ effects on the risk identification, evaluation, and control. Thus, effectiveness of risk management in particular governance framework inside SMEs turns to be center of gravity of the risk management from a practical point of view, particularly the impact of governance structures on the resilience and sustainability of these enterprises in the conditions of uncertainties (Malik, 2023). For the successful competitiveness and long professional future of SMEs in the current dynamic business environment, understanding how to use the risk management practices is essential.

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 transparency independent variable focuses on the extent to which the acts of SME and their stakeholders are open and clear. Such disclosure involves information, communication patterns and amount of transparency as contribution to stakeholders’ confidence and the efficiency of risk management processes (Taufiq, 2023, Yuwono & Ellitan, 2024). It boosts trust and accountability which then translates to a corner stone to effective risk management strategies and being used by stakeholders to judge SMEs overall reputation.

3. Organization of Governance Committees and Activity Level:

- This variable focuses on structural and operational aspects of governance committee, and investigate how these committees involved in decision making and oversight. It analyses the roles, functions, responsibilities and activities of governance committees with regard to the performance of the overall risk management (Boadi et al., 2023). Governance committees that are effective in providing informed decision making and proactive risk management practice, consequently make SMEs more resilient and adaptive to dynamic market environment.

4. Adoption of International Governance Standards:

- A variable assessing the degree that they adopt international governance standards when they apply global best practices is o. The international dimension of governance policies and their implications for risk management with regard to the globalized business environments is investigated for such alignment variable (Wen et al., 2023). International governance norms not only provide SMEs with added credibility and competitiveness, but also harder resilience to the uncertainties of the global market and regulatory challenges.

Summary of Past Studies:

Yuwono & Ellitan (2024) study proved that CG has been felt in so powerful manner in the banking sector. In an investigation of the impact of technological advancement and globalization on the Enterprise Risk Management (ERM) systems, in the context of CG, ERM, and organizational culture, the authors focus on. Strong results are theirs, which show that right CG can fortify a business and a capacity for productive capacity of risks. Strong organizational culture fosters the alignment of ERM with internal value systems. The integration of risks is achieved by CG, ERM and organizational culture together.

While Nuñez et al. (2023) attempt to fill the gap on risk governance in medium sized textile and clothing companies in the research, the authors did not intend to address the study of SES (social economic system) relation to the world (society). This is believed to be a very young area of study. The objective of the study is to account risk governance taking into account guidelines, the links with the corporate governance and the practices organizational risk culture. The use of qualitative and descriptive approach is supported from semi structured

interview that was did with 8 companies and 1 specialist. Results indicate that people were indeed sometimes using risk governance processes empirically, but often they did have implicit understanding of what processes were important. While risk management in medium sized companies is formalized, it can be extended to all kinds of economic sector in the United States and in the world.

In analyzing the roots of Theory U as an important aspect in the context of risk and performance management to advance governance in a corporation, the review offered by Temitope, Sorunke (2023), was a possibility. The aim is to understand how these organizations, will be able to handle issues of corporate governance, create a risk management culture, and maximize chances and minimize threats. Based on positivism, the study carries out empirical case studies for testing three hypotheses to verify the data results. The results show how Theory U supports collaboration, innovation and adaptation, which are important for creating the right governance mechanisms that are capable of leading innovation. The authors have argued that even if it is hard to implement the challenges surrounding that are certainly helpful in building resilience, sustainable value creation, and long term success while turbulence occurs in the world of business.

This study by Naibaho & Mayayogini (2023) focuses on the operational risk, credit risk, liquidity risk and their effect on firm performance with corporate governance as a moderating variable. The background articulates the rationale for addressing performance in relation to the risks. The goal is to analyze the relationships and formulate conclusions relevant to firms and investors. The study applies purposive random sampling and secondary data from over 45 firms across Southeast Asia in the Consumer Durable and Apparel, Consumer Service, and Consumer Staples industries between 2017 and 2021. Results show that operational and credit risks have no significant impact on performance; however, credit risk does have a significant negative impact. Corporate governance reduces the negative impact of liquidity risk but strengthens the impact of operational and credit risks on firm performance. The study advocates for strong corporate governance policies and frameworks in place to defend the management of risks and assist in evaluating risks by investors.

Xu (2023) examines the financial risks associated with corporate governance systems using data from A-share companies listed on the Shanghai and Shenzhen Stock Exchange from 2016 to 2018. Using Z-score alongside other quantitative techniques to gauge governance variables, the author employs multiple linear regression for analysis. The findings indicate

that ownership concentration, the percentage of shares executive stakeholders hold, and the remuneration paid to executives have significant, though negatively correlating, impacts on financial risks. The study suggests strengthened non-executive director policies, retention of ownership concentration, and efficient non-executive director incentive policies designed specifically to improve financial risk management to enhance financial risk governance in these companies.

Risk management practices are imperative for a bank's effectiveness and stability. Nguyen & Dang (2022) focus on ASEAN countries, using risk governance as the focal point. The assessment is aimed to understand the governance structure's impact on banks' insolvency, credit, and operational risks within the region. Using two-step GMM method dynamic panel models, the researchers show that banks in ASEAN operate under a low effectiveness level regarding risk management. These banks, however, do benefit from improved risk governance structures focusing on the bank's credit, operational, and insolvency risks. The authors recommend a regulatory framework for risk governance to improve risk management functions in the banks, hence, increasing bank stability.

The 2022 study by Villanueva et al. focuses on the increasing demand for Enterprise Risk Management (ERM) in the context of contemporary business developments. Its purpose seeks to explore the implications of risk governance, including the involvement of top management and structure of risk management divisions, as well as their practices and tools such as risk maps and treatment measures on the development of ERM. With hierarchical linear regression models, the study draws on a sample of 140 large private firms from various industries in Colombia. Findings reveal that as risk governance increases so does ERM with senior management involvement and organized risk management proving to be the most important determinants. The research highlights the growing ERM maturity associated with the implementation of risk maps and treatment measures, further illuminating emerging markets on the developmental aspects of ERM.

The 2018 study by Rashid et al. seeks to explore and rank the corporate governance elements that impact risk management in the banking sector of Malaysia. Using mixed methods, the study addresses some issues regarding the board's performance appraisal concerning its fiduciary and leadership roles. It was found that there is a high level of implementation of effective codes of corporate governance, particularly in regard to accountability which was

identified as the most critical determinant of enhanced risk management across all commercial banks in Malaysia.

The studies of Nguyen & Dang (2022), Villanueva et al. (2022), and Xu (2023) integrate risk management and corporate governance in fascinating ways. The former authors explore the relationship between governance structure and risk in ASEAN banks using a meticulous quantitative approach. Villanueva et al. prove the existence of a positive relationship between governance of risks and the implementation of Enterprise Risk Management (ERM) in Colombian companies while demonstrating the importance of commitment from top management in the senior echelon of the corporation. Xu looks into the ownership concentration with executive compensation and the financial risks of the A-share companies using a quantitative approach. Collectively, the studies provide insights into the intricate relationships that define risk governance globally.

These studies have something else to offer; they turn to Rashid et al. (2018), Yuwono & Ellitan (2024), and Xu (2023). Rashid et al. offer a detailed qualitative and quantitative analysis integrating their data on the specific corporate governance problems associated with risk management that afflict Malaysian banks. Furthermore, Xu widens the discussions with the analysis on A-share companies' financial risks and corporate governance based on the analysis of the financial risk of A-share companies with Z-score. Yuwono & Ellitan capture attention with their detailed study on the relationship between Corporate Governance (CG), Enterprise Risk Management (ERM), and organizational culture in the banking industry. These studies help us understand the corporate governance and risk management nexus by providing different angles of this nexus.

In the material of the last works, Nguyen & Dang (2022), Rashid et al. (2018), Xu (2023), and Yuwono & Ellitan (2024) address the risk management and corporate governance in an integrated presentation. It is argued that, for ASEAN banks, governance structure plays a key role in the creation of an effective risk management system and that the effectiveness of risk management in ASEAN banks is weak. According to Rashid et al., Malaysian banks have generally adopted corporate governance codes and accountability has improved their risk management capabilities greatly. Xu's study on A-share companies shows that ownership concentration and executive pay have a negative relation with financial risks. Yuwono & Ellitan's thorough analysis illustrates the interrelationship of CG, ERM and organizational culture, which collectively offer a framework for complete effectiveness in risk management.

These works increase understanding of the underlying issues and the potential for integration between risk management and corporate governance.

Both Nguyen & Dang (2022) and Villanueva et al. (2022) provide insights on risk management; however, they possess similar shortcomings. Both studies employed rigorous methodologies, though their predominant reliance on quantitative techniques may lead to the overlooking of subtle qualitative factors, especially in terms of risk governance. The gaps in the collection methods of the data, particularly with respect to capturing the real-time evolution of risks, limit the studies' relevance in fast-paced industries. The focus on specific regions also narrows the scope of applicability of the findings on a global scale.

Addressing individual gaps in research, Rashid et al. (2018), Xu (2023), and Yuwono & Ellitan (2024) face unique challenges. The focus of Rashid et al. on Malaysian banks imposes restrictions on the broader applicability of the outcomes across the banking sector. Xu's focus on financial risks and corporate governance is limited to A-shares, excluding other segments of the market. Yuwono & Ellitan's broad scope of study presents the challenge of measurement, particularly in objectively quantifying the organizational culture, which introduces interpretive subjectivity. All these studies also lack the framework needed to juxtapose and integrate disparate findings, resulting in the absence of a comprehensive understanding of the relationships examined.

