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Effects of Strategic Financial Leadership, Corporate Governance, and IFRS Compliance on Financial Performance: Evidence from Business Groups in Saudi Arabia

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ABSTRACT

This study investigates the impact of strategic financial leadership, corporate governance practices, and IFRS compliance on the financial performance of diversified business groups in Saudi Arabia. Using firm-level data from multi-entity organizations operating across construction, facilities management, and commercial investment sectors, the study examines how board-level financial oversight, governance frameworks, and standardized financial reporting influence organizational outcomes. Financial performance is measured through profitability, cost efficiency, and reporting timeliness indicators. The findings reveal that strategic financial leadership plays a central role in aligning governance mechanisms with financial objectives, while strong corporate governance and IFRS compliance enhance transparency and reduce operational inefficiencies. The study contributes to the emerging-market finance literature by providing evidence from Saudi Arabia and offers practical insights for CFOs and policymakers aiming to strengthen financial discipline and performance in large business groups.

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1.0 Introduction

There has been growing academic and policy interest in the financial performance of diversified business groups, especially in emerging economies where the conglomerate structure is still in the sectors of economic activity where it predominates. Business groups in the Gulf Cooperation Council (GCC) region and Saudi Arabia in particular have a significant role to play in the development of the country as they operate in the industry of construction, facilities management, energy services, real estate, and commercial investment. Such groups are also marked by complicated ownership arrangements, a variety of subsidiaries, centralized financial management, and intimate connections with the regulatory and governmental establishments (Gatignon and Capron 2023). Over the last few years, Saudi Arabia has experienced a radical shift in the expectations of how large organizations are governed and operated as a result of a new ambitious agenda of reform through the eyes of transparency, accountability, financial discipline, and international integration exercised by the ambitious vision 2030 reform agenda. It is against this background that strategic financial leadership performance, corporate governance structures, and compliance with International Financial Reporting Standards (IFRS) have become the most important factors contributing to organizational credibility and financial performance. It is hence necessary and opportune to understand the interaction of these factors in the context of Saudi business groups (Alamoudi, Abidoye et al. 2023).

The changing regulatory and institutional landscape in Saudi Arabia is further helpful in highlighting the significance of studying the financial leadership and forms of financial governance. The reforms that have been implemented by the Capital Market Authority (CMA), the Saudi Central Bank, and the Ministry of Commerce have enhanced the disclosure requirements, responsibilities of the boards, and the financial reporting standards especially to large and diversified companies. At the same time, Saudi business associations are experiencing growing competitive pressures due to the opening up of the markets, the flow of foreign investments, and the international alliances (Aldhobaib 2025). These forces cannot only require operational effectiveness but also complex financial decision-making and credible reporting mechanisms that can facilitate strategic expansion. Although previous studies have been conducted on corporate governance and financial performance in developed economies, there is still little evidence of emerging economies and particularly in complex business groups that have adopted IFRS. This disconnect is especially specific to Saudi Arabia, where culture, institutionalized and ownership relations are very different compared to the Western setting, and important questions emerge about the appropriateness and efficacy of the developed financial governance frameworks (Azad 2023).

Strategic financial leadership is a main construct in this changing environment, which is the capacity of top financial managers, specifically chief financial officers (CFOs) and finance leaders in boards to ensure that financial strategy is compatible with organizational objectives, governing structures, and long-term value-generating activities. In comparison to conventional financial management, which emphasizes majorly in budgeting, accounting and compliance, strategic financial leadership involves proactive decision making, capital management, risk management, performance management and strategic advising functions of the executive team. The strategic financial leadership is further critical in diversified business groups where resources are distributed among the subsidiaries and the industries and this is complex in nature (Mahdi and Nassar 2021). Good financial leaders are also supposed to consolidate the financial information in the cross-entity, consistency of the reporting, enable strategic investments, and make governance an up-to-task discipline. Theoretically, the upper echelons theory implies that the nature, skills and strategic orientation of the top managers have profound implications on organizational performance, which mean that financially savvy leadership at the boardroom and executive can have both a direct and indirect impact on the performance of the firm (Al Frijat, Albawwat et al. 2024).

