THE INFLUENCE OF FINANCIAL SUSTAINABILITY OF THE CORPORATE GOVERNANCE FEATURES ON THE FIRM'S PERFORMANCE

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Abstract

This study examines how corporate governance improvements affect the Tehran Stock Exchange (TSE)-listed enterprises' stock market performance. The purpose of this study is to investigate corporate governance, namely the independence of the chief executive officer (CEO), auditor, board, and ownership. The statistic known as return on assets is used to evaluate the success of a company. The statistical population for the study was chosen from among the one hundred firms that were registered on the Iraqi Stock Exchange (ISX) during the years 2014 and 2019. Both the ordinary least squares and the multiple mixed regression methods were utilized in order to assess the hypotheses of the investigation. In their respective studies, Almagsoosi et al. (2022) and Abd Mohammed et al. (2022) suggest doing general, small, and big organization evaluations. At both the company-wide and small-business levels, the research discovered that there was no correlation between the performance of ownership concentration firms and the implementation of corporate governance changes. The independence of the CEO, auditor, and board of directors (BoD) has been altered. Alterations to the independence of BoDs have a detrimental effect on the corporate governance of important firms. There is not much of an impact that advances in corporate governance have on the actual performance of large companies.

Keywords: Corporate Governance Changes, Financial Performance, Company Size, Sustainability

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1. INTRODUCTION

Corporate governance can be defined as a structure of rules, policies, and practices that are used to direct and govern a firm. Companies tend to adopt certain corporate governance qualities and take steps to comply with corporate governance regulations after analyzing the costs and benefits that will result from doing so. According to the signaling hypothesis, managers view the revelation of a company's failure to comply with corporate governance standards as sending a negative message about the business (Hasan et al., 2021). As a result, small firms are under greater pressure for corporate governance revisions related to the disclosure of corporate governance non-compliance. In particular, small firms are particularly sensitive to corporate governance non-compliance.

It would appear that improving the qualities of corporate governance is important to increase business value and accountability. As a consequence of this, the relationship that exists between financial success and the enhancement of governance qualities will be investigated as an indication of company value and the quality of earnings at both the small and the large business levels.

In the current research, changes (improvements) in corporate governance features such as board independence, chief executive officer (CEO), auditor, and ownership concentration (big shareholders) are investigated on three different scales: the general level of firms, the level of large firms, and the level of small firms. These scales are used to compare the impact of these changes on the governance of corporations. In addition, these modifications and enhancements are evaluated in connection to the consequences that these characteristics have on the performance of enterprises. Small businesses and big businesses are the two categories of businesses. These categories are established by calculating the median of the total assets and revenues of the companies that were previously mentioned. As a result, the objective of this study is to analyze the extent to which the financial sustainability of the corporate governance characteristics impacts the performance of the firm under investigation (Ali et al., 2024; Kubayevich, 2024).

It seems necessary to improve the characteristics of corporate governance in order to improve the value of the company and its level of accountability. Based on this, the relationship between financial performance and improvement in characteristics will be investigated as an indicator of the value and quality of profit at the level of small and large companies.

In this research, the changes (improvement) of the characteristics of corporate governance regarding the independence of the board of directors (BoD), the CEO, the auditor, and the concentration of ownership (major shareholders) are examined and their effects on the company's performance are measured. This review will be done at the general level of companies, large and small companies. The selection of large and small companies is based on the average total assets and sales of the company.

The structure of this paper is as follows. Section 1 includes a brief history of the topic as well as a summary of the problem that is now being addressed. Section 2 reviews the relevant literature. Section 3 analyzes the methodology that has been used to conduct empirical research. Section 4 presents the results and a discussion of the outcomes that were supplied. Last but not least, Section 5 outlines the conclusion of what we have gathered from the noteworthy results.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Theoretical background

In order to evaluate the feasibility of the corporate governance features in connection to the performance of the firm, a great number of studies have been carried out. In accordance with the findings of Kadhim et al. (2020), it has been established that independent directors are an effective mechanism for corporate governance. Furthermore, this mechanism has the ability to enhance the effectiveness of board oversight. It has been stated by Jabbar et al. (2021) and Kumo (2023) that independent directors play a significant part in ensuring that legal compliance is maintained and in protecting the rights of minority shareholders to claim their rights. It has been stated by Abd Mohammed et al. (2022) that independent directors are more concerned with legal compliance and corporate social responsibility (CSR) (Teixeira & Carvalho, 2024).