In the last set of studies, Nguyen and Dang (2022), Rashid et al. (2018), Xu (2023), and Yuwono and Ellitan (2024) discuss important conclusions that have consequences. Nguyen and Dang discuss the ASEAN banks' perceived ineffectiveness at managing risk comprehensively as a cause for possible systemic weaknesses. Rashid et al. identifying accountability as a predominant characteristic in Malaysian banks also fits with increasing perceptions of industry accountability. Xu's results showing a negative relationship between concentration of ownership, the remuneration of executives, and the financial risks of the firm raise governance issues. Yuwono and Ellitan stressing the interrelation of CG, ERM, and corporate culture contribute to the explanation of why effective risk management requires integration. Collectively, these findings show the multidimensional nature and consequences of risk management and corporate governance.

It is necessary to utilize the broad sets of data for proper addressing of existing studies, with a focus on effective risk management practices and a balance between corporation governance.

Also, balancing the methodology along with grouped analysis seems to be another tackling area. The gaps need to be filled in order for the study to be invaluable and more impactful; this not only includes qualitative data, but quantitative as well in order to present multifaceted perspectives of the issue. Culminating all capitals, the strong insightful findings alongside robust industry steering methodologies serve as a backbone for the fresh capital industry. Risk management seems to be controllable with a few modification changes such as recalibrating the governance systems prescribed in refined structures that were chalked out in the studies. Adopting custody measures and constant recalibration of the previously studied frameworks will supersede the gap eliminating loop holes and will create adaptive measures universally appropriate for all socio-economic regions of the world.

Theoretical Framework of the Study:

(1). Introduction to Corporate Governance in SMEs:

Corporate governance is a topic of vital importance in the field of organizational management, including a set of processes, customs, policies, laws, and institutes that have an impact on a company's control and administration and way in which it is directed. It tries to preserve balance between the different stakeholders such as shareholders, customers, suppliers, government, management and community. Corporate governance is effective when it is transparent, accountable, fair and responsible in the decision making process and that creates 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. Responsibilities of the Board of Directors:** Setting corporate objectives, coordination of strategic guidance, overseeing management performance, and accountable. It is comprised of people who have been elected by shareholders to represent their interests and govern the company affairs (Rashid et al., 2018).

2. **Corporate Governance:** It insures that shareholder's rights are protected and respected. It includes the right to vote on important matters of the handling of the company's performance and activities, right to receive dividends, and to receive the relevant information provided on the performance and activities of the company (Rashid et al., 2018).
3. **Transparency and Disclosure:** Transparency is the openness and accessibility of the information pertaining to the company's operations, business condition and risk concerned along with its decision-making processes. It is defined as a timely and accurate reporting to shareholders and other stakeholders to enable the information for the decision makers (Alvi et al., 2019).
4. **Ethical Behavior:** The ethical practices also include the requirement for an organization to practice ethical behavior. It consists of following legal and regulatory requirements, ethical business practices, and implementation of codes of conduct and corporate social responsibility mechanism (Alvi et al., 2019).
5. **Corporate governance:** With effect of risk management processes, the effective corporate governance involves the process of identifying, assessing, mitigating and monitoring risks to the company's objectives or stakeholders. It ensures that the business is protected by appropriate risk management strategy and controls to protect the assets as well as the reputation of the business. (Alimoradi & Ahmad, 2019).

Overview of Governance Structures Tailored to SMEs:

Even though the principles of corporate governance are universalized, the structures of the governance in the Small and Medium Enterprises (SMEs) differ dramatically from that of the large corporations, depending on the size, ownership, and resource availability. SMEs tend to have simpler and more informal governance than is common in larger firms due to their smaller scale and fewer resources (Nuñez et al., 2023).

The owner management nexus is one of the distinctive features of SME governance. In many SMEs, ownership and management coincide and owners frequently take up both the role of primary decision making and the active management role. It offers the advantage of swift decision and operational responsiveness due to this close involvement. Given that separation of powers practised in large firms is often not present, this can also lead to poor accountability and oversight (Nuñez et al., 2023).

Furthermore, SMEs also make rather substantial use of informal governance mechanisms. Governance is typically based on trust, historically through family ties or personalized management, as opposed to personalized boards and committees. Such structures are informal, promote agility dwindling and flexibility allowing businesses to rapidly react to the market's fluctuations. Despite this, there is a possibility that the accountability and transparency in NGOs' governance systems cannot match the features of the mature corporate governance systems as Wen et al. (2023) described.

Adaptability in SMEs is also marked with the governance within them. While SMEs, as opposed to large firms, may follow standardized governance protocols in case of bankruptcy, they are able to tailor the governance model to their sector conditions and developmental stage. A strength of this flexibility is that it creates space for governance structure changes as the business grows more complex and expands (Wen et al., 2023).

Resource constraints are crucial in defining SME governance. Hence, there exists a need to adopt a more pragmatic approach to governance based on limited financial capital, time and specialization in expertise. This means that SME's concentrate on the streamlined processes in order to achieve business goal with least administrative costs and burden. It is in line with the broader operational realities many SMEs have (Wen et al., 2023).

Overview of Governance Policies in Saudi Arabian SMEs:

Using a broad definition, governance policies pertain to the structures, processes and practices by which organizations should be being led, managed and regulated. Governance policies play an important role in explaining decision making among SMEs in Saudi Arabia as they directly influence the state of decision making, accountability, and therefore stakeholders' interest. Although the governance mechanism in SMEs is different from one aspect to another such as industry, size and ownership structure, there are common principles cut across the governance frameworks used in SMEs (Al-Bassam et al., 2018).

Cultural, legal and regulatory factors affect governance policies for SMEs in Saudi Arabia. The legal basis of business operations in the Kingdom is constituted principally by Islamic law (Sharia) which emphasises the principle of justice, transparent, and ethics. The Saudi Arabian General Investment Authority (SAGIA) regulates investment related matters and attracts investors regarding small and mediums enterprises (Al-Bassam et al., 2018).

Even though governance is very important, however, Saudi Arabian SMEs have many difficulties to implement more robust governance policies because there are lacks of resources, lacks of awareness and informal business practices. Therefore, good governance frames and good corporate governance practice on SME's level have been recognized as a necessity for transparency, accountability and long term sustainability (Shalhoob & Hussainey, 2023).

Importance of Risk Management for SMEs:

Mismangement of risky assets by SMEs is required to identify, appraise, and adulunteer of vulnerable factors which may implicate in its operation, finances and reputation. SMEs operating in Saudi Arabia are exposed to numerous risks in the dynamic and competitive business environment such as market volatility (Rain & Khawaja, 2023); regulatory changes, financial instability, cybersecurity threat.

Thus, the proactive management of risk ensures SMEs forecast and reduce risk factors before they become problematic for the company, resulting in minimal risks to the company while maximizing potential of growth and resilience. SMEs can improve the implementation of decision making, business continuity, and trust building stakeholders by adopting a systematic approach to risk management (Oladapo et al., 2023).

Nevertheless, there are barriers for SMEs of Saudi Arabia to deliver risk management in a comprehensive manner at times, which include limited risk management expertise, inadequate financial resources, and absence of risk absorbent culture. Additionally, the fast changing business environment and growing risks including technological advances and global pandemics underscore the need to continue the risk management efforts (Bamahros et al., 2022).

Contextualizing the Saudi Arabian Business Environment:

Of all its countries, Saudi Arabia has a unique blend of traditional values, modernization efforts, and ambitious economic reforms, which characterize the business environment of the country. Being the largest economy of the Middle East, Saudi Arabia provides great SME opportunities from different sectors such as manufacturing, services, construction, and technology (Bamahros et al., 2022).

The Saudi government's Vision 2030 initiative seeks to move the country away from its dependence on oil revenues and to diversify the economy, as well as create conditions for an increase in private sector growth. Several initiatives and reforms have been undertaken to support SME development, especially the access to finance, simplifying regulations, and entrepreneurship support programs (Al Bassam et al., 2018).

Yet SMEs face bureaucratic hurdles, cultural differences and are competing against larger corporations when operating in Saudi Arabia. There are many reasons why SME's intend to adopt the business strategies that will help them establish their presence in the Kingdom and grow it; corresponding to this SME's navigate the country's regulatory landscape, secure financing, as well as collaborate with local partners (Al-Bassam et al., 2018).

The study concludes that the governance policies and the risk management would be the major objectives of SME's success in Saudi Arabia. To that end, SMEs can also embrace the challenges and the opportunities of the Saudi business environment as they adapt to it, and strengthen its governance frameworks and adopt robust risk management processes to become more competitive, sustainable and contributes 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. **General Investment Authority Saudi Arabia (SAGIA):** It is Saudi Arabia's authority, which regulates and promotes investment in the country. Also, it helps to establish and operate SME via investment licenses, facilitating foreign investment and creating a conducive business environment as it plays a very crucial role (Al-Bassam et al., 2018).

2. **Ministry of Commerce:** Ministry of Commerce, which is responsible for commercial activities in Saudi Arabia and registration, licensing and regulation of businesses in the country. In order to carry out their business activities and trade licenses, SMEs need to register with the Ministry of Commerce and follow the regulations concerning commercial relations, the commercial contracts (Al-Bassam et al., 2018).
3. **Capital Market Authority (CMA):** An authority that supervises capital markets in Saudi Arabia and sees to the fulfillment of the securities legislation and regulations. Though, SMEs may not directly correspond with either the Capital markets or their underlying stakeholders as investors, shareholders, and financial institutions, however, regulations of CMA bring in influence upon SMEs through its linkage with its investors, shareholders and financial institutions. (Shalhoob & Hussainey, 2023).
4. **Saudi Arabian Monetary Authority (SAMA):** SAMA is Saudi Arabia's central bank and responsible for overseeing the banking and financial sectors. Moreover, SAMA has direct impact on SMEs, as they rely on banks and other financial institutions for funding and credit facility among other services. (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. SMEs need to follow the relation of registering their business with the Ministry of Commerce, obtaining the required licenses and permits to legally conduct business in Saudi Arabia. It means that it requires the commercial registration certificate (CR) and a trade license that indicate the nature of the business (Rain & Khawaja , 2023).
2. Another aspect of SME's responsibility is to pay taxes and report financial matters as per laws and regulations enforced by the General Authority of Zakat and Tax (GAZT). It includes filing tax returns, paying taxes, and maintaining proper financial records as per the book of accounts (Rain & Khawaja , 2023).
3. Labor and Employment regulations govern such things as employment practice, wages, working hours and occupational health and safety for SMEs. It covers the

obtained work permits of expatriate employees to meet the specifications of recruitment, termination, and employee rights (Rain & Khawaja , 2023).