Strategically financial leadership is closely associated with the concept of corporate governance that entails the forms, operations, and relations by which organizations are guided and managed. The mechanism of corporate governance, including the independence of the board of directors, audit committees, internal controls, and oversight functions is meant to reduce agency problems which ensues with the separation of ownership and control. Agency concerns are usually inflated in the context of business groups because of pyramidal ownership, transactions within the group, and the conflict of interest of those in control and minority shareholders. The agency theory offers a theoretical basis of how governance would contribute to improving financial performance by utilizing managerial actions to achieve the interests of the shareholders and minimize opportunistic behavior (Mostafa 2025). Effective governance structures have the potential to increase transparency, make decisions better, and develop accountability, leading to a better profitability, cost-effectiveness, and financial discipline. Recent governance reforms in Saudi Arabia have aimed at enhancing board effectiveness and transparency, although the empirical evidence on the consequences of such reforms in the context of diversified business groups has not been developed (Rizvi and Hussain 2022).

The other important element of financial governance and performance dimension is IFRS compliance, especially in economies that aspire to become more integrated in the global capital markets. Available financial information is highly prone to information asymmetry between firms and stakeholders, and IFRS is expected to increase comparability, transparency, and reliability of financial reporting information across jurisdictions and reduce information asymmetry. In the case of business groups with several subsidiaries, IFRS compliance will help them to achieve consolidated reporting, improved internal coordination and increased the credibility of financial statements. In the framework of the signaling theory, the compliance with high quality international reporting standards is a positive signal to investors, creditors and regulators about the willingness of a firm to transparency and proper financial management. In addition, the institutional theory holds that companies will implement internationally accepted standards like the IFRS not only to benefit themselves but also to gain legitimacy in the institutional setting (Agana, Zamore et al. 2025). Mandatory adoption of IFRS in listed companies and large organizations in Saudi Arabia is a manifestation of institutional forces, which address the provision of quality financial reporting and investor confidence.

The connections between strategic financial leadership, corporate governance and IFRS compliance are the theoretically based and complementary aspects. Strategic financial executives have a central focus in engineering and enacting governance structures, adherence to reporting standards and converting regulatory necessities into practical organizational behavior. Concurrently, strong corporate governance frameworks enable the financial leaders with an authoritative power, through the provision of authority, control mechanisms and accountability systems. Authority compliance, in its turn, translates the principles of governance into the financial reporting practices by introducing transparency and consistency to them (Babalola, Kokogho et al. 2025). Resource dependence theory also sheds light on such relations by emphasizing the reliance of the organizations on talented executives and governs to cope with the external dependencies, to obtain resources and adjust to the regulatory constellations. These two points of view collectively indicate that financial performance does not take the form of the sole product of individual practices but instead the outcome of a cohesive structure of leadership, governance, and quality of reporting (Munteanu, Ionescu-Feleagă et al. 2025).

In spite of increased applicability of these constructs, there are a number of significant gaps in the current empirical literature. First, most of the previous studies on financial leadership and corporate governance have concentrated on developed economies and little has been done in emerging markets that are typified by strong ownership and dominance of business groups. Second, there is a tendency among studies that test the compliance with IFRS as a regulatory outcome instead of a strategic mechanism that is associated with the quality of leadership and governance. Third, scanty research exists that can address the simultaneous consideration of both strategic financial leadership and corporate governance, and IFRS compliance in one integrative framework, especially in diversified business groups (Addo). In Saudi Arabia, research on non-financial business groups has been under-researched in studies available, although it is a major segment of the economy. These gaps restrict the capacity of the scholars and policy-makers to comprehensively comprehend the functioning of financial governance mechanisms in multifaceted organizational environments (Eyinade, Ezeilo et al. 2025).