According to the agency theory, a board needs to have a majority of independent directors in order for them to be able to keep an eye on the decisions that are made by the agents who are working under their supervision. In order to contribute to a decrease in overhead expenditures, there is a link between having a greater number of independent members on the board and having a larger number of independent members. In point of fact, it is their duty to maintain a careful watch on the executives and to make certain that they are not acting in a way that is damaging to the public interest for the purpose of reaping personal advantage. Both of these responsibilities fall under their purview.

As stated by Wiharno et al. (2024), considered to be a channel via which companies may interact with stakeholders that are located outside of the company. Additionally, in contrast to other alternative communication routes, they present a lower risk of conflicts of interest among the parties involved.

Based on Thuy et al. (2024), it is possible that having a board that is unbiased in its monitoring and management of issues linked to sustainable development is extremely vital. This is something that should be considered with great consideration. Independent research is expected to result in the generation of unique insights concerning environmental and social stakeholders at the same time. This would be the case if the study were conducted independently. This stands in stark contrast to the paradigms that are now being utilized, which are not concerned with anything other than obtaining financial success. Moreover, according to the stakeholders theory, there will be a positive connection between the autonomy of the BoD and the performance of the organization in terms of sustainability. This is a prediction that is based on the concept of "stakeholders". The reason for this is that a BoD that has a greater degree of autonomy is less likely to be influenced by the pressure exerted by shareholders. Al Amosh et al. (2024) mentioned that the ability of a BoD to provide supervision for management and protection for the interests of shareholders and other stakeholders is enhanced when the board is comprised of a significant number of independent directors. Jallo et al. (2017) conducted research on the link between sustainability reporting and corporate governance for the 500 largest companies in the United States. The research was conducted through the use of voluntary disclosure.

A higher share of independent board members has been linked to better quality sustainability reporting for companies (Otman, 2021). This suggests that a more autonomous board encourages a company to be more forthcoming and transparent in its reporting to its various stakeholder groups. Although the new 2030 goals are directed at a wide range of actors (including governments, institutions, civil society, and non-governmental organizations — NGOs), they are designed to provide a particular boost to the commercial sector. Companies have a crucial role in driving sustainable and economic growth, a fact acknowledged by the Sustainable Development Goals (SDGs). For the next 15 years, we need to take a highly proactive approach to sustainable growth by creating new models of responsible enterprise. According to Akhter and Hassan (2024) and Bawuah (2024), the private sector stands to benefit a significant amount from the pursuit of sustainable development objectives. This is because the pursuit of these goals will open up new opportunities for businesses and enable companies to strengthen their relationships with certain critical constituencies. Establishing a connection between innovation and existing business practices is a challenge that the majority of companies face. At this point, it is very necessary to construct new activities on top of already established foundations while simultaneously directing any new endeavors toward long-term viability. In light of the fact that it is anticipated that the private sector will play an increasingly significant role in the development of the world in the near future, it is of the utmost importance that businesses collaborate closely with international organizations in order to develop a comprehensive and unified strategy for satisfying the requirements of all stakeholders through efficient monitoring and coordination. The implementation of new organizational practices that have far-reaching repercussions is required in order to incorporate long-term objectives into the business strategy. For this reason, it is of the utmost importance to restructure the governance structure that is accountable for the creation and implementation of corporate sustainability (CS) plans and policies (Mediaty et al., 2024). It has been suggested by a number of individuals, that the subjects of corporate governance and computer science cannot be studied independently of one another. When CSR is not based on sound corporate governance, it has been discovered that certain CSR activities might do more harm than benefit. Corporate governance, on the other hand, will not be as successful as it may be if it does not have a human resources department that is able to accommodate the requirements of various constituent groups. It is indisputable that there is a pathway that goes in both directions between excellent corporate governance and CS (Yusuf et al., 2024; Liu et al., 2024). This necessitates a modification to the organizational structure of the company. The incorporation of computer science into each and every management function of a business is very necessary. It is for this reason that it is of the utmost importance for the company's senior management to be the source of CS governance (Kostyuk et al., 2016; Thamaree & Zaby, 2023). The investigation that explains the relationship between corporate governance and sustainable performance is founded on two fundamental theories: agency theory (Koskinen et al., 2024) and stakeholder theory. Both of these theories are considered to be the foundation of the research. According to agency theory, connections between principals and agents are complicated and plagued with challenges. Conflicts between agents and principals arise when the interests of agents are in direct opposition to the goals of principals. This arises when there is a knowledge asymmetry, and opportunistic behavior, and management and shareholders have interests that are in conflict with one another. Therefore, in order to better align the goals of principals and agents, agency theory suggests that decision-making should be separated between principals and agents and that management discretion should be limited (Tubastuvi et al., 2023; Miswanto et al., 2024). The stakeholder theory offers a starting place for contemplation of the mechanisms via which a corporation earns and loses social legitimacy. This is because the theory focuses on those individuals for whom the company is responsible when it comes to bearing actual duties.

