

CORPORATE GOVERNANCE AND FIRM INTEGRATED PERFORMANCE: A CONCEPTUAL FRAMEWORK

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Abstract

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Though the corporate governance has been studied from the viewpoint of first, accounting and financial performance (Khatib & Nour, 2021; Goel, 2018; Mohamed, Basuony, & Badawi, 2013), next, marketing performance (El Fawal & Mawlawi, 2018), and finally, logistic and supply chain performance (Hernawati & Surya, 2019) in isolation, moreover, literature on the first is comparatively higher than on the other two, it is further argued that it has not been studied from the viewpoint of firm integrated performance. The purpose of this study, therefore, is to conceptualize the relationship between corporate governance and firm integrated performance. The study adopted a rigorous literature review in forming critical arguments for the theme studied. Accordingly, the study embraced rigorous *a priori* knowledge in building the arguments for hypotheses development. The study proposes a conceptual framework for the relationship between corporate governance and firm integrated performance which has the potential of facilitating efficient decision-making on corporate governance and firm integrated performance. The study concludes with a foundation for the theoretical basis of the relationship between corporate governance and firm integrated performance.

Keywords: Corporate Governance, Firm Integrated Performance, Accounting and Finance Performance, Marketing Performance, Logistics and Supply Chain Performance

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1. INTRODUCTION

Good management practices are essential not only to successfully manage an organization and remain profitable but also to enhance stakeholder wealth and strengthen corporate image in the long run. As such, good governance aims for the sustainability of an organization. Sound management practices are not just for a quick fix but rather require foresight;

these are among the key concerns of an organization that endeavors to sustain stakeholders' wealth as well as confidence as a responsible corporate citizen. In recent years, there has been a surge of interest in corporate governance studies in the context of emerging economies.

Corporate governance is a critical component of a company's success. The term corporate governance, originated from the Latin word

gubernare, is frequently referred to as a ship's steering (Dibra, 2016). This signifies that as a ship cannot sail without steering, it is not feasible to regulate an organization and drive towards achieving organizational goals without corporate governance practices in place. The primary goal of corporate governance is to safeguard the interests of shareholders and other stakeholders in general (Haldar & Nageswara Rao, 2014). The aforementioned phenomenon can also be characterized as a set of rules, laws, and circumstances that govern how an organization's various operations are performed (Ngatno, Apriatni, & Youlianto, 2021). A prominent field of discussion in the business environment has been the study of the structure of corporate governance as well as firm performance (Nadeesha, 2019). In developed countries, corporate governance is perceived as the sole focus of organization success, and it helps to build strong relationships among business affiliates in an organization. In addition to that, financiers, economists, behavioral scientists, legal practitioners, and firm operators have long been interested in the effects of corporate governance on firm performance (Bonazzi & Islam, 2007). Mainly the stakeholders help companies to reach their highest possible profitable levels and cause of that, companies always try to satisfy their stakeholders as much as they can. An organization needs to have sound corporate governance in place, thereby building the trust of shareholders and ensuring that all stakeholders are treated equally (Mahrani & Soewarno, 2018). More precisely, the underlying causes of governance challenges in industrial economies include decentralized ownership, small executives, autonomous corporate excellence, and market-based trade.

While examining the effect of corporate governance on an organization, it is essential to note that it provides a framework for setting and achieving the organization's objectives. Furthermore, by providing incentives for attaining company performance, corporate governance has a beneficial and significant impact on a country's economic growth and social well-being. According to the Organization for Economic Co-operation and Development (OECD), good corporate governance leads to development in both public and private sectors in developing and transition economies by enabling efficient resource utilization, better access to capital, better and higher quality employment opportunities, and making the public institution more effective and less expected to bribe. Al Maqtari, Farhan, Al-Hattami, and Khalid (2020) claim that good governance contributes positively to entrepreneurship in a country that is a driver of economic and social growth.