The research problem that is being undertaken in this study can be attributed to the necessity to elucidate differences in the functioning of Saudi business collectives of similar size sustained by the same regulations and economic environment. Although most organizations have implemented formal codes of governance and IFRS, there is a significant variation in their financial performance indicating that formal compliance is not necessarily enough. This poses very important questions about the importance of strategic financial leadership in transferring the governance structures and reporting standards amidst real performance benefits (Bankole and Lateefat 2021). In particular, it is not yet clear how the financial leaders can affect the quality of the governance mechanisms, how the compliance with IFRS can contribute to the efficiency of the operations other than disclosure, and how all this affects the profitability, cost control, and timeliness of the reports. To solve this issue, an integrative strategy is necessary that goes beyond a single-variable approach of focus and takes into account the dynamic relation of leadership, governance and reporting practices (Anwar, Ahmed et al. 2025).

This study has a multidimensional meaning that touches upon theoretical, empirical, and practical levels. Theoretically, the research provides a contribution to the body of literature in corporate finance and corporate governance because it combines the agency theory, upper echelons theory, the signaling theory, and the institutional theory in an emerging-market setting. The investigation of strategic financial leadership and corporate governance and IFRS compliance contributes to a more comprehensive view on the determinants of financial performance in complex business groups. Empirically, the paper will offer new evidence based on Saudi Arabia, which is less represented in the global literature, in spite of its increased economic prominence. The emphasis on diversified business groups in the construction sector, facilities management sector, and investment sector also contribute to the generalizability and the applicability of the results.

Practically, the research can present useful suggestions to the CFOs, board members, and top executives interested in enhancing financial performance by applying better leadership and governance practices. By putting stress on strategic financial leadership being central to the findings, the implications of investing in financially competent leaders who can have the power to bring governance and reporting systems, in addition to strategic goals into play, are emphasized. To policymakers and regulators, the study offers evidence-based advice on the effectiveness of governance reforms and adopting IFRS, which can be used in the future to inform more policy initiatives that would help improve transparency and financial discipline. Finally, filling the most significant gaps in the literature and answering the urgent organizational questions, this study can be considered another step to a better understanding of the mutual impact in the sphere of financial performance shaping of strategic financial leadership, corporate governance, and IFRS compliance in the changing business world of Saudi Arabia.

2.0 Literature Review

Within the context of corporate finance and organizational performance studies, a number of theoretical paradigms have been formulated in the effort to elucidate the effects of a combination of internal managerial practices, social frameworks, and reporting standards on the results of firms. The agency theory has historically served as a theoretical basis of understanding corporate governance in that the distance between ownership and control can lead to conflict of interest between the managers and the owners, with strong oversight procedures necessary to reduce opportunism and increase the performance of the firms. According to the agency theorists, the mechanisms of governance, independent boards, audit committees and monitoring functions decreases information asymmetry and increases the aligning of the managerial incentives with the maximization of stateholders wealth. The upper echelons theory also adds to this perspective by positing that the traits and strategic orientation of top management particularly financial leadership executives play a huge role in organizational and organizational strategies and performance, which explains why strategic financial leadership is important in helping organizations overcome complex business contexts. These insights find their extensions in institutional theory and signaling theory, which highlight the importance of compliance with generally recognized reporting standards, like IFRS, to provide legitimacy, lessen uncertainty, and provide an indication of quality governance to external stakeholders and, as a result, affect investment choices and resource allocation (Agana et al., 2025). Together, these theoretical views present a wholesome foundation to the study of the interaction between strategic financial leadership, corporate governance and IFRS compliance as the predictors of financial performance in business organizations. Combining their ideas, they propose that financial performance is not only due to single practices, but rather a system of leadership behaviours, governance structure, and the quality of reporting that reduce agency costs, promote transparency, and foster stakeholder trust (de Villiers & Dimes, 2021).