It is the responsibility of corporate governance to identify the specific responsibilities, structures, and tasks that are assigned to BoDs. The reason for this is that BoDs recognize the existence of a wide variety of organizational structures that companies might adopt in order to achieve their objectives. In its capacity as the primary body responsible for making decisions inside an organization, the BoD is entrusted with the obligation of safeguarding the interests of all of the company's stakeholders. Effective corporate governance may mitigate the adverse impacts of agency costs and provide an incentive for responsible management.

Shareholders and other stakeholders have begun to highlight environmental and social sustainability as a key concern in recent years (Abed et al., 2023). Shareholders of Occidental Petroleum Corporation, for instance, suggested in 2017 that the corporation disclose its exposure to climate change. Environmental, social, and governance investors are increasingly interested in companies like Occidental Petroleum (Soudani, 2012). For instance, the alliance of institutional investors known as the principles of responsible investing oversees more than $60 trillion in assets. Stakeholder pressure from NGOs and shareholders is amplified by the United Nations' request for robust public and private sector involvement in achieving the SDGs (Mouhmmd et al., 2023). However, some research has looked into the link between BoD structure and sustainable business practices. One such study looks at how board composition (including size, independence, and gender diversity) affects the quality of sustainability reports in the Asia-Pacific. Khalid and Kot (2021) find that there is a favorable correlation between board-level commitment and CSR performance.

There is a lack of literature on the topic of how financial sustainability within corporate governance affects business performance, even though there is a great deal of literature covering both corporate governance and firm performance separately. Research frequently ignores the possible synergistic impacts of financial sustainability and corporate governance by treating them as independent topics. Furthermore, there is a lack of evidence about the effects of particular corporate governance practices on long-term financial viability and how these factors affect the overall performance of businesses. Because of this void, there has to be an extensive study that takes all of these factors into account, looking at how financially sound corporate governance procedures might lead to better business performance in different sectors and settings.

The existing literature of research on corporate governance and company performance frequently regards financial sustainability and governance structures as distinct entities. As a result, there is a vacuum in our knowledge of how these aspects interact with one another. Although a significant amount of research has been conducted on the impact that corporate governance has on the success of companies, only a small number of studies have specifically incorporated financial sustainability into this analysis. In addition, a significant portion of the study does not have a sector-specific focus, despite the fact that many industries may display distinct governance-performance correlations. The existence of this gap underscores the necessity of conducting exhaustive research that explores how aspects of corporate governance, such as board composition, transparency, and shareholder rights, contribute to financial sustainability and, as a result, impact overall company performance across a variety of industries.

2.2. Research hypotheses

These theories are developed in light of the theoretical underpinnings previously discussed:

H1: There is a significant relationship between changes in corporate governance and company performance at the overall level of companies.

H2: There is a significant relationship between changes in corporate governance and company performance among large companies.

H3: There is a significant relationship between changes in corporate governance and company performance among small companies.

Four variables — the independence of the CEO, the board of directors, the auditor, and ownership concentration — are used in this study to analyse changes in corporate governance. To classify companies as large or small, the average total assets and sales will be used. Companies above the top 33% of this average are categorized as large, while those below the bottom 33% percentile are classified as small.