Corporate governance ensures fair wealth distribution through accountability and transparency (Manawaduge, 2012). There are various best practices of corporate governance used by a company to achieve higher performance and higher profitability. One of the corporate governance best practices to consider is the size of a company's board of directors. A systemic favorable association between board size and firm performance was identified by previous researchers. As a result, large boards exhibit variety, allowing the organization to acquire synergies and greater knowledge, skills,

resource collaboration, corporate strategy, innovation, creativity, and complete service delivery (Rossi, Nerino, & Capasso, 2015). The corporate governance best practices help an organization to gain a competitive advantage through a diverse business function. Good governance diversifies, increases financial performance, and helps to attract new investors (Goel, 2018). Apart from the financial function, Al-Qudah and Al Rubaiee (2012) argue that firm management can improve their marketing efficiency by focusing on implementing and developing strong corporate governance practices. This is because excellent company governance increases marketing performance and has an impact on market share and profit. Not only for the accounting and marketing, but logistics and supply chain also get several benefits from corporate governance. The organization's supply chain reduces the company's manufacturing costs while increasing profit in the long run. Best practices enabled by good corporate governance mechanisms tighten up in attempting to reduce operational costs through the effort of reducing excess inventory, which accounts for about 70% of overall production costs (Nadarajan, Rahim, Nawati, & Chandren, 2017). This reduces the production cost and also the amount of working capital tied up in inventory, eliminates nonvalue adding costs, and increases profit, confirming the importance of corporate governance in managing logistics and supply chain functions.

To the knowledge of researchers, several empirical studies have shown the relationship between corporate governance and financial performance (Ali, 2018). Aside from financial performance, consideration needs to be given to the core functional areas of the organization, such as marketing, logistics, and supply chain performance. This reason is that these functions establish, manage, and sustain relationships with the organization's stakeholders which are critical to its success. Simultaneously, it is essential to integrate corporate governance with these functions that carry out a multitude of various operations within an organization. Previous scholars extensively investigated the impact of good corporate governance on the performance of the organization (Mahrani & Soewarno, 2018). However, there are still discrepancies between the results of the research conducted. Even though the phenomenon is discussed on a global scale in terms of marketing, logistics, and supply chain efficiency, empirical evidence of corporate governance and its effect on the integration is highly inconclusive. Accordingly, an empirical gap can be noted in studies that have investigated the combined effect of the above-mentioned, i.e., firm integrated performance. This is even more relevant as there is a lack of studies in a local setting on the accounting and finance performance, marketing performance, logistics and supply chain performance. Most businesses, big or small, operate with short termism and thus aim for quick gains. Hence, the purpose of this study is to conceptualize the importance of corporate governance on firm integrated performance.

The rest of the paper is structured as follows. Section 2 reviews the literature which concentrates on first, corporate governance and accounting and finance performance, second, corporate governance

and marketing performance, third, corporate governance and logistics and supply chain performance, fourth, corporate governance and firm integrated performance, and finally corporate governance and board size. Besides the critical literature review, this section formulates the relevant hypotheses as well. Section 3 discusses the theoretical implications. Section 4 presents managerial implications and, finally, Section 5 concludes the paper.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Corporate governance is described as a legal and regulatory review of company's financial statements and management procedures (El Fawal & Mawlawi, 2018). Therefore, management determines the rules which regulate all operations within the organization to ensure the company performance, customer satisfaction, profitability, and quality of useful services; including the areas of marketing, accounting and finance performance. Aside from the above aspects, operations, logistics and supply chain management have gained considerable attention from both internal and external parties over the last few decades (Hernawati & Surya, 2019). According to evidence from literature, good corporate governance needs to improve overall firm performance by ensuring stability, profitability, and trustworthiness (El Fawal & Mawlawi, 2018). Further, a good corporate governance framework enhances the organization by increasing access to finance, lowering the cost of capital, improving financial performance, and managing stakeholders accordingly (Otieno, 2016). This study, constantly tend to emphasize the importance of corporate governance and firm integrated performance connecting the functions of accounting and finance performance, marketing performance, and logistics and supply chain performance. Consequently, the current study considers the following variables for argument: 1) corporate governance (CG); 2) accounting and finance performance (AFP); 3) marketing performance (MP); 4) logistics and supply chain performance (LSCP).