4. SMEs are encouraged to protect their intellectual property through patents, trademarks and copyrights. The Saudi Authority for Intellectual Property (SAIP) is the registration and enforcement authority for intellectual property rights in Saudi ARE whether they are nationals or foreigners and ensures SMEs the 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: New regulations or modification of existing policies brings compliance risks for SMEs. Failing to comply may incur penalties, fines, or litigations which affects greatly the SMEs financial position and reputation (Oladapo et al, 2023).
2. Operational Risks: Changes to SMEs' processes, systems, and procedures in relation to compliance due to regulatory changes may result in operational risks. New reporting requirements, tax policies, and licensing procedures create operational hurdles causing disruption to business efficiency and productivity (Oladapo et al, 2023).
3. Financial Risks: Regulatory changes brings business financial risks such as increased business operational expenses, compliance costs, taxation, and additional fees required by the regulatory bodies (Oladapo et al, 2023).

Reputational Risks:Involvement or even failure to comply with the stipulated laws results in loss of credibility and trust in the market which adversely impacts SMEs in unforeseen ways. Trust erosion due to unfavorable publicity causes the loss of competitive advantage while the remaining SMEs lose the ability to be trusted by stakeholders and consumers, adversely affecting reliance in market which diminishes SMEs' competitiveness(Oladapo et al., 2023).

As a result of regulatory changes, SMEs have to continually assess and manage regulatory risks, depending on regulatory changes, understanding regulations, implementing compliance measures, as well as seeking the advice of professional. However, in a way that effectively manages regulatory risks, SMEs can successfully navigate the regulatory realities, seize opportunities for growth and reduce its vulnerabilities to regulatory uncertainties (Oladapo et al., 2023).

(3). Governance Structures in Saudi Arabian SMEs:

The governance structure in Saudi Arabian small and medium enterprises (SMEs) varies widely depending on the size of the company, its ownership structure or the industry dynamic. The focus of this section is on the types of governance structures commonly found in Saudi Arabian SMEs, the role of boards of directors and executives in risk management, and the problem in putting them into practice.

Types of Governance Structures Prevalent in SMEs:

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

1. **Founder Governance:** In a number of SMEs, the governance is founder-driven where the founder or the owner actively makes the main strategic decisions and controls the workings of the business. This form of governance is also flexible and responsive to changes. However, it seems to lack adequate control and accountability systems (Naibaho & Mayayogini, 2023).
2. **Family SMEs Governance:** Family SMEs usually include some sort of governance where family members are on the board or have executive positions at the organization. Governance practices at these SMEs are shaped by family relations and informal relationships which complicate the delineation between ownership and management (Naibaho & Mayayogini, 2023).
3. **Professional Governance:** A number of SMEs have opted for a professional governance system where outside directors or professional managers are appointed to the company to offer guidance, supervision, and strategic direction. Corporate governance requires structures of professional governance to observe transparency, responsibility, and compliance with best practices of governance (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. **Risk Appetite by Setting:** In synergy with strategy, involved decision-making processes and management practices, the board of directors sets the company's risk appetite and tolerance level. It also monitors and ensures that risk management remains aligned with the defined risk appetite framework of the company (Oladapo et al., 2023).
2. **Oversight and Monitoring:** The board oversees and monitors the implementation of risk management, including the assessment of risks, measurement of key risk indicators, and the implementation of risk control strategies (Rain & Khawaja, 2023).
3. **Decision-Making:** The board also decides upon policies and strategies for managing risks, allocating funds for implementation, and approving risk management frameworks, including policies and strategies. The board delegates authority of integrating risk management into business processes and operations to the executive officer, the chief executive officer, and senior management (s) (Ramsay & Rishmawi, 2023) (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. **Scarce Capital:** SMEs tend to have limited access to financial, human, and technological resources which hinders their ability to develop sophisticated governance frameworks and dedicated risk management systems (Al-Bassam et al., 2018).
2. **Lack of Best Practices:** Some SMEs tend to have gaps in the corporate governance framework, best practices, and even lay down policies and secondary legislation resulting in informal governance structures, ad-hoc decision-making, and significant compliance deficits (Al-Bassam et al., 2018).
3. **Family Dynamics:** Family-owned SMEs may face conflict regarding governance issues such as family disputes, the pathway to succession, and the delineation or blurring of ownership and management functions. The duality of family congruence and professional governance is often fraught with complexities (Al-Bassam et al., 2018).
4. **Compliance Burden:** Coupled with governance rules, SMEs will also be regulated by other government bodies, industry collectors, and even financial enterprises which pose other regulations to be conformed. SMEs, more so those with scant legal or compliance knowledge, encounter the constantly shifting approval boundaries and intricate systems through which a business-they-must-have locate their compliance with ease (insert sth here) need to ensure compliance with numerous complex and ever-changing regulatory requirements(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:

The theoretical frameworks regarding the transparency in SMEs include agency theory and stakeholder theory. In agency perspective, transparency mechanisms (financial disclosure and operational reporting) are designed to eliminate agency conflicts through decreasing information asymmetry between management and stakeholders (Jallali & Zoghلامي, 2022). A similar way in which SMEs can foster effective governance practices is by providing stakeholders with relevant information to increase trust and accountability. Similarly, stakeholder theory puts emphasis on transparency within the ambit of building the trust as well as maintaining a positive relationship with the stakeholders. Transparent communication of organization's objectives, performance, and decision making process not only creates a sense of confidence among stakeholders but also builds a good reputation and credibility of an organization in the market (Naibaho & Mayayogini, 2023).

Importance of Stakeholder Engagement and Its Role in Risk Management:

Effective risk management of SMEs is a stakeholder engagement. From a stakeholder theory, stakeholder involvement in risk management process improves risk identification, assessment and mitigation strategies (Jallali & Zoghلامي, 2022). SMEs can involve its stakeholders usually from different sectors like customers, employees, suppliers, and regulatory bodies to get insights about the potential risks and to make its risk management strategies more comprehensive. In fact, stakeholder engagement is an important factor to create ownership and accountability among stakeholders and to maintain commitment to risk management objectives and measures. Not only that active stakeholder engagement suggests the level of transparency and free flow of information so as to timely exchange necessary information thus achieving harmonious effect about the risk management practice (Ozcelik & Ercek, 2023).

Theoretical Models on Effective Communication with Stakeholders in Risk Management:

Several models have been proposed based on theoretical frameworks of communication to achieve a better stakeholder communication in the context of risk management. The stakeholder engagement continuum is one such model categorizing communication strategies according to stakeholder level of involvement and influence in the decision-making processes

(Wen et al., 2023). This model acknowledges that stakeholder engagement is not a one and one methodology and so calls for tailoring communication strategies to the requirements and interests of various stakeholder groups. One such other model is the stakeholder salience model that first identifies the attributes of power, legitimacy, and urgency that affects the need to prioritize and engage the stakeholders in order to shape the communication strategies. An SME can effectively allocate resources and produce the most effective communication efforts by focusing on the most salient stakeholders (Wieczorek-Kosmala & Henschel, 2022).

Moreover, stakeholder inclusiveness is also a principle, and this means it is important to bring in all stakeholders who can contribute to the risk management process because it helps reach to the project in toto by attaining the comprehensive identification, assessment and mitigation of risks. The focus of this approach is the benefits of collaborative decision making, and to encourage SMEs to solicit input from stakeholders at different organization and external environment levels. This has helped small and medium sized enterprise SMEs to employ stakeholder inclusiveness to utilize the combined capacities and wisdom of the stakeholders thereby enabling SMEs to make better risk management decisions and adopt risk mitigate strategies prior to the incidents (Naibaho & Mayayogini, 2023).

On the other hand, the elements of good governance and risk management in SME are transparency and the participation of stakeholders. For an SME, transparency can be a choice to improve SME's reputation, build trust and enhance the SME's accountability in market. As with proactive stakeholder engagement, collaboration, accountability, and access to the valuable insights of the stakeholder in the SME's risk management practice. The way out of this is to implement theoretical models and principles of effective communication in order to build up a culture of transparency and engagement that will improve SME's resilience and sustainability in the context of uncertain and changing 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 theories that are guiding organization and functioning of the governance activities in SMEs are usually from theoretical perspectives of agency theory and stewardship theory. On the other hand, with respect to agency theory, these agency conflicts between the management and stakeholders could be solved through some governance committees such as audit committees and risk management committees. These committees are supposed to rule management activities that they are going to make sure that alignment is made in relation to organizational goals and interests of the stakeholders (Jallali & Zoghلامي, 2022). Governance committees assist independent oversight and expertise in SMEs by increasing transparency, accountability and ethical behavior across SMEs. On the other hand, stewardship theory posits that governance committees are stewards of organizational resources who are authorized and called to maximize value for stakeholders. According to this theory, governance committees emphasize the contribution to the long-term organizational sustainability and they prefer proactive risk management and a procreation approach rather than depreciation of value (Paudel, 2023).