3. RESEARCH METHODOLOGY

3.1. Data collection

The study community includes all Iranian joint-stock companies listed on the Tehran Stock Exchange (TSE) for the period from 2014 to 2019, provided that the following conditions are met. To be listed on the market for the period between 2013 and 2019, due to some variables, data for a previous year is required. The fiscal year of the study sample companies ends on December 31. According to the above conditions, the number of companies was 161 companies listed on the TSE, where information was collected from the website. The study aims to know the impact of financial sustainability of corporate governance characteristics on company performance in companies listed in the TSE by using descriptive and inferential analysis to show the existence of a relationship not between variables, where multiple linear regression was used. In order to collect data related to the practical aspect, the researchers relied on the financial statements published on the TSE website to collect and extract the necessary data, organize and classify it within Microsoft Excel, and then use the EViews v. 13 software for analysis and hypothesis testing. As for the theoretical aspect, reliance was placed on external and internal scientific books and articles published in reputable scientific journals.

3.2. Criteria for accepting/rejecting the hypotheses

An alpha of 0.05 is employed in this study. The hypothesis is disproved if the p-value is less than 0.05, which denotes a statistically significant correlation between the variables. On the other hand, the hypothesis is not disproved if the p-value is greater than 0.05, indicating that there is no significant impact. For this study, if the p-value for corporate governance's effect on firm performance is below 0.05, it implies a significant impact. Otherwise, no significant effect is observed.

3.3. Research model

In order to examine the hypotheses surrounding the research, the following model is utilized. Eight variables make up this model, and they will be tested appropriately. Each hypothesis will be investigated in the appropriate manner.

$$ROA_{it} = \beta_0 + \beta_1 B\_Ind\_Change_{it} + \beta_2 CEO\_Change_{it} + \beta_3 Audit\_Change_{it} + \beta_4 Owner\_Change_{it} + \beta_5 Size_{it} + \beta_6 Leverage_{it} + \beta_7 Year_{it} + \beta_8 Industry_{it} + \varepsilon_{it} \quad (1)$$

3.4. Measurement of research variables

3.4.1. Dependent variable

The term "return on assets" (ROA_{it}) refers to a number of different metrics of financial success that have been utilized in prior research. These indicators include "sales", "net income", "stock return", "earnings-per-share", and "sales growth". ROA is recommended by Core et al. (2006) due to the fact that it is influenced by unusual items and other discretionary earnings items. In addition, we utilize ROA as a method of evaluating the success of the company's finances.

3.4.2. Independent variables

Our independent variables of interest include:

- Board independence change from one year to the next is represented by the variable *B_Ind_Change$_{it}$*; if board independence has grown, it is equal to 1, and if it has decreased, it is equal to 0. This variable has been used as an independent variable in the study by Qadorah and Fadzil (2018).
- Auditor change (*Audit_Change$_{it}$*): equals 1 if the company changes its auditor from a large audit firm (specifically, the Audit Organization of Iran) to a smaller audit firm, and equals 0 if the company does not change its auditor. As shown in the study by Darmayanti et al. (2021).
- Ownership concentration change (*Owner_Change$_{it}$*): equals 1 if the company's ownership concentration (large shareholders with more than 5% of the firm's shares) grows in comparison to the previous year, and equals 0 if it does not increase (Iwasaki & Mizobata, 2020).

3.4.3. Control variables

Control variables for this study include:

- Firm size (*Size$_{it}$*): Larger firms often achieve economies of scale, improving performance, but may face inefficiencies from complexity. Zwaid et al. (2021) found that while firm size enhances resource management and market power, excessive size can lead to operational drawbacks.
- Year (*Year$_{it}$*): The time period in which a firm operates can significantly affect performance due to changing economic conditions. Chakrabarti (2015) emphasized that macroeconomic shifts, regulations, and technological advancements over time influence how firms adapt and maintain competitive performance.
- Leverage (*Leverge$_{it}$*): Leverage can enhance returns through tax advantages but increases financial risk. Some authors noted that firms with moderate leverage perform better due to optimal capital structure, while excessive debt burdens investment capacity and operational flexibility, hindering long-term performance.
- Industry (*Industry$_{it}$*): Industry-specific factors shape firm performance based on competition, regulation, and growth potential. Zwaid et al. (2020) highlighted that sectors like technology show higher volatility but greater growth prospects, while traditional sectors such as manufacturing offer stability but slower performance growth.