2.1. Corporate governance and accounting and finance performance

Corporate governance (CG) and accounting and finance performance (AFP) have been a considerable debate in the contemporary business world. In the recent decade, academics have devoted significant emphasis to the relation between CG and financial performance (Aggarwal, 2013). Further, CG is critical in influencing firm performance in financial markets (Rashid & Islam, 2013). CG best practices are a current trend in the business community, and they are critical in financial reporting. Financial reporting is one of the crucial factors in AFP because they are the tools which use to represent the accounting performance to the society. Today's trustworthy financial statements serve as the "heart" of CG, highlighting the connection between CG, accounting, and financial success (Rubino, Bronzetti, Sicoli, Baldini, & Rija, 2020; Gad, 2016). On the other hand, CG affects AFP in many ways which compatible and improve its

efficiency and effectiveness. CG is seen as a key influence on the growth prospects of an economy, which causes strong governance procedures to reduce investment risk, improve financial performance, and help attract new investors (Goel, 2018).

Many ideologies have been proposed to explain how CG affects a business. According to agency theory, good CG reduces an organization's expropriation cost. As a result, it raises the confidence of investors in the company's future cash flow and growth possibilities (Haque & Arun, 2016). Furthermore, many parties that surround an organization exert a range of influences on it. The stakeholder theory states that a corporation must answer to many sectors of society that influence it because of the decisions and actions of these parties influence society as a whole. As a result, to receive societal backing, an organization must maintain excellent ties with society. Employees who operate efficiently for the company's advantage do so to increase the company's financial success and retain collaboration with its loyal consumers (Mahrani & Soewarno, 2018). As a result, CG contributes to the company's financial success by fostering collaboration among multiple stakeholders.

CG thus plays a vital role, acting as the relationship, in helping a company to develop its investment and communication between a company and society through financial and non-financial reporting. According to Al-Haj Hussein (2018), "the practice of creative accounting affects the credibility of financial accounts and portrays the accounting figures in a deceptive way" (p. 7). This creative accounting offers some form of CG direction on how to prepare an organization's financial and non-financial reports. In addition, financial performance and business performance are connected. The impact of CG on financial performance may also be used to gauge a company performance outcome (Mandal & Al-ahdal, 2018). Thus, the study argues that there is a positive relationship between CG and AFP which leads to the first hypothesis.

H1: There is a positive relationship between corporate governance and accounting and finance performance in the firm.

2.2. Corporate governance and marketing performance

Marketing professionals use marketing performance (MP) to characterize the quality and efficiency of an organization. It is achieved by focusing and governing on aligning marketing operations, policies, and metrics with organizational goals (Al-Qudah & Al Rubaiee, 2012). Therefore, the efficacy of the governance applied by the organization is directly tied to a change in MP (El Fawal & Mawlawi, 2018). Accordingly, the organization governs the numerous MP to overcome challenges and competition inherent in the market.

Consequently, the effectiveness of MP both external and internal is linked to governance strategies, applications, and decision-making. To prove this, Morgan (2012) argues that MP will drive the success of the organization in transforming marketing decisions into positional advantages and achieving long-term profitability of any positional advantage achieved. Managers are frequently called

upon to make choices on behalf of their companies. Based on the pro-organizational behavior, the stewardship theory the organization's administrators are viewed as an autonomous party in charge of the organization. The company's management is in control of it from a central location. As a result, a strong connection with managers is required to collect information that will assist the company in making the best decisions possible. Management will be better equipped to make excellent judgments that will improve the company performance if they are more aware of the company's managers (Al Mubarak & Hamdan, 2016). Therefore, the contribution of managers is very important in all decision-making of the organization, including marketing decisions. To increase profit, Al-Qudah and Al Rubaiee (2012) argue that organizations seek a higher quantum of revenue usually from sales of goods and services to customers. Based on this fact, it is argued that customers are the main source of income for any organization. Moreover, governance plays a key role in building customer trust, loyalty, satisfaction, and commitment to improving the relationship between the organization and the customer. In line with the above evidence, the process of the internal and external MP has a huge impact on the organization in achieving goals. Resultantly, MP is proved, an increase in sales and market share, enforced reputation, and the brand name will have a greater position in the market (El Fawal & Mawlawi, 2018). According to Otieno (2016), research findings identify marketing-based programs such as education, health, job volunteering, and the environment as primary relationship marketing strategies that are reviewed and approved through CG principles. Many of the above considerations demonstrate that adopting and embedding CG into the company's marketing strategies allows optimizing its revenue from marketing decisions. Furthermore, it improves the organization's reputation and overall efficiency. Thus, the study argues that there is a positive relationship between CG and MP which leads to the second hypothesis.