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

There are several theoretical models that influence decision making in governance committees such as; rational decision making, bounded rationality and behavioral decision theory. According to rational decision-making theory, governance committee members in deciding tend to go through all available information at hand, consider all alternatives and take the most optimal decision or course of action that is objective (Paudel, 2023). However, in practice decision making within governance committees tends to be constrained by bounded rationality which is a policy that recognises that decision makers are boundedly rational: they have a limited cognitive capability and is prone to different forms of biases and heuristics. For this reason, decisions made in the governance committee may fail to comply with the perfect conception of the model of rationality resulting in suboptimal outcomes (Ozcelik & Ercek, 2023).

In addition, behavioral decision theory provides additional information about the psychological factors that impact decision-making in governance committees. Its central understanding is that decision makers' preferences and choices are formed by cognitive biases, emotions, and social influence. Within SMEs, governance committees are potentially most prone to biases like groupthink, overconfidence and anchoring, which tends to results in

poor quality and objectivity in decision making. Additionally, the nature of governance committees such as composition and dynamics (diversities, conflict management mechanisms and leadership style), determines the outcome of decision making and risk management practices (Taufiq, 2023). SMEs in governance committees can also reduce potential biases that play a role in the decision making process, which would result in reducing the effectiveness of the decisions, using theoretical principles and cognitive biases associated with decision making as well as mitigation strategies (Wen et al., 2023).

It concludes in the last section about its stake that governance committees are crucial in monitoring organizational governance and risk management practice in SMEs. Agency theory and stewardship theory is used to provide insights on organization and functionality of governance committees to help in understanding the role of the independent oversight, transparency, and creation of stakeholder value. Governance committees are guided by theoretical models related to rational decision making, bounded rationality and behavioral decision theory that explain the cognitive bias and social influence that would affect decision makers to a certain extent. Through introducing theories into the work methods of SMEs' governance committees, the role of such committees, which are SMEs' responsibilities, can be strengthened in terms of their resilience and sustainability while the SMEs' governance committees become as transparent, accountable and able to make decisions methodically.

(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 international governance standards are of both institutional theory and legitimacy theory points of view from which their explanatory significance within the international governance for SMEs could be justified. It claimed that institutional pressure, such as norms, values and practices in operating environment, influence the institutional features, for example, SMEs. Whether they be international governance standards, the other one set by organizations like International Organization for Standardization (ISO) and the Organisation for Economic Co-

Opted Development (OECD), all these are wide ranging or were wide ranging best practices in governance (Malik, 2023; Villanueva et al., 2022), since they've been adopted. If SMEs are able to comply with these standards adequately, it may contribute to growing the legitimacy and credibility of the stakeholders (such as: investors, customers, regulatory authorities). Tangible evidence would be compliance to international governance standards may assist the stakeholders in understanding that the SMEs are positioned and are willing to transact and will adhere to the concept of transparency, accountability, and ethical conduct to reinstate trust and confidence (Malik, 2023).

According to the legitimacy theory, that legitimacy is important for organizational survival and the stakeholders' perception of legitimacy as an actual element that makes the difference when organizations succeed or fail. According to this theory organizations attempt at securing and retaining their legitimacy by complying with the given societal regularities. Shifting to a more legitimate means to show that they are adopting international governance standards offers eligibility to SMEs to prove that they are implementing global norms and practices (Wen et al., 2023). In particular, SME's can be very useful to be able to do the following and more: attract investment, penetrate global markets etc. A necessary condition to foster SMEs' credibility and endurance in the long run is matching their governance practice with international standards (Wieczorek-Kosmala & Henschel, 2022).

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

The process and impact of SMEs to adopt the international governance standards can be illustrated by a model such as the ISO 37001 Anti Bribery Management Systems (ABMS) model or the OECD Principles of Corporate Governance. Abms (anti bribery management system) model in accordance with ISO 37001 provides structure which incorporate into the development, creation, maintaining and developing abms across the grounds of globally standard effective practice practices. This standard can therefore allow SMEs to strengthen their ability to prevent, detect, and respond to bribery and corruption risks, to protect their reputation and integrity (Villanueva et al., 2022).

Similarly, the OECD Principles of Corporate Governance provides an entire framework for good corporate governance practices including transparency, accountability and shareholder rights. SMEs can strengthen their corporate governance by aligning their governance

practices with the OECD Principles, improve board oversight and strengthen internal controls (Malik, 2023). Consequently, this eventually can help enhance risk managing practices, attract greater investor confidence, and much more likely benefit the access to finance and capital markets. Indeed, adherence to international governance standards may facilitate SMEs' integration into global value chains leading to competitiveness and growth of SMEs in international markets and sustainable development in these countries (Yuwono & Ellitan, 2024).

This is concluded with the assertion that international governance standards have a key role in shaping SMEs' governance practices in order to make them more competitive and sustainable. International governance standards mean significant things to SMEs, at least from an institutional and legitimacy theory perspective, as they help to enhance credibility, legitimacy and trust in the stakeholders. SMEs can find models like ISO 37001 ABMS model, OECD Principles of Corporate Governance provide practical guidelines to adopt international governance standards to build their governance framework, strengthen their risk management practices and long term value creation. Taking an international governance oriented approach to SMEs allows them to secure their position in the global marketplace as well as 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. SMEs typically use SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis as a way to scan the internal and external factors that can impact their organisation's goals. While SWOT analysis as any other cue from the theory of management has also its advantages and disadvantages. But in the other way, it helps small and large enterprises to determine what is the risk, whether there are strengths and weakness, possible threats and opportunities (Rashid et al., 2018).**

2. **SMEs with technology driven systems also consider financial, technological and legal components with regard to market and company specific dynamics; it organizes brainstorming sessions with representatives of stake holders to identify risks (Temitope & Surunk, 2023).**
3. **Risk Registers: In SMEs, it's a common practice of creating categorized, documented and prioritized list of identified risks based on their likelihood and impact. Such a register allows to perform systematic control of risk over time and keeping them centrally documented in the form of business risks (<http://testoto.rashidis.org>, 2018).**
4. **SMEs practice scenario planning exercises so they can anticipate and plan in the future to mitigate risks that may potentially occur in the future. Such analysis of possible outcomes of such situations provides a guide to SMEs in developing risk reduction and contingency (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:

The practices of SMEs' risk assessment are shaped by the cultural, religious and industry specific factors in the case of Saudi Arabia. The adoption of Islamic finance principles (riba has been outlawed and gharar minimised) has had a significant influence on the PRDF. This results in the fact that many SMEs employ Islamic ethical standards in the setting of their risk management frameworks and integrate religious conceptions into the financial decisions making and risk evaluation processes (Shalhoob & Hussainey, 2023). Due to this, SMEs must also operate in a regulatory environment that is usually heterogeneous with respect to region and sector. For mitigation of legal, financial, and reputational risks, regulatory compliance is part and parcel of a good risk management regime for the Saudi context (Shalhoob & Hussainey, 2023).

Religious, legal and cultural considerations run deep, but the risk attitudes of Saudi SMEs are heavily conditioned by Saudi Arabia's cultural norms. Hierarchical decision making structures manifest themselves in business practices as they tend to prioritize relationship based networks or, as it's commonly called, the *wasta*. SMEs put much relevance on relational and reputational factors in their risk assessment frameworks, because of which trust and reputation are also key factors of risk interpretation and management (Shalhoob & Hussainey, 2023). In addition, the dynamics of industry are important to determine how to assess risk. For example, SMEs engaged in the finance, healthcare, construction sectors are prone to vulnerabilities because of market volatility, structural shifts in the regulatory environment, technological advancement and increased competition. These sector specific pressure require an adapted approach to risk management to respond to the distinctive threats each industry brings (Al-Bassam et al, 2018). These factors together indicate that any risk assessment of SMEs in Saudi Arabia must be nuanced and context specific.

(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. SMEs in Saudi Arabia tend to diversify sources from which they generate income in order to mitigate the impact of market volatility, recession, or risks restricted to a particular industry (Shalhoob & Hussainey, 2023).
2. SMEs can purchase insurance policies to transfer some known risks, for example, property damage, liability claims, or business interruption, to insurance vendors. The LND insurance coverage aims to help SMEs cope with financial loss caused by unexpected events or disasters (Rain & Khawaja, 2023).
3. SMEs undertake contractual risk management by carefully checking and negotiating the terms and conditions in contractual agreement, as well as indemnification clauses, liability limits, and dispute resolution mechanism (Rain & Khawaja, 2023).
4. SMEs are therefore able to identify, and address operational risks; improve efficiency and reduce errors, delays and inefficiencies in the operations of businesses, through operational controls and process improvements (Oladapo et al, 2023).

Embracing the technology solutions such as cybersecurity measures, data encryption and cloud-based backups helps SMEs to avoid the risks associated with the data breach, cyberattack and information security risks (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:

However, the ability of SMEs to effectively address risk through resource allocation is very important. Budgetary allocation is one of the leading strategies for SMEs as they allocate a part of their annual financial plans towards financing various risk mitigation activities. Acquiring risk management tools, investing on necessary technologies, conducting training programs and covering insurance premiums are some of the activities which are a part of a more resilient operational frame work (Ozcelik & Ercek, 2023). Human capital is another key area of investment since SMEs understand the impact of internal expertise in the midst of complex risk environments. Much of the time that is achieved is through the hiring of qualified risk management professionals, establishment of dedicated internal teams, or outsourcing of advisory services to specialized consultants (Al-Bassam et al., 2018). In parallel, SMEs increasingly become more interested in upgrading technologies to improve their risk management infrastructure. It includes enterprise risk management (ERM) systems or cybersecurity solutions such as Taufiq (2023) where they monitor and control potential vulnerabilities online in real time. Contingency planning is something that SMEs usually put into their financial strategy by having reserved funds for contingency of unexpected loss or disruption. The fact that these contingency funds increase the organization's capacity to absorb shocks and maintain continuity in processes during times of uncertainty (Taufiq, 2023). As a group, these allocation strategies constitute a proactive and multi-faceted approach to risk preparedness in the SME sector.