4. RESEARCH RESULTS AND DISCUSSION

4.1. Descriptive statistics

This investigation's results are shown in Table 1, along with a description of each discovery. Not only do these data include the means, medians, standard deviations, and minimum and maximum observations, but they also include the general level of companies, as well as the levels of major and small enterprises. In addition, the minimum and maximum observations are mentioned in these findings. The information was obtained at the beginning of May 2023.

Table 1. Descriptive statistics for the study variables at the overall level of firms for May 2023

Variable	*Observations*	*Mean*	*Median*	*Std. dev.*	*Maximum*	*Minimum*
ROA	966	0.141	0.124	0.155	0.705	-0.789
Size	966	14.065	13.866	0.757	19.106	10.031
Leverage	966	0.613	0.621	0.213	1.565	0.090
B_Ind_Change	966	0.085	0	0.280	1	0
CEO_Change	966	0.267	0	0.442	1	0
Aud_Change	966	0.027	0	0.164	1	0
Owner_Change	966	0.383	0	0.486	1	0

The results of this study are shown in Table 1, which shows that the ROA for all of the firms combined is a mean of 0.141. The numbers that have been provided indicate that the average rates of change in board independence, CEO turnover, auditor turnover, and ownership concentration are, respectively, 0.085, 0.267, 0.027, and 0.383. These rates are based on the averages of the four different types of turnover. Each and every organization is subject to these prices. The median leverage for an organization is 0.613, while the typical number of workers for the organization is 14.065. Due to the fact that the means and the medians cannot be differentiated from one another using statistical methods, the distribution of these variables is roughly comparable to that of a normal distribution. The central limit theorem (CLT) states that if there are more than thirty observations, the distribution of the sample means will have a normal shape. This is the case when there are more than 30 observations. As a result of the fact that there are 966 observations at the firm level, the CLT may be deemed to be valid, and the sample means are very near to following a normal distribution.

Table 2. Descriptive statistics for the study variables at large firms' level

Variable	*Observations*	*Mean*	*Median*	*Std. dev.*	*Maximum*	*Minimum*
ROA	322	0.142	0.125	0.152	0.655	-0.277
Size	322	15.694	15.284	1.272	19.106	13.879
Leverage	322	0.623	0.639	0.207	1.333	0.096
B_Ind_Change	322	0.931	0	0.291	1	0

Results for the dependent variable are shown in Table 2, and they suggest that, on average, big companies have an ROA of 0.142.

Regarding the study's independent variables, the presented results show that, at the level of large enterprises, the means of board independence change, CEO change, auditor change, and ownership concentration change are 0.931, 0.623, 15.694, and 0.142, respectively. The results having been supplied form the basis of this claim. Furthermore, it is worth noting that when major organizations are compared to one another, the average company size is 15.694 and the average leverage is 0.623.

Table 3. Descriptive statistics for the study variables at small firms' level

Variable	*Observations*	*Mean*	*Median*	*Std. dev.*	*Maximum*	*Minimum*
ROA	322	0.149	0.117	0.234	0.859	-0.450
Size	322	12.63	12.811	0.711	13.747	10.031
Leverage	322	0.239	0.593	0.240	1.565	0.0901
B_Ind_Change	322	0.083	0	0.277	1	0

According to the dependent variable data shown in Table 3, the average ROA for small enterprises is 0.149. The presented results show that at the small enterprise level, these changes are equivalent to 0.083, 0.239, 12.63, and 0.149, respectively. On top of that, when compared to small businesses, the average firm size is 12.635 and the average leverage is 0.612.

After including the industry and year-fixed effects, we estimate the model using the ordinary least squares technique. The presence of serial correlation and multicollinearity among the independent variables may be detected and addressed using the VIF measure and the Wooldridge test, respectively, as shown in Table 4.