H2: There is a positive relationship between corporate governance and marketing performance in the firm.

2.3. Corporate governance and logistics and supply chain performance

Supply chain management can be described as a critical strategy for the success of global markets in the 21st century (Hernawati & Surya, 2019). The market for logistics services has also undergone significant changes in recent decades due to the diversity and geographical distribution in the world (Klaas-Wissing & Albers, 2010). Accordingly, organizations are exploring the impact of supply chain management on delivering products to the market on time, reducing overall costs and improving overall quality, increasing customer service, and maximizing profits (Hernawati & Surya, 2019). Other aspects of CG, such as the organizational environment, interpersonal relationships, communication strategies within the organization structure, and relationships with external partners, such as suppliers and customers, are also considered crucial factors in enhancing

organizational performance (Otieno, 2016). A specific mechanism is needed to control these suppliers' activities, and according to Jen, Hu, Zheng, and Xiao (2020), the CG mechanism determines the technique utilized to manage interactions between partners in supply chain operations. This allows CG procedures to mitigate the risks of partners' opportunism while also increasing the value of operations including innovation. As a result, the logistics and supply chain performance (LSCP) with CG mechanisms have been jointly developed based on the integration of the parties' individual goals. However, as discussed in the literature, CG plays a key role in an organization, creating a specific mechanism for managing these supply chains. They also contribute to the system administration and improving value-added practices including the creativity of the supply chain partners.

While the investment, quality, productivity, security of stored products, and attraction of new consumers are all essential factors in maximizing the supply chain. Previous researchers argued that CG is essential to those relationships (da Rocha, da Silva, & Rosini, 2018). There is a need to concentrate on the market, in addition to directing suppliers across the supply chain. One of the key reasons for focusing on the market is the distribution of goods to the market through logistics. As a result, increased product market competitiveness improves CG resulting in better supply chain coordination. Moreover, CG can be used to maintain high supply chain quality management, allowing for quality control even though the market competition is poor (Lee, Lim, Park, & Seshadri, 2020). As stated in Hernawati and Surya's (2019) study, "corporate governance had a significant impact on the firm supply performance" (p. 537). As a result, we can conclude that CG provides a control mechanism for managing the organization's entire supply chain. It enables a company to maintain high-quality, hassle-free relationships with its supply chain operations partners while facilitating supply chain coordination to meet market competition. Thus, the study argues that there is a positive relationship between CG and LSCP which leads to the third hypothesis.

H3: There is a positive relationship between corporate governance and logistics and supply chain performance in the firm.

2.4. Corporate governance and firm integrated performance

As previously stated, researchers discovered a favorable connection between CG and firm performance, although this study mostly focused on AFP, MP, and LSCP with CG. Many researchers have looked at the link between good CG and a company's ability to succeed. The majority of research found a connection between the two factors which are CG and firm performance. Despite the widespread belief that excellent CG increases business performance, solid data to support this idea is lacking, and the results are varied (Aggarwal, 2013). As the above said, there are mixed results both positively and negatively. A prior study found a strong connection between good CG and good financial success for businesses (Malik & Makhdoom, 2016). Buallay, Hamdan, and Zureigat (2017) have shown that CG

and company performance are unrelated, and the results of this study show that the adoption of CG has no significant impact on the operational and financial performance of publicly traded companies. As above states, there are positive and negative results found on the relationship between CG and firm performance.

In order to integrate firm performance, the organization needs to have the required regulations. The obvious question is why regulations are needed to establish specific governance rules set by stock exchanges, legislatures, courts, or supervisory authorities. According to the past research (Becht, Bolton, & Röell, 2003), the fundamental argument in favor of regulatory laws is that the founder or shareholders of a company tend to establish ineffective rules because they cannot be fairly involved, even if they have the freedom to develop and implement an institutional charter of their choice. This affects the overall decision-making of the organization and can lead to the organization making wrong decisions and failing to meet the overall performance goals. On the other hand, an internal control system is needed to ensure strong CG and integrated performance. Al-Zwyalif (2015) points out, that internal controls are designed to ensure that the organization's control environment is stable and well managed, and they are a key component of CG. This is done to prevent, detect and correct transaction errors and frauds through application controls. Based on this, there is strong integration between CG and managerial control, which achieves a balance of effectiveness and efficiency in overall organization operational performances (Bosetti, 2009).