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. Technology for Data Analytics and Predictive Modeling:** SMEs can use this technology to analyze huge tranches of data and run it through trend analysis, patterns and correlation to predict and assess risk. Historical data is used to predict future risk and potential impacts via predict of modeling techniques, before SMEs can account the threats proactively (Wen et al., 2023).
- 2. Technology Helps Automate Risk Assessment Processes:** This technology helps automate risk assessment process, which means the workflow is streamlined, manual errors are decreased, accuracy and efficiency of risk assessment and identification are improved. The automation of risk scoring and prioritization helps SMEs work on high impact risk mitigation (Oladapo et al., 2023).
- 3. Real Time Monitoring and Alerts:** Digital tools allow SMEs to monitor real time key risk indicators, identify anomalies and to receive alerts or notifications for possible risks events. It provides for timely action and response to incipient risks, which has the effect of reducing their impact on the business operations (Wieczorek-Kosmala & Henschel 2022).
- 4. Using Technology, SMEs can perform scenario analysis and stress simulation test to see how the resilience of their business model and strategy will stand in the presence of different risks and circumstances. SME can explore various hypothetical scenarios in the form of risk and identify its vulnerabilities and put contingency plans in place to avoid its risks (Xu, 2023).**

Adoption of Digital Tools for Risk Assessment and Monitoring:

- 1. Risk management software:** This type of software is dedicated to SME's, and is used for risk management, as it has a variety of features to identify, assess, mitigate, and report risks. Xu (2023) provides an exemplar of these software

solutions as they include customizable risk registers, heat maps, dashboards, and reporting capabilities to aid with making informed decisions.

2. **Increased prevalence of cyber threats:** In the event of increased prevalence of cyber threats, SMEs will invest in cybersecurity solutions such as firewall, intrusion detection system, anti-virus software and encryption tools alongside in order to protect their digital assets and sensitive information from being accessed by unauthorized persons, data breaches and cyber-attacks (Alimoradi & Ahmad, 2019).
3. **Cloud-Based Risk Management Platform:** Cloud based risk management platform have an advantage of scalability, flexibility and lastly accessibility for SMEs to have remote access to risk management tools and data analytics capability from anywhere and any device with internet connectivity. On the other hand, cloud platforms offer secured data storage, backup and also disaster recovery options (Alimoradi & Ahmad, 2019).
4. **SMEs: Deploy Internet of Things (IoT) devices** with sensors, actuators for monitoring the physical assets, facilities and environmental conditions in real time. Risk management solutions which are enabled with IoT allow for proactive maintenance, predictive maintenance, and early detection of equipment failure, or safety hazard (Alvi et al., 2019).

Challenges and Opportunities in Leveraging Technology for Risk Management:

1. **Constraints:** SMEs may face constraints of Costs and Resources related to initial investment, ongoing maintenance cost and allocation of resources for adopting and implementing technology driven risk management. Nevertheless, the available technology advancements have resulted in low cost and scalable options that can cater to the needs of SMEs (Rashid et al., 2018).
2. **Data Privacy and Security issues:** As the digital dependence grows, there are data privacy, security and regulatory such as General Data Protection Regulation (GDPR) which are issues cause by our reliance on digital technologies. Yet, SMEs have to establish well designed data protection mechanisms and guarantee confidentiality, integrity, and availability of information that requires it (Rashid et al., 2018).

3. **Customization:** SMEs face the challenge of building technology that's not available to the market or which does not already exist. Data sharing, workflow automation, and cross function collaborative capabilities are enabled in its seamless integration, which enhance the effectiveness and efficiency of the risk management processes (Bamahros, Dallam, & Bernholt, 2022).
4. **Adequacy of Skills:** For the adoption and use of Technology Driven Risk Management Solutions, the SMEs may be exposed to skill gaps and training needs. Employee training and development programs you invest in help fill the skills gap to ensure staff members have the required abilities to exploit digital tools as well as to turn raw data analytics into insights that you can act on (Bamahros et al., 2022).

Finally, the adoption of technology provides great opportunities for SMEs to improve their risk management practices, improve decision-making, as well as reducing threats. With the help of digital tools to evaluate, monitor and attenuate risk, SMEs can obtain beneficial insight, enhance operational tenacity and defend their long-term sustenance in a more intricate and changeable business climate. Nevertheless, tackling the problems of cost constraints, data privacy, integration and human capital development are necessary to achieve maximum 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:** According to agency theory principal (shareholders)/agent (managers) interests may diverge due to different and disparate goals and incentives. Agency problems are framed by effective governance mechanisms like board oversight and incentive alignment in order to mitigate agency problems whereby managers act in the best interest of shareholders and stakeholders (Jallali & Zoghلامي, 2022).
2. **Stewardship Theory:** Stewardship theory claims that managers are naturally going to do the best for the constituents such as the shareholders and other stakeholders and will view themselves as a steward of the resources belonging to the company. This view considers that governance mechanisms entail empowering and remunerating the managers so as to encourage them to undertake responsible execution over the firm's assets and operations (Jallali & Zoghلامي, 2022).
3. **Resource Dependence Theory:** Resource dependence theory stresses on the relation between organization and its external environment like customers, suppliers, stakeholders and regulators. Good governance structures provide SMEs with the ability to handle dependencies and minimize risks through transparent relationships, choosing adequate resources, and adapting flexibility to the market variability (Wieczorek-Kosmala and Henschel, 2022).
4. **Contingency Theory:** Contingency theory states that governance structures should depend on a specific set of conditions like the size of the organization, its industry, the ownership structure, or the external environment. Contingency based governance is characterized in the context of SMEs as being flexible, adaptable and comparable to the firm's strategic goals and 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).

One theoretical foundation is based on alignment of interests among stakeholders and management. With these governance mechanisms, such as board oversight and executive compensation, managers' interests are maintained in line with shareholders' interests and agency costs in the institutions are minimized thereby increasing risk management effectiveness (Naibaho & Mayayogini, 2023).

An alternative theoretical foundation is based on stewardship theory, which states that the managers' act in the role of a steward of the organization's resources. In this view governance structure is effective in empowering managers to perform stakeholder responsible stewardship on the firm's si have and operations and consequently aid in protecting the firm's assets and operations from risks (Gulzar et al., 2021).

Resource dependence Adaptation: A resource dependence theory stresses relationship between organization and outside environment. Governance structures help organizations to manage dependencies and opportunities by establishing transparent relationship with the stakeholders in order to diversify the resources and to adapt with changing market condition (Alvi et al., 2019).

Adaptability and Contingency: The adaptation and contingency theory emphasizes the adaptability of the governance structure depending on the situation and needs of the organizations. Flexible governance frameworks that are congruent with firm's strategy and competitive environment allow the firm to shape its governance to changes (Malik, 2023).

Another theoretical foundation also refers to organizational culture and ethical frameworks. Risk aware garage is one of the garage which tends to identify, report, and address risks in a timely manner because it has developed strong governance culture in integrity, transparency, and accountable (Yuwono & Ellitan, 2024)

Organizations can use these theoretical foundations to construct such governance structures that will promote the practice of effective risk management, thereby improving organizational resilience, sustainability, and their future 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:** This model breaks down the roles and responsibilities of various functions within an organization for the management of risks. Operational managers responsible for finding and controlling day to day risks are in the first line. Second line consists of risk management and compliance function performing risk management related activities and coordinating with other risk management activities. The third line of the function involves providing independent assurance and validation on the process compliance with the risk management policies and regulation (Villanueva et al., 2022; Alimoradi & Ahmad, 2019).
2. **Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) framework:** The COSO ERM framework offers a holistic view for the control of risks on the organization at large. It includes eight connected segments: the internal natural setting, goal setting, event determination, risk measurement, risk resolution, control activities, data exchange and conversation, and checking. A COSO ERM framework can be implemented with the provision of clear roles and responsibilities, accountability and risk awareness through the governance structure (Yuwono & Ellitan, 2024).
3. **The ISO 31000:** Risk Management Standard provides principles, framework and process guidelines for effective risk management. It advocates for leadership, commitment, and governance which will lead to the practice of risk management. The adoption and implementation of ISO 31000 can be promoted through governance structures that promote transparency, accountability and stakeholder engagement and will improve risk management capability and outcomes (Villanueva et al., 2022).
4. **Corporate Governance Codes and Guidelines:** Everywhere the countries have tried to introduce corporate governance codes and guideline to make the organisation transparent, accountable and ethical. They mean provisions and recommendations applying to, amongst others, the oversight of risk management, composition of the board, risk disclosure and internal controls. Codes that are adhered to by the governance structure serve as a commitment to sound risk management practices and

the investors are attracted to the structures of governance as it helps build investor confidence and organizational resonance (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:

Both our theoretical frameworks in the pursuit of effective risk management are a multitude of theories that provide a comparative analysis to the multidimensional nature of risk and effective risk management. Prospect Theory is one of these that provide insights into how people perceive risks and how they react to risks but this reflects also on the role of cognitive biases and heuristics in decision making under uncertainty. Risk management strategies of individuals have been influenced by Prospect Theory in terms that they are risk averse for gains but risk seeking for losses (Alimoradi & Ahmad, 2019).

Furthermore, while Risk management is also based on dynamic and interconnected systems, with non-linear interaction and emergent properties, Complexity theory does not assume the organization is static. Complexity Theory emphasizes the value of adaptability, resilience and learning in navigating complex risk landscapes and demands of the organizations to be prepared for uncertainty and ambiguity in modern business environment. SMEs can boost their ability to predict, react to and benefit from unexpected risks and opportunities by cultivating a culture that embraces experimentation, innovation and agility (Taufiq, 2023).