Table 4. The relationship between corporate governance change and firm performance at the overall level of the firms

Variable	*Coefficient*	*Standard deviation*	*t-statistic*	*p-value*	*VIF*
Intercept	0.2079	0.0432	4.81	0.000	
B_Ind_Change	-0.0160	0.0140	1.15	0.251	1.009
CEO_Change	-0.004	0.0088	-0.54	0.591	1.017
Aud_Change	0.0035	0.023	0.15	0.881	1.005
Owner_Change	0.0040	0.0080	0.51	0.612	1.005
Size	0.0045	0.0027	1.65	0.099	1.007
Leverage	-0.3387	0.0197	-17.12	0.000	1.020
Year effects	Yes				
Industry effects	Yes				
R-squared	0.4181				
Adjusted R-squared	0.4064				
F-statistic (significance level)	(0.000) 35.77				
Wooldridge test (significance level)	(0.085) 2.994				
Observations	966				

Note: VIF — variance inflation factor.

According to Table 5 modified R-squared, 40% of the variations in the dependent variable may be attributed to the independent and control variables. The calculated model appears to be significant at the whole firm level, according to the F-statistic (35.77). Furthermore, there is no serial association, as indicated by the Wooldridge test significance level of 0.085. The p-value for the change in board independence is 0.251, which is determined by the t-statistic and the significance level of the coefficients at the general business level. This result indicates no meaningful association between changes in board independence and company performance, thus not supporting *H1*. Furthermore, the results in Table 4 show that changes in the CEO (p-value = 0.591), auditor (p-value = 0.881), and ownership concentration (p-value = 0.612) are not significantly linked to company performance.

Stated differently, there is no connection between enhancements in overall performance and modifications in corporate governance. With respect to the control variables, the results show that leverage and firm performance are significantly and negatively correlated, but that business size has no discernible effect on performance. The findings of the VIF indicate that the independent variables analysed in this study do not exhibit multicollinearity.

Table 5. The relationship between corporate governance change and firm performance at large firms' level

Variable	*Coefficient*	*Standard deviation*	*t-statistic*	*p-value*	*VIF*
Intercept	0.2749	0.0868	3.16	0.002	
B_Ind_Change	-0.0423	0.0193	-2.19	0.030	1.015
CEO_Change	0.0001	0.0119	0.01	0.989	1.011
Aud_Change	-0.003	0.0338	-0.10	0.922	1.010
Owner_Change	-0.0185	0.0112	-1.65	0.100	1.004
Size	0.0053	0.0049	1.08	0.281	1.026
Leverage	-0.4261	0.0293	-0.14	0.000	1.023
Year effects	Yes				
Industry effects	Yes				
R-squared	0.6102				
Adjusted R-squared	0.5884				
F-statistic (significance level)	(0.000) 27.99				
Wooldridge test (significance level)	(0.221) 1.529				
Observations	322				

Estimating the model of corporate governance change and large company performance yielded Table 5. The F-statistic (27.99) implies the calculated model is significant in large enterprises. Wooldridge test significance (0.221) suggests no serial association. The association between board independence change and firm performance has a p-value of 0.030 and a regression coefficient of -0.0423. *H2* is supported by this negative and significant connection at 95% confidence. Table 5 shows that CEO, auditor, and ownership concentration changes do not significantly affect large business performance. *H2* and *H3* fail. Leverage negatively affects firm performance, although firm size does not. VIF results demonstrate no multicollinearity among the study's independent variables. Small-firm performance and corporate governance transformation. Table 6 shows the estimated model of corporate governance change and small firm performance.

Table 6. The relationship between corporate governance change and firm performance at small firms' level

Variable	*Coefficient*	*Standard deviation*	*t-statistic*	*p-value*	*VIF*
Intercept	0.7021	0.2566	2.74	0.007	
B_Ind_Change	-0.0487	0.0454	-1.07	0.285	1.044
CEO_Change	-0.0174	0.0295	-0.59	0.555	1.044
Aud_Change	-0.0006	0.0926	-0.01	0.994	1.039
Owner_Change	0.0392	0.0248	1.58	0.116	1.010
Size	-0.0484	0.0195	-2.48	0.014	1.038
Leverage	-0.1209	0.0554	-2.18	0.030	1.014
Year effects	Yes				
Industry effects	Yes				
R-squared	0.2216				
Adjusted R-squared	0.1726				
F-statistic (significance level)	(0.000) 4.52				
Wooldridge test (significance level)	(0.099) 2.278				
Observations	322				

4.2. Discussion of the results

The main goal of this study is to investigate how corporate governance improvements affect the performance of businesses that are listed on the TSE. Enhancements in corporate governance may have a favourable impact on business success, both theoretically and practically. The study's objectives are to ascertain if these modifications have an impact on Iranian businesses' performance and whether performance and profit quality are influenced by a company's size. Data from 161 stock exchange-listed businesses between 2010 and 2015 were utilised to test the assumptions.