Researchers have already utilized the CG index to determine if there is a link between CG and the organization. Prior researchers have tested the relationship between CG and business success using a variety of criteria or measures. CG is favorably and significantly connected with business performance, according to the research findings (Bhatt & Bhatt, 2017). The majority of research on the efficiency of CG has been conducted in the areas of accounting, finance, and economics. There are various measurements used by previous researchers to indicate the firm integration performance but mostly return on equity (ROE) and return on assets (ROA) are the measurements used by them. Although ROE was the most preferred financial measure and ROA was the most popular operational measure in the research (Buallay et al., 2017). With the measurements stated above, there are some weak points which untouched by the majority of the researchers. However, only a minor number of researches have looked at the impact of strong CG on companies (Hernawati & Surya, 2019). The vast majority of studies found a strong connection between good CG and company performance (Malik & Makhdoom, 2016). Thus, the study argues that there is a positive relationship between CG and logistics and firm integration performance which leads to the fourth hypothesis.

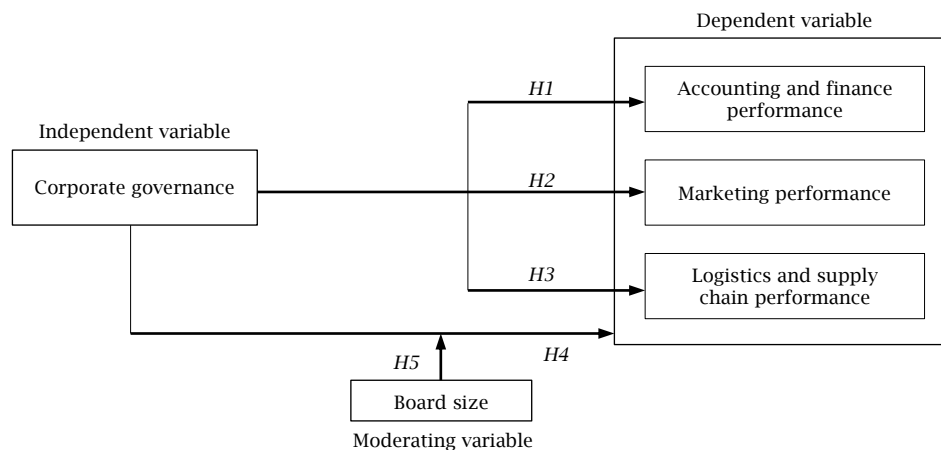
H4: There is a positive relationship between corporate governance and accounting and finance, marketing, logistics, and supply chain integration performance in the firm.

2.5. Corporate governance and board size

The number of directors on a company's board, including independent directors and executive directors, is referred to as the board size (Malik & Makhdoom, 2016). This board of directors has a responsibility to create strategic objectives for the company, lead them, oversee business management, and report on its confidence to shareholders (Azeez, 2015). In addition to the above responsibilities, the board of directors is considered an important indicator for CG (Senju & Johnson, 2010). From the evidence of previous researchers, the board size is positively correlated to CG and company success (Muchemwa, Padia, & Callaghan, 2016). According to previous researchers, the size of the boards reflects the complexity of the company's environment. Large boards with greater expertise are better able to make consistent corporate disclosure judgments than small boards (Nekhili, Hussainey, Cheffi, Chtioui, & Tchakoute-Tchuigoua, 2016). A large board can lessen the conflicts between agencies because different directors can benefit diverse stakeholders' interests. In addition, it gives wider access to various stakeholders, allowing a broader panel to decrease risks and uncertainties through better disclosure (Masud, Nurunnabi, & Bae, 2018). Nevertheless, the size of the board can determine the success or failure of the organization. While the boards cannot clearly identify the reasons behind the board failure, the large boards are shown to be influential in the culture of the board, information problems, the lack of management, and the equality of the board members (Azeez, 2015). According to Bhat, Chen, Jebran, and Bhutto (2018), the cost of coordinating and processing their firms is considerable for corporations with large board sizes. The efficiency of the organization is reduced by high costs. However, on the other hand, it prevents free riding in companies with a smaller board size and ultimately leads to better performance. From a negative perspective of large board size, they have an opportunity to manipulate account numbers, putting extra pressure on the company's management. This provides an opportunity to report low levels of debt ratio and attempt to show that the company is performing well. In companies with a large number of directors, they allow access to a wide range of external resources, including the technical and financial resources that are critical to innovation (Jamaludin, Rahman, Hamid, Hashim, & Majid, 2018). From all of the above, it seems that large boards, in general, are likely to have a positive impact on performance. Thus, the study argues that board size moderated the relationship between CG and firm integration performance which leads to the fifth hypothesis.