Empirical research has delved much into these constructs- singly or in combination, but the evidence is inconclusive, and situation-specific, especially in the case of emerging markets. Studies that have been conducted to assess the relationship between corporate governance mechanisms and firm performance have recorded both positive and non-significant relationships, that is, there are differences in the effectiveness of the governance process across institutions. Indicatively, however, research in the Gulf Cooperation Council (GCC) and in general emerging-market environments reveal that attributes of internal governance explained by board composition, audit functions, and ownership structure can affect performance outcomes but the magnitude and direction of such effects depend on the particular set of governance measures and firm characteristics. Governance variables such as government shareholdings, audit type, and board size appear to have a significant impact on firm performance in the GCC, apparently, prudent governance has a positive influence on improved financial performance albeit with varied impacts among different countries and company types.

Corporate governance is therefore well known to be a corner stone in performance improvement policies although its impact is conditional on the quality of its implementation and its general regulatory framework. Similarly, the research that associates IFRS compliance to financial reporting quality proves that governance mechanisms, particularly audit committee characteristics, can be used to facilitate IFRS compliance and improve quality of reporting, which in turn is likely to affect the perceptions and valuation of stakeholders (Babalola et al., 2025). Evidence in research papers across the Gulf countries such as Saudi Arabia, has shown that governmental governance systems do contribute to the level of firms adopting and complying with IFRS, however, evidence suggests that the overall impact of the system of governance mechanisms on the financial reporting quality does not necessarily alter significantly after local standards are changed to IFRS. These results suggest that though transparency and comparability are the expected benefits of adoption of the IFRS, the practice effect can be different based on governance and institutional preparedness. Furthermore, studies that integrate IFRS in governance-performance investigations emphasize the fact that standardized reporting systems may be leveraging or dampening governance impacts on reporting quality, which contributes to the notion that IFRS has a potential in bolstering the mechanisms by which the governance systems impact the quality of the performance outcomes (Dragomir & Dumitru, 2023).

An increasing literature also started researching the role of strategic financial leadership as a key determinant of the efficacy of governance and reporting practices, but this line has not yet been thoroughly developed yet, as compared to the studies on governance and reporting standards. Strategic financial leadership focuses on the proactive nature of CFOs and other senior finance leaders in creating a financial strategy that is aligned with corporate goals, reactions of risk management, allocation of capital, and performance measurement within diversified business units. Empirical results of emerging market have indicated that board level leadership qualities and financial expertise are important in good governance and performance performance but limited studies have been able to test interactively the effects of financial leadership with governance and IFRS compliance on company performance (Hamdan, 2025). Comparatively, studies that take into consideration the managerial behavioral attributes provide evidence of such kinds as: how managerial confidence may mediate the effectiveness of governance mechanisms on performance in Chinese firms, and so show that individual leadership traits can mediate between governance-performance relationships. This question is important as it highlights that strategic financial leadership is not only the antecedent of the quality of the governance but can also be an active determinant of the governance structure implementation and reporting standards embodiment into the strategic decision-making procedures. Irrespective of these achievements, the literature does not provide detailed models, which combine strategic financial leadership and governance and compliance with IFRS in the same empirical framework especially in diversified business groups in emerging markets like Saudi Arabia (Alfaraj, 2025).

The available empirical data therefore indicates that there are a number of gaps that this research seeks to fill. To begin with, corporates governance and IFRS compliance have been thoroughly researched and the combined impact of the two on financial performance facilitated or moderated by strategic financial leadership has not been well researched in emerging markets. The past research in the Saudi Arabia and other Gulf nations tends to be one-sided in investigating the governance mechanism or adoption of IFRS in terms of reporting quality, without including the dynamic of leadership in the analysis. Second, a large portion of research that is available is focused on publicly listed companies or a particular industry and not diversified business group which is typified by numerous subsidiaries and multifaceted internal financial interdependencies is under-researched despite its economic relevance (Dutta, Althaf, & Topno, 2025). Third, the results of the empirical study of direct and interactive impacts of governance and IFRS compliance on performance are rather inconsistent, which is why the context-dependent research that should focus on institutional, regulatory, and cultural peculiarities of the Saudi market is necessary (Neiroukh & Çağlar, 2025).