In terms of the specific topic, limited research has been conducted, with most studies concentrating on corporate governance rather than changes within it. The findings of this research were compared with previous studies as much as possible. The results showed a negative and significant relationship between increases in the independence of the board of directors and performance at the level of large companies, which contradicts findings from Christensen et al. (2010), who found a positive relationship for large companies and a negative one for small companies. This result also contrasts with studies by Ramzan et al. (2021), which found improvements in company performance with increased board independence. Conversely, the findings align with Zhou et al. (2022), who reported a negative relationship between board independence and company performance.

By increasing the independence of the BoD, the performance of the company improves. On the other hand, this result is in line with the results of the research by Zhou et al. (2022) who found a negative relationship between the independence of the BoD and the performance of the company. On the other hand, the results of the research showed that there is no significant relationship between the changes (increase) of the independence of the BoD and the performance of the company at the general level of the companies.

In companies, the association between changes in board independence and firm performance is strong and beneficial, whereas, for small enterprises, the relationship is negative and significant. The performance of the organization is improved by having unbiased board members. Specifically, it implies that there is a negative correlation between board independence and corporate performance. In addition, the study did not find any evidence of a connection between a shift in the independence of the BoD and the overall profitability of the company. The analysis found that there was no association between the transfer of the CEO and the success of the company across all sizes of businesses.

Also, the results of the research showed that there is no significant relationship between the change of the CEO and the company's performance at different levels of company size. This result is contrary to the research by Chen et al. (2013). They found that there is a direct relationship between poor company performance and CEO turnover.

5. CONCLUSION

In conclusion, the study investigates the relationship between corporate governance change and the performance of firms listed on the TSE. Theories and empirical evidence indicate that adjustments in corporate governance improve firm performance. Thus, changes in corporate governance may have an effect on the performance of Iranian businesses. Does the scale of a firm have an impact on its profitability and performance? These inquiries unveil the primary aim of the research. In order to validate the study assumptions, 161 firms that are listed on the TSE were utilized between the years 2014 and 2019. It is uncommon for researchers to explore the connection between changes in corporate governance and the success of a company. A small amount of study has been done on the transformation of corporate governance than on corporate governance itself. This study is contrasted with previous research that has been conducted in this department. There is a statistically significant and negative link between the growth in board independence and the performance of large firms, according to the findings of the hypothesis testing. This correlation is specific to the performance of large companies. In contrast to Christensen et al. (2010), this is the opposing viewpoint. For big companies, the association between changes in board independence and firm performance is strong and beneficial, whereas, for small enterprises, the relationship is negative and significant. The performance of the organization is improved by having unbiased board members. Specifically, it implies that there is a negative correlation between board independence and corporate performance. In addition, the study did not find any evidence of a connection between a shift in the independence of the BoD and the overall profitability of the company. The analysis found that there was no association between the transfer of the CEO and the success of the company across all sizes of businesses. The research concludes that poor company performance is the root reason for CEO turnover. An absence of a substantial association between the rise in ownership concentration and the success of companies of varied sizes with regard to the performance of the enterprises. The following is a concise summary of the eventual reconditioning that will be applied to the current study. The relationship between changes in board independence and firm performance is considerable and positive for large organizations, but negative and significant for small businesses. Another variable can be considered in the future such as the fluctuation in the currency.

The following is a concise summary of the future reconditioning that will be applied to the current study. The volatility of the currency and other external factors, as such, are examples of additional variables that may be taken into consideration in the future. There is a dearth of literature on the topic of how financial sustainability within corporate governance affects business performance, even though there is a great deal of literature covering both corporate governance and firm performance separately. Research frequently ignores the possible synergistic impacts of financial sustainability and corporate governance by treating them as independent topics. Furthermore, there is a lack of evidence about the effects of particular corporate governance practices on long-term financial viability and how these factors affect the overall performance of businesses. Longitudinal research spanning several sectors is needed to determine the elements, such as industry-specific difficulties and economic cycles, that contribute to financially sustainable corporate governance procedures and their ability to produce greater business performance.

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