H5: Board size moderates the relationship between corporate governance and firm integration performance.

Figure 1. Conceptual framework



Source: Authors' elaboration.

3. THEORETICAL IMPLICATIONS

Finding an appropriate theory is not an easy task for expounding the scope and significance of a given study (Majeed, Aziz, & Saleem, 2015). Based on previous literature, CG and firm performance research are highly supported by five theories: resource dependency theory, stewardship theory, agency theory, political theory, stakeholder theory, and transaction cost theory (Abid, Khan, Rafiq, & Ahmed, 2014; Heenetigala & Armstrong, 2012; Bhatt & Bhattacharya, 2015; Harrison & Wicks, 2013; Yusoff & Alhaji, 2012). According to these theories, political theory is highly exposed to the political side (Peters, 2012). Resource dependency theory and transaction cost theories are not well addressed in previous works of literature. Therefore, the study is not considering those theories. The present study mainly concentrates on stakeholder theory, stewardship theory, and agency theory. The reason why we take three theories is they are mostly evaluated by most of the research done in this area (Al Mamun, Rafique Yasser, & Rahman, 2013).

Under the evidence of Otieno (2016), agency theory elucidates the relationship between principles and agents. This theory can be utilized as a guide for duly governing an organization to achieve its goals — simply, to navigate the organization to be on the correct path. Notably, he points out this relationship drives managers to embrace strategies and decisions that enhance organizational performance. Sulistiyo, Wardayati, Hidayatullah, and Riesky (2020) observed that CG can function to reduce or maximize overall organizational agency costs. According to agency theory, the primary purpose of CG is to limit the risk of agency conflicts between those who govern the organization and those who retain rights within it. It is not compulsory to act in the principles' best interests and agents also work in their own interests and cause agency problems in the organization. Agency problems arise as a consequence of opportunity-seeking behavior and moral hazard, both of which have an influence on business performance. CG acts as a mechanism for aligning management goals with stakeholders to improve performance. The split of ownership and control is the main issue addressed in agency theory, and several techniques are

recommended to lessen or eliminate the costs associated with separation (Obaji, Onyemerela, Sipasi, & Obiekwe, 2015). Therefore, agency theory has a positive unparalleled interest in the field of CG (Al-Qudah & Al Rubaiee, 2012). The above evidence indicates that the concept of agency theory enabled through CG to reinforce managerial responsibility. Furthermore, excellent CG may facilitate secure that businesses do not fail. Companies with strong CG are more likely to attract capital than those that do not. In general, the ownership structure is seen as an essential component in determining the firm's worth. On the other side, it is also a measure of CG. However, by lowering agency costs through efficient ownership structures, firm performance will be improved.