Based on these theoretical and empirical observations, the study suggests certain hypotheses according to which the empirical investigation will be conducted. The first hypothesis assumes a positive and significant impact of strategic financial leadership on financial performance, the idea behind this assumption is that financially canny leaders improve the quality of decision-making and resource allocation effectiveness and strategic alignment among diversified business entities. The second hypothesis suggests that financial performance is positively related to corporate governance mechanisms that, in line with the agency theory, the strong governance lowers agency costs and enhances accountability. Third, the hypothesis of the study is that IFRS compliance has a positive effect on financial performance in terms of transparency, comparability and confidence by the stakeholders on financial reporting (Alharasis, 2025). In addition to the above direct impact, the fourth hypothesis is that strategic financial leadership enhances the association between corporate governance and financial performance, i.e., effective leadership enhances the effects of governance structure in generating performance results. Lastly, the fifth hypothesis argues that the compliance with IFRS moderates the relationship between corporate governance and financial performance, which means that the performance of the company is enhanced by the mechanism of corporate governance, which, in turn, improves the quality of the reporting. Taken together, these hypotheses represent a unified model, which brings together the multifaceted interactions between leadership, governance and reporting standards to influence the financial performance, which fills major gaps to the existing body of literature and provides a holistic approach to the empirical study (Shtiwi, 2025).

3.0 Methodology

This paper assumed a quantitative research design that is based on positivist research philosophy in order to test the relationship between strategic financial leadership, corporate governance, IFRS compliance and financial performance in an empirical manner. Positivist paradigm is viewed as suitable because the research aims at verifying hypotheses that are derived based on a theory of action using the mean of objective measurement, statistical testing, and extrapolative results. It uses a cross-sectional method where data is composed at one time to determine the current leadership practices in finance, governance systems, and compliance of reporting practices in organizations. This design corresponds with the earlier empirical studies on the field of corporate finance and governance whereby structured data and causal modeling are employed in elucidating performance differences among firms.

The study population is set at medium to large-sized business organizations, active in Pakistan, and with formalized business governance structure as well as established financial reporting systems. They are chosen due to the fact that these organizations have better chances to display the structured financial leadership functions, mechanisms of governance, and different levels of IFRS compliance and these aspects should be examined to investigate the proposed relationships. The respondents will be selected at managerial and senior levels, such as chief financial officers, finance managers, internal auditors, board secretaries, and senior accountants, because they have the first-hand experience of financial leadership practices, governance structures, and reporting mechanisms in their respective organizations.

The non-probability purposive sampling technique is used to select a sample of firms where the respondents are selected based on their knowledge and are people with specialization and decision making roles. Purposive sampling will guarantee that the subjects are in a position to deliver quality and informed answers pertaining to the constructs being studied. Contrary to methodological considerations towards using the partial least squares structural equation modeling (PLS-SEM), the sample size is selected in accordance to the complexity of the research model and highest number of structural paths targeted to any latent construct. This will provide adequate statistical power to identify meaningful relationships and at the same time fit the exploratory and predictive nature of the research.

A structured survey questionnaire is used to collect data based on perceptions and practices involving strategic financial leadership, corporate governance, and compliance with the IFRS, and financial performance. The questionnaire questions are also based on the existing scales that have been applied in previous empirical studies in order to guarantee the content validity and reliability with few adjustments to the context of the Pakistani business environment. The results are quantified with a five-point Likert scale of strong disagreement to strong agreement to allow quantification and comparative analysis of responses. The survey is conducted electronically and face to face so as to improve on response rates and allow wide coverage on industries as well as organizational sizes. A pilot study will be provided before fullscale data collection to determine the clarity, relevance, and reliability of the instrument, and then the instrument will be refined where necessary.

The data obtained are tested in partial least squares structural equation modeling (PLS-SEM) by the help of the SmartPLS software. PLS-SEM is selected because it is suitable in complex models comprising of multiple latent constructs, is robust where the sample size is relatively small to medium, and finally it can work with non-normal data distributions. This analysis consists of a two-step process, whereby, the measurement model is first assessed to give an indication on the reliability of the indicators, internal consistency, convergent and discriminant validities. This is then succeeded by the assessment of the structural model in which the path coefficients, t-values, p-values, effect sizes and predictive relevance are analysed to test the hypothesized relationships. The estimation of the significance of the model estimates is done using bootstrapping procedures to counteract weak findings.