Models Assessing Factors Contributing to Successful Risk Management Outcomes:

Different models and frameworks have been built to figure out the variables that lead to ends achieved in risk management and allow organizations longing to better risk management effectiveness (Wen et al., 2023). For example, the Bayesian Network model uses the probabilistic reasoning to assess complex risk scenarios by combining quantitative data, expert judgment, causal relationship for probabilistic forecast and risk mitigation strategy assessment. This model helps organizations understand high impact risk, rank risk responses, and effectively allocate resources that enhances their risk management capability as a whole (Temitope & Sorunke, 2023).

Furthermore, the Bowtie Risk Management model works as a visual model of risk scenario that depicts risk relationships between hazards, threats, controls, and consequences (Temitope and Sorunke, 2023). The Bowtie model helps organizations proactively identify risk, to launch scenario analysis and contingency planning using it, which enables them to avoid, manage and regroup from the sad consequences of unfortunate events. This model embraces collaborative risk management processes and facilitate communication, coordination as well as accountability among various organizational boundary (Naibaho & Mayayogini, 2023).

Thus, in the final section of this thesis, I make the case for a deep link with theoretical foundations like Prospect Theory, Complexity Theory, that provide valuable insights into human behavior as well as to business organization dynamics when it comes to uncertainty. Bayesian Network and Bowtie Risk Management are such models which give us the practical tools and techniques to analyze risks, prioritize actions and increase the resilience. Taking a multi-disciplinary risk management approach and deploying risk management models and frameworks that are cutting edge, SMEs today can navigate through today's complex risk landscapes with confidence and at the same time benefit from the 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 essentially operate in dynamic and volatile environments with a low level of resources, limitation of the access of the capital, and high uncertainty. Theoretical contribution comes from transaction cost economics (TCE) concept which explains that challenges SMEs encounter in governance and risk management are due to the costs associated with contracting and coordination (Naibaho & Mayayogini, 2023). Jallali and Zoghلامي (2022) claim that SMEs are smaller to be able to set up formal governance structures and mechanisms and that will result in higher transaction costs and inefficiencies in the risk management processes.

In addition, Agency Theory draws lessons on the principal–agent relation in the SME which the owners delegate decision making authority to managers (Jallali & Zoghلامي, 2022). In SMEs, overlaps in owners, and managers’ roles have been found to blur accountability lines and result in agency conflicts affecting governance effectiveness and risk management outcomes. It is this principal–agent dilemma that also underscores the difficulty of SMEs in the alignment of incentives, monitoring performance and in the reduction of agency costs by stressing the need for clear governance mechanisms and accountability frameworks (Gulzar et al., 2021).

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

However, due to resource constraints, SMEs face a major challenge in governance and risk management, and this restrains them from investing considerable resources in building good governance structure, risk assessment tools, and compliance mechanisms (Taufiq, 2023). Theoretical Resource Dependence Theory (RDT) provides an understanding of how SMEs utilize external resources and external relationships in attempts to address resource constraint as well as context of governance and risk management. Ozcelik and Ercek, 2023, highlight the importance of resource acquisition and diversification for the resources to obtain resilience and sustainability, on the specific importance of the resource acquisition, diversification hypothesis for SMEs.

In addition, Institutional Theory shows the effect that regulatory pressures and institutional environments have on SMEs’ governance and risk management practices. The barriers to the implementation of effective governance and risk management mechanisms by SMEs may be higher in environments in which regulatory frameworks are strict and compliance costs are

high. SMEs' behaviors and decisions are shaped and influenced by institutional pressures including normative, coercive and mimetic forces (Paudel, 2023, p. 148), and consequently affect their governance practices, risk disclosures and strategies to engage with stakeholders.

Overall, issues faced by SMEs in governance and risk management are numerous, as they arise from the nature of their uniqueness, their operating environment as well as their resource constraints. Theoretical workings related to transaction cost economics and agency theory give us understandings about the challenges of generating governance mechanisms for and dealing with agency conflicts of SMEs (Alsalem & Husin, 2024). The resource dependence theory and institutional theory can be used to study how resource constraints and institutional pressures impact SME's governance and risk management practices. With strategic planning, allocation of resources and engagement of stakeholders SMEs can intimate the governance effectiveness and mitigate the risk thus making it more successful and sustainable in the long run (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:

Utilizing Institutional Theory, the evolution of governance policies can be understood specifically because organizations are shaped by their context or the broader institutional environment. From Institutional Theory perspective governance policies are formed based on changes in the society's norm, the regulatory environment and the stakeholder's expectation. As time goes by, the governance policies of organizations have to be updated to adapt to the changes of societal values and norms (Yuwono & Ellitan, 2024).

Additionally, Resource Dependence Theory advances theory surrounding the influence of external dependency on governance policy. It is assumed that an organization needs external resources like capital, technology, and expertise to function normally. Organization policies

for governance and dependencies must change as availability and nature of these resources evolve over time, to manage dependencies and continue access to indispensable resources (Malik, 2023).

Models Illustrating the Adaptability of Governance Frameworks:

The Contingency Theory is one model that shows how governance frameworks of any kind can serve as adaptable to the proper context and environmental conditions. In the dynamic business contexts of growing technological environment, globalization and governmental changes; Organizations need to have flexible governance systems that can keep up with these circumstances. According to the Contingency Theory, the effectiveness and efficiency of governance policies are related to aligning policies with the organization's goals and opportunities as well as with its internal resources and external threats in order to maximize the performance (Xu, 2023).

The second model is the Adaptive Governance Model that acknowledges that governance frameworks must adapt according to internal and external pressures. The emphasis on this model is on the iterative nature of governance; policies will continue to be reviewed, re-based, and reworked as changing challenges and opportunities arise. The Adaptive Governance Model urges organizations to undertake proactively with governance, keeping on eyes open to change in the business climate and altering policies, contemplating the capacity to keep up with and develop the business (Alimoradi & Ahmad, 2019).

Additionally, the Stakeholder Theory emphasizes the importance of its engagement in the policy making regarding the governance. In the dynamic business environment, stakeholders are extremely important for exercising influence over the decisions taken and the policies adopted in any organization. Organizations can leverage diverse perspectives and increase the legitimacy through active involvement of the stakeholders in the governance process. While there is no clear consensus on the exact composition of the stakeholders in an organization, focus is given to the Stakeholder Theory which highlights the balance of the interests and dynamics of various stakeholders and provides governance policies which extend to different stakeholders as the dynamics of the stakeholders change.

It is therefore concluded that theories and models of governance policies are required to be adopted by organizations to be adaptive and flexible in the dynamics of governance policies.

The evolution of governance policies over time is subject to theoretical exploration, as they apply the Institutional Theory and Resource Dependence Theory. Examples of such models include Contingency Theory, Adaptive Governance Model, and Stakeholder Theory, which will provide practical guidelines on how to build up a governance framework of an organization to fulfill the dynamic adjustment of a business environment and ever-increasing stakeholder expectations. Efficient navigation of uncertainty and long term success is possible by the organization when it embraces the principle of adaptability and flexibility in governance.

(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 shapes organization's governance structures because they are expanding their operations across borders and operating in different regulatory environments. The first theoretical perspective is the Convergence Theory, which deduces that globalization will result in uniformity of governance practices around the globe (Temitope & Sorunke, 2023). Due to the companies' operation in various jurisdictions, they are bound to adopt common systems of governance that follow international norms and regulations. One of the outcomes of this convergence in governance practices is to allow cross border operations, as well to facilitate transparency and accountability (Naibaho & Mayayogini, 2023).

On the other hand, the Divergence Theory claims that globalization increases artificial differences among governance structures of countries. There will still be variations both between legal systems, cultural norms and business practices within localities. With increasing SMEs' foreign market expansion, they have to deal with these divergent governance landscapes and adjust their governance policies to the local contexts. However, this involves a nuanced understanding of regional regulations, cultural sensitivities and stakeholder expectations (Jallali & Zoghlami, 2022).

Models Explaining How SMEs Can Align with Global Governance Standards:

Many of the models and frameworks available for the adaptation of the best practices are meant to align SMEs with global governance standards. An example of such a model is the Global Reporting Initiative (GRI) framework for sustainability reporting. By implementing the GRI guidelines, SMEs can improve transparency, accountability and stakeholder engagement as to fulfil global requirements for corporate governance (Nguyen and Dang, 2022).

The second model is the ISO 26000 standard with which companies can get the guidance of social responsibility and ethical behavior. Implementation of the ISO 26000 principles will help SMEs display responsibility to responsible governance practices including rights to human rights; labor rights; environmental sustainability; and anti corruption measures. By ISO 26000 certification, the organization indicates that it conforms to the international standards of a corporate governance and social responsibility (Villanueva et al., 2022).

Besides the United Nations Global Compact (UNGC) provides SMEs with the vehicle to integrate internationally their business global operations in terms of ten universally accepted principles with respect to aspects of human rights, labor, environment and anti corruption. Being UNGC implies that SMEs will support these principles and incorporate them in the business strategy and operation. As a participation to either the UNGC shows the degree to which SMEs are committed to ethical governance practices as well as to the global network of responsible businesses (Malik, 2023; Taufiq, 2023).

The set of internationally recognized standards of corporate governance constitute the Organization for Economic Co-operation and Development (OECD) Principles of Corporate Governance. SMEs can use these principles as a benchmark to review and improve governance set up, including in relation to shareholder rights, board responsibilities and clarity (Malik, 2023). SMEs' participation in the OECD principles enhances their credibility and reputation for the global market as there exists the access to the capital market, participation, and other international markets (Wieczorek-Kosmala & Henschel 2022).