This research adds to the minimal theoretical work on stewardship theory that has been done thus far. Stewardship theory views central control to be in the hands of organization managers (Al Mubarak & Hamdan, 2016). However, this theory differs from other theories in certain aspects. Most governance theories emphasize on economic and financial factors whereas the stewardship theory stresses on psychological and sociological factors. Also, stewardship theory rejects agency theory assumptions (Otieno, 2016). While agency theory argues that the interests of principals and agents differ, stewardship theory takes a more optimistic view of principal-agent interactions. Stewardship involves the convergence of the two parties' interests. Principals and agents both want the firm to succeed because they feel that the success of the company will lead to their personal prosperity. However, the topic of governance of the mandate provided to the agent by the principles is discussed in both theories due to their commonality. According to Yaqub and Ayub (2016), in stewardship theory, there are two major factors: trust and motivation. Therefore, this theory assumes that the managers of an organization are unavoidably reliable, and they are very good guardians of the wealth endowed to them. Accordingly, an organization can minimize the cost of mechanisms aimed at monitoring and controlling behaviors (Otieno, 2016). Notably, motivation is a factor for people to transcend self-interest to benefit the group and the organization as a whole (Gladson Nwokah &

Ahiau, 2010). Also, the stewardship theory identifies greater ability accruing from satisfying organizational goals and increasing performance than through self-serving behavior (Otieno, 2016). According to the stewardship theory, stewards should always safeguard and maximize shareholders' wealth through firm performance. In order to attain corporate success, it is critical to concentrate on all sections of the organization. Rather than managing each organization's segment separately, it is critical to understand how those segments affect overall performance and thereby enhance overall performance. This necessitates many departments of the organization to perform in concert. The integration of all divisions through CG allows the stewards to carry out their corporate activities without fraud or error. It also improves corporate integrated performance by increasing internal and external motivation as well as the ability to make successful decisions based on authority and trust, preserving and maximizing shareholder capital.

The stakeholder theory includes lenders, employees, governments, inspectors, auditors, regulators, the media, non-governmental organizations (NGOs), suppliers, investors, clients, activists, national and international funders, and others. The stakeholder theory is a good combination of economics and ethics. No company exists if it thinks only of the economic profit of the shareholders. It needs to accept feedback from creditors, customers, employees, and suppliers. To accept the feedback, it is important to have an organization in an integrated manner from that not only stakeholders but also the organization can gain a benefit. In fact, a partner's investment directly affects the company performance and wealth. As a result, if the directors keep the stakeholders in mind, the whole company will benefit from that mental framework. According to this theory, the organization's financial and non-financial success ensures a solid and honest relationship between stakeholders and management (Masud et al., 2018). According to stakeholder theory, their commitments to the organization's success or failure are essential (Hernawati & Surya, 2019). Moreover, this theory explains how the activities of a corporate entity affect the organization's external environment. To justify with available evidence, Otieno (2016) points out that the organization should not measure its stakeholders as giants. Also, the other aspects such as the organization's environment, interpersonal relationships, communication strategies within the organization structure, and relationships with external partners (suppliers, customers) are considered as critical factors in CG to increase the organization performance. Overall, CG has the potential to regulate all functions of the organization through all the above-mentioned theories. In parallel, it is fundamental to integrate CG into the organization's practices and theoretical issues remain concerning the integration of CG into the core functions of a company.

4. MANAGERIAL IMPLICATION

CG and firm integrated performance are highly debatable topics in the corporate world. Previous researchers identified a significant positive

relationship between CG and firm integrated performance. At the present, firms implement CG standards into their organization's practices and procedures to achieve various objectives. Thus, firms need to adopt good CG standards to signal the management of the company is capable of handling the situation (Ogusu Sen & Toraman, 2016). CG can be regarded as a phenomenon that has significant implications for expectations of economic growth (Al Maqtari et al., 2020).

In developing countries, a few business firms adopt sound CG practices and thus the majority fail to grasp the importance of having CG embedded into their work practices and rules. Stakeholders' confidence and corporate image can strengthen due to firms adopting CG. Due to these reasons, some firms perceive CG as a trend and aim to implement CG as a fad trying to emulate it by operating with responsible practices. It can be highlighted that if corporates wholeheartedly embrace and implement CG, then there is a higher likelihood to reap positive outcomes with enhanced key performance indicators (KPIs) of a given organization. Today, disclosure of CG is mandatory in corporate integrated annual reports.

According to Caraiman (2020), CG operates an internal control mechanism that operates in a dynamic corporate context. Successful CG necessitates distinct and interactive governance at the level of each activity, based on the demands of the firm. The organization's structure, the management styles, the impact of environmental circumstances, and the organization's implicit risks should all be considered. Therefore, it is necessary to focus on all aspects of the organization. The success of the organization is facilitated by the development of a successful internal control system through CG within each division of the organization.