Finally, opportunities and challenges in governance on globalization for SMEs came to a conclusion. Theoretical insights from Convergence Theory and Divergence Theory shed light on the complex interplay between global forces and local governance structures. The models

like the GRI, ISO 26000, UNGC and OECD Principles serve as practical frameworks for SMEs to integrate with global governance standards and thus the companies become transparent and aware themselves and can make themselves lead of an impressive responsibility and also compatible to global governance standards. This enables to carry out the complexities of the global market, to build trust with stakeholders and to establish the sustainable development on international scale in line with the global governance standards.

(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:

Due to the rapid change in the governing policies and risks management scheme of SMEs in response to the globalization of technological, environmental and regulatory changes, the landscape of governance policies and risk management for SMEs is evolving rapidly. Digital revolution remains one of the most transformative developments, in which it becomes increasingly common for SMEs to adopt technology driven solutions like artificial intelligence, blockchain, and big data analytics. These tools enable more proactive and predictive risk management approach, which helps SME to detect, assess, respond to risk in real time with a higher accuracy of (Temitope & Sorunke, 2023). Backed by digital transformation, the world is increasingly placing an emphasis on sustainability as well as the integration of the Environmental, Social, and Governance (ESG) principles in corporate strategies. They now expect SMEs to integrate ESG aspects in their governance frameworks and to embed risk management in accordance with broader roles the business fulfils for society and environment. In this regard, this trend is not only due to regulatory pressure but also due to changing stakeholder expectations of transparency, ethical behaviours and long-term value creation (Temitope & Sorunke, 2023). There is also a major change in regulatory compliance. Due to stricter and more complicated requirements and legal standards, SMEs have to strengthen their compliance infrastructure. Automation tools and regulatory technologies (RegTech) are likely to automate reporting and compliance efforts and, therefore, minimize the risk of fines and damaging reputation (Naibabo & Mayayogini,

2023). Additionally, SMEs have learnt from the COVID 19 pandemic that global supply chains are fragile and therefore should focus on supply chain resilience. Here, having strategies like supplier diversification, digital monitoring of supply chain, and agile response framework has become important in handling SME risks to come (Jallali & Zoghلامي, 2022). The need for SMEs to adapt to changes, literate in technology, and socially responsible in their governing as well as risk management enforces these emerging trends.

Anticipated Challenges and Opportunities in the Saudi Arabian Business Landscape:

Under the influence of Vision 2030, a strategic plan to diversify the economy away from oil dependence, the business environment will change for SMEs in Saudi Arabia. This ambitious plan places SMEs as the center of national development, expecting that they will lead in innovation, entrepreneurship as well as employment generation. This vision however has challenges in terms of getting the finances, fighting regulatory hurdles, and competing against intensified market competition (Oladapo et al., 2023). Growth and competitiveness is immense through technological development and adoption of which many SMEs find themselves unable due to financial resource constraints, digital infrastructure gaps, and skills shortage. As the risks around digital transformation increase due to cyber security threat, these barriers compounded further (Oladapo et al., 2023). In addition, SMEs in Saudi Arabia need to remain agile and adapt their marketing strategies to change emerging consumer behavior where it is driven by demographic shift, digital engagement and heightened expectations of customization (Bamahros et al., 2022). However, on a larger scale, the globalization, international trade dynamics bring both the hope and uncertainty. Global trade makes new market and customers, but there are regulatory, geopolitical instability and currency fluctuations concerns which affect profitability and operational efficiency (Bamahros et al., 2022). To survive in this changing environment, Saudi SMEs need to take advantage of policy support, adopt technological innovation and develop vibrant market strategies.

Implications for Policymakers, Business Owners, and Stakeholders:

Considering the changing business landscape and increasing demands on SMEs, SMEs ecosystem needs to be chemically resilient and innovative so that different stakeholder groups need to act in unison. This role of policymakers is crucial in crafting supportive environments for SME growth, innovation and sustainability. It involves lowering the cost of finance,

streamlining procedures of taxation and licensing, making entrepreneurship friendly frameworks that simplify bureaucratic burdens, formalize and widen (Khawaja & Rain, 2023). Respectively, business owners are necessitated to conduct digital transformation and do continuous professional development. Today, the integration of the most trendy technologies and the upskilling of the employees is no more a choice but it is a must to keep pace with the drastic transformation in the dynamic pace of the global economy. The long term resilience can be ensured by adopting culture of innovation and adaptability (Rain & Khawaja, 2023). At the same time, all levels of stakeholders such as investors, advisors, and regulators should place risk management at the highest core strategic activity. It includes risk assessment, implementation of comprehensive contingency plans, and building the organization's culture of awareness and organization response to uncertainty (Shalhoob & Hussainey, 2023). Finally, it is crucial to enhance collaboration and knowledge sharing in and amongst sectors of innovation and best practice. The exchange of solutions among SME, public private partnerships, industry networking events and collaborative platforms between academia, government and businesses can happen thus reducing inefficiencies and synergies (Shalhoob & Hussainey, 2023). Taken together as an aggregation of these coordinated efforts, this creates the enabling mandate which does not only supports SMEs' survival, but enables them lead in innovation and sustainable growth.

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:

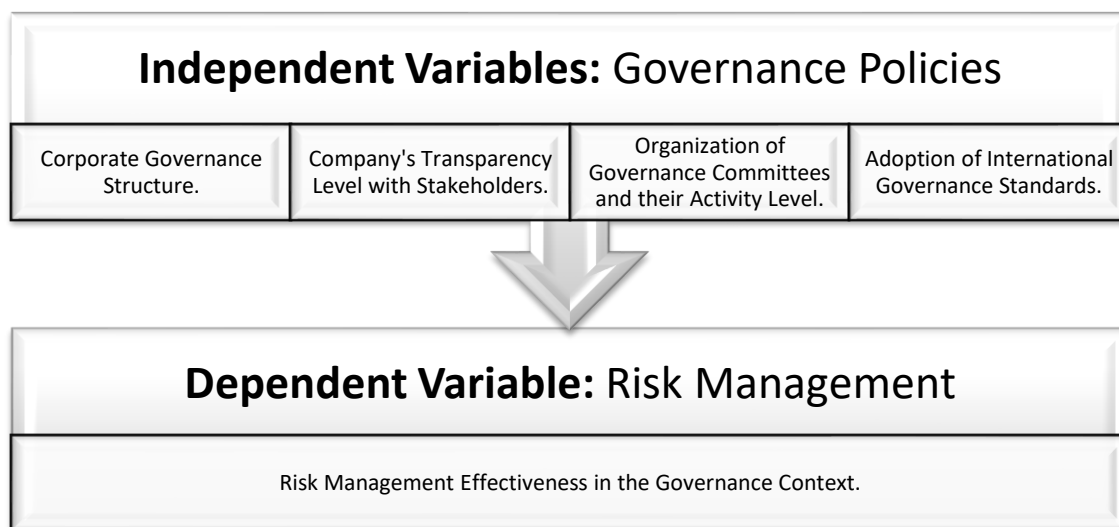


Figure.1 Research Variables Design

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: AHMAD ALOHALI

Supervisor: Dr. ALFAISAL HASAN

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 AHMAD ALOHALI under the supervision of Dr. ALFAISAL HASAN 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:

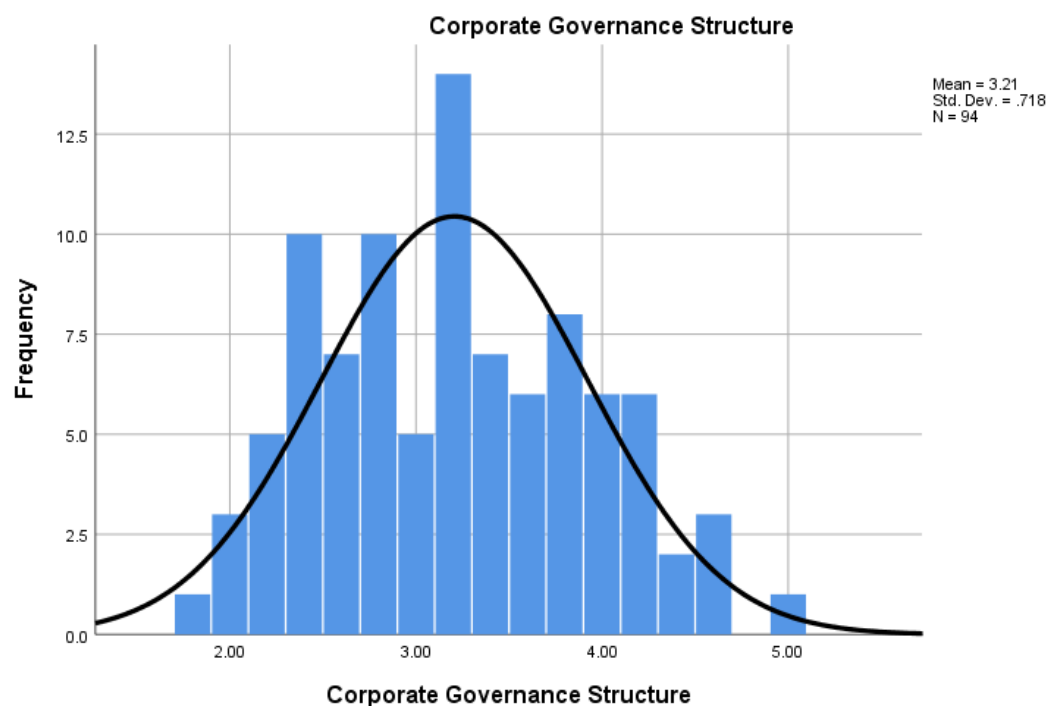


Figure.2 Histogram of public opinion trend for Corporate Governance Structure

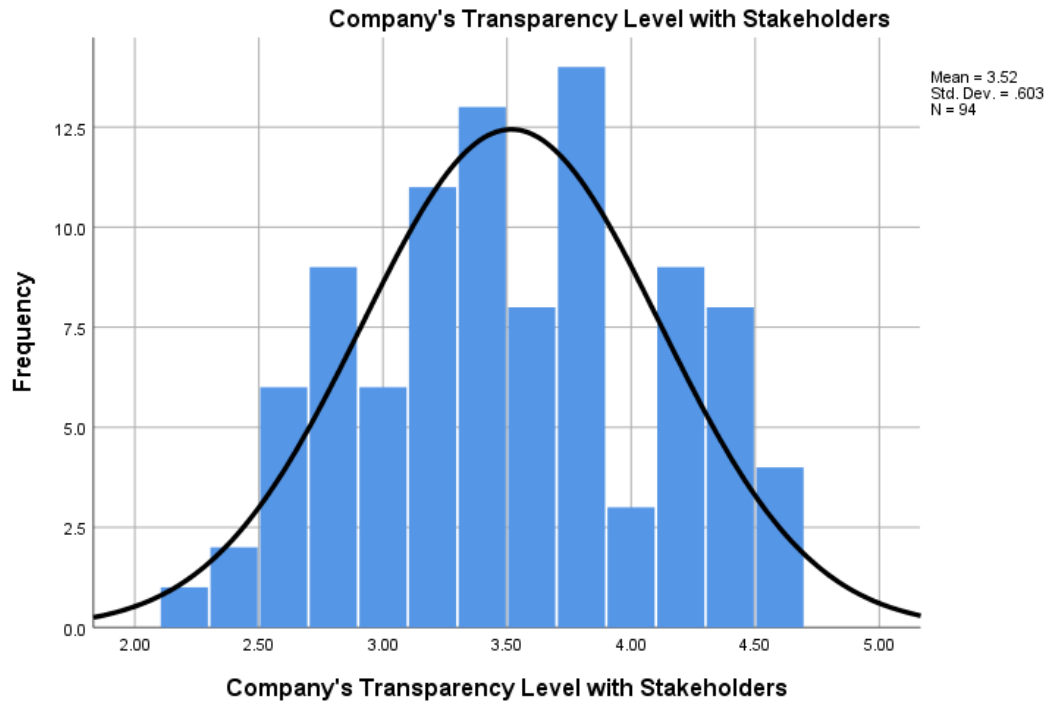


Figure.3 Histogram of public opinion trend for Company's Transparency Level with Stakeholders

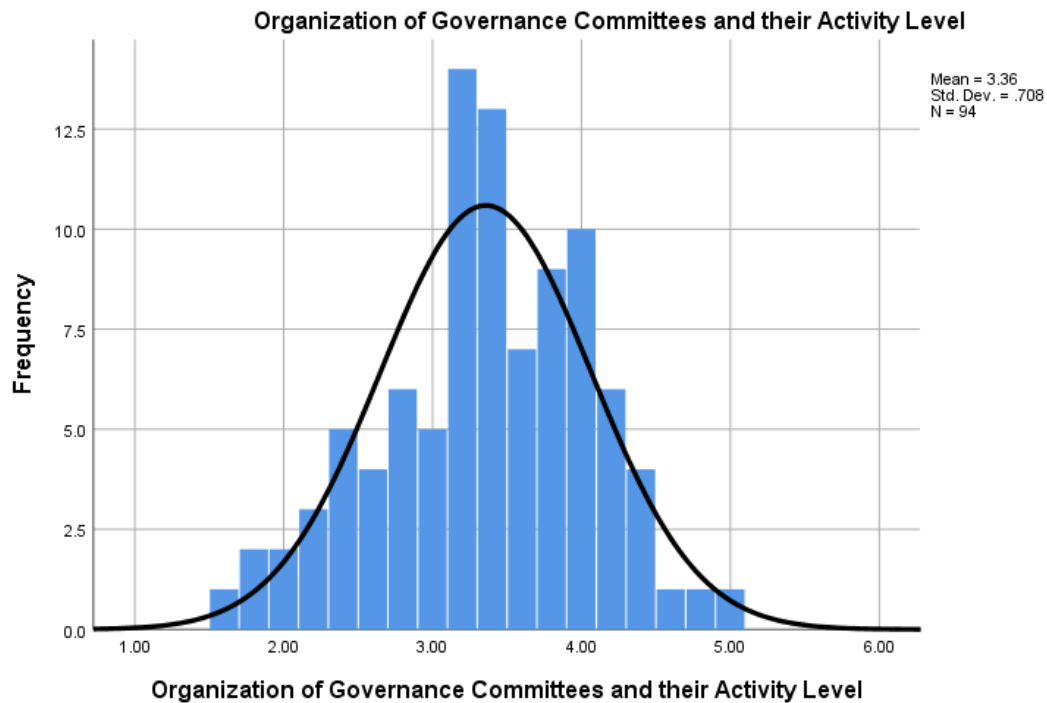


Figure 4 Histogram of public opinion trend for Organization of Governance Committees and their Activity Level

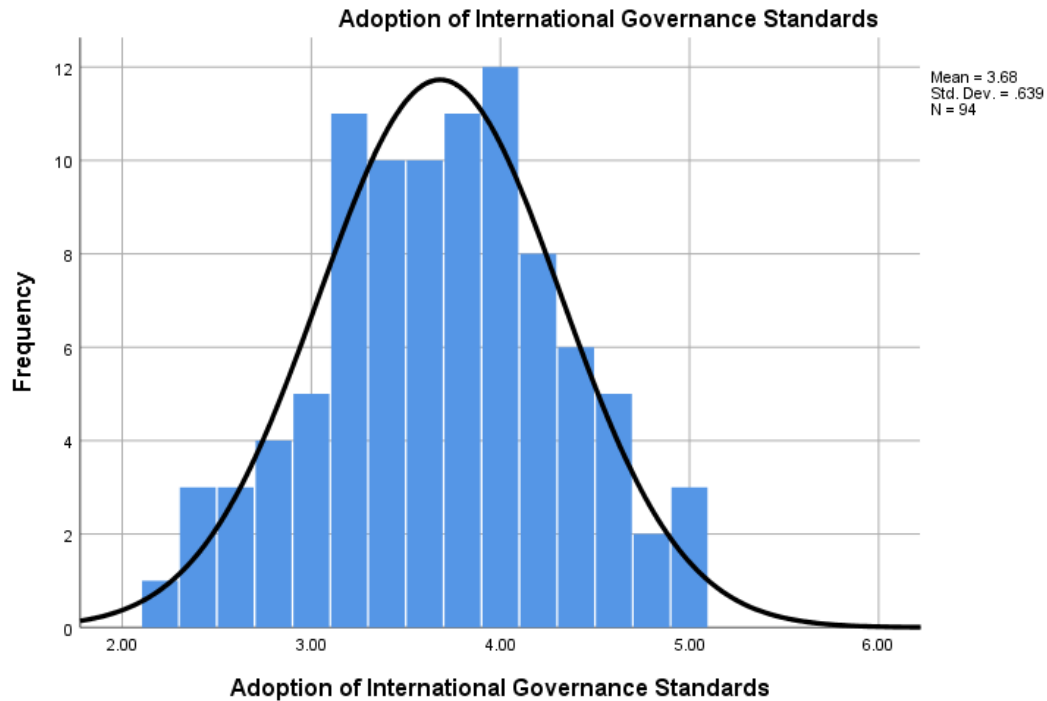


Figure.5 Histogram of public opinion trend for Adoption of International Governance Standards



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

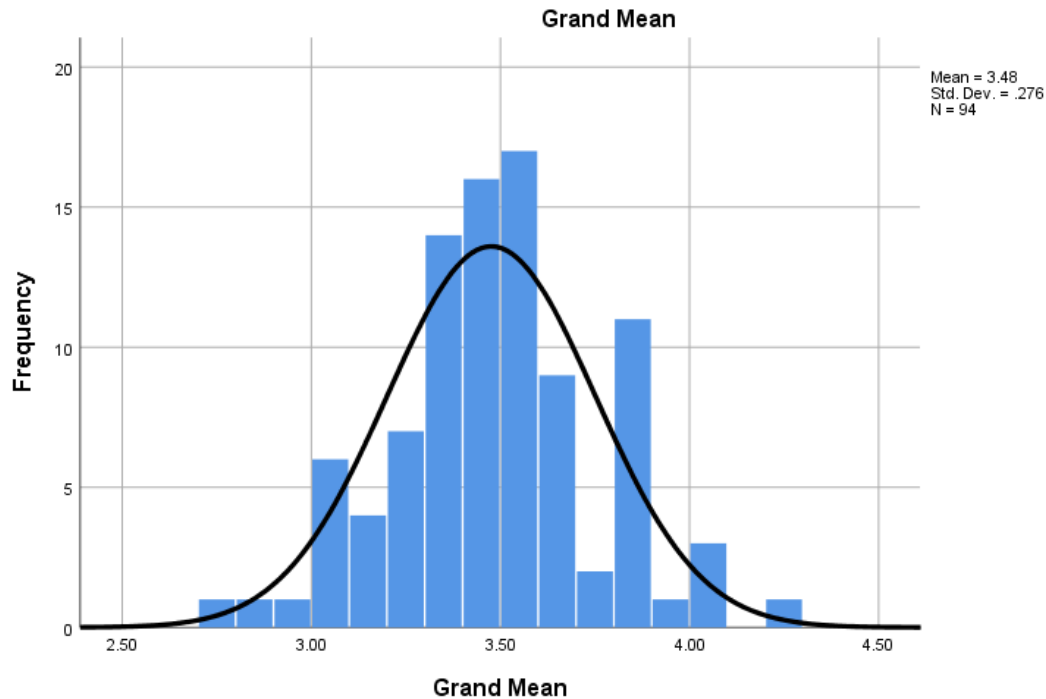


Figure.7 Histogram of public opinion trend

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 analysed 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.