The findings of this research could be very significant. It has the potential to facilitate efficient decision-making and CG. Ethical leadership, governance and independence, enforcement compensation, openness and accountability, stakeholder involvement, and law enforcement are all areas where companies should strive to improve productivity. Companies must understand how to strengthen governance and achieve long-term financial success (Gladson Nwokah & Ahiau, 2010). CG is a very important aspect to consider in organizations. Shareholders and management of the firm are keen that the firm is aware of the importance of CG and implement the best CG practices in their firms to gain strategic advantages. Furthermore, it is recommended that stakeholders such as investors, lenders, creditors, and debtors gain a better understanding of CG and its value in the sector in order to make more effective investment decisions (Otieno, 2016). Internal and external stakeholders of the company have a right and a need to understand the significance of CG and how it influences overall performance. From the findings of this research, which is also unique to the emerging business environment, stakeholders can benefit from well-focused and effective decision-making and as business becomes more successful, yield a better return for their investments.

From the CG practices, firms can help resolve issues between the shareholder and the management of the organization. Further, CG and AFP having

a positive significant relationship on firm performance indicate how well a company functions and manages its financial assets. In addition, it shows the company's financial health and fitness as well as the outcomes of its work, operations, and policies. Further, customer engagement and marketing efficiency have a favourable substantial relationship with CG (Al-Qudah & Al Rubaiee, 2012). Supply chain and CG have a positive relationship to firm performance, the proposed supply chain structure is an effective CG mechanism. Findings of previous studies prove that CG and supply chain network governance appears to have a positive effect on the competence of sales and logistics. As a result of the foregoing, it is clear that adopting CG to all of the organization's functions can improve the overall organization performance. When making decisions inside a company, it is critical to consider all aspects of the business. This is because otherwise, the organization's decisions will be inaccurate. Therefore, rather than adopting CG within a limited function, integrating CG by integrating all functions of the company will enable efficient and effective control of all aspects of the organization. Furthermore, the decisions made are true representations of every function of the business as a whole, due to the integration of the numerous divisions that are tailored to the CG activities in the decision-making process.

Therefore, by incorporating CG through corporate strategies, the positive effects of CG can be beneficial for the well-being of the organization and thereby, the overall economic growth of a country. CG has a substantial impact on the organization's success if implemented consistently in three basic components of the organization, specifically AFP, MP, and LSCP integration rather than governing separately. The study emphasizes these three functionalities, collaborating as the integration of CG. Therefore, this proposed framework will enable an organization to increase productivity by focusing on all aspects through CG rather than focusing on just one aspect.

When CG is an ethical perspective in the real world, it distinguishes between legal and ethical

compliance measures and demonstrates that the former has clearly shown to be insufficient since it lacks the moral clout to restore confidence and the ability to generate trust. Failure in CG is a significant threat to every corporation's future. Companies with strong CG founded on core values of honesty and trust will have a competitive advantage in attracting and retaining personnel as well as creating good market reactions. Adopting a set of principles and best practices can help to achieve effective CG (Arjoon, 2005). On the other hand, the directors are required to report the extent to which the firm conforms to recognized principles and practices of good CG (The Institute of Chartered Accountants of Sri Lanka, 2017).

5. CONCLUSION

This paper emphasized the effect of CG on firm integrated performance in terms of AFP, MP, and LSCP influenced by board size as the moderating variable. A mixed relationship has been discovered between CG and company performance in previous studies. Nevertheless, this association has been determined to be favorable in most of the literature. Additionally, prior studies have shown a relationship between CG and AFP, MP, and LSCP independently in isolation. This study concludes the important relationship between CG and firm integrated performance of the business as a whole rather than only at the individual viewpoints. The findings of the study primarily assist the firm's management in acting as responsible corporate citizens and maintaining relationships with other stakeholders in order to ensure that the firm operates with ethics and transparency while making profits.

The knowledge gap on CG and firm integrated performance is given conceptualization in this paper. Ultimately, future researchers can pursue studies on CG and firm integrated performance based on the model. Also, future researchers could associate other key areas such as operational, human resources, and information technology of an organization with CG.

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