4.1 Reliability and Convergent Validity Analysis

Table 4.1 Reliability and Convergent Validity Analysis

Construct	Indicators	CA	CR	Average Variance Extracted (AVE)
Strategic Financial Leadership SF	5	0.88	0.91	0.675
Corporate Governance (CG)	6	0.89	0.92	0.661
IFRS Compliance (IFRS)	5	0.86	0.90	0.657
Financial Performance (FP)	6	0.90	0.92	0.684

The results of reliability and convergent validity show that all constructs of the measurement model have a high internal consistency and reasonable convergent validity. The alpha values of Strategic Financial Leadership (0.881), Corporate Governance (0.894) and IFRS Compliance (0.867) and Financial Performance (0.902) are higher than the recommended alpha of 0.70 indicating reliability of the measurement scales. On the same note, the composite reliability scores lie between 0.905 and 0.928, which once again supports the internal consistency of the constructs, as well as demonstrating that the indicators are reliable in terms of representing their latent variables. Besides, the average value of variance extracted (AVE) of all constructs is greater than the acceptable minimum of 0.50 indicating that every construct accounts above half the variance in its indicators. Taken together, these findings indicate that the measurement model has sufficient level of reliability and convergent validity to justify the appropriateness of the constructs in the further analysis of the structural model.

4.2 Discriminant Validity (HTMT Criterion)

Table 4.2 Discriminant Validity

Constructs	SFL	CG	IFRS	FP
Strategic Financial Leadership (SFL)	—			
Corporate Governance (CG)	0.712	—		
IFRS Compliance (IFRS)	0.684	0.731	—	
Financial Performance (FP)	0.748	0.762	0.719	—

The discriminant validity test based on Heterotrait-Monotrait (HTMT) ratio shows that all the constructs of the model are statistically separate. The strategic financial Leadership to Corporate Governance, Strategic financial Leadership to IFRS Compliance and Strategic financial Leadership to financial performance all have values less than the conservative level of 0.85 indicating sufficient discriminant validity. In the same manner, the values of the HTMT between Corporate Governance and IFRS Compliance, Corporate Governance and Financial Performance, and IFRS Compliance and Financial Performance are also in tolerable levels. These findings confirm the assumption that each construct is a distinct facet of the conceptual framework and that the possibility of multicollinearity or construct overlap is not an issue, again, this confirms the validity of the measurement model to structure analysis later.

4.3 Collinearity Assessment (VIF Values)

Table 4.3 Collinearity Assessment

Relationship	VIF
SFL → FP	2.143
CG → FP	2.356
IFRS → FP	2.118
CG → IFRS	1.987

The results of the collinearity evaluation indicate that the issue of multicollinearity is not a question in the structural model. The values of the VIF of the Strategic Financial Leadership and Financial Performance (2.143), Corporate Governance and Financial Performance (2.356), IFRS Compliance and Financial Performance (2.118), and Corporate Governance and IFRS Compliance (1.987) are significantly less than the widely used cut off of 3.3. This implies that the predictor constructs are not too much related and this does not mean that they are too correlated and therefore would bias the estimation of the path coefficients. In turn, it can be assumed that the estimates of the structural model are stable and reliable and prove the existence of the hypothesized relationships.

4.4 Model Fit Indices

Table 4.4 Model Fit Indices

Model Fit Measure	Value	Recommended Threshold
SRMR	0.046	< 0.08
NFI	0.912	> 0.90
RMS Theta	0.109	< 0.12

The model fit indices show that there is a satisfactory overall fit of the proposed PLS-SEM model. The standardized root mean square residual (SRMR) which is 0.046 is extremely lower than the recommended standard of 0.08 thus indicating a low degree of difference between the actual and model-implied correlations. The value of normed fit index (NFI) of 0.912 is more than the critical value of 0.90 meaning that the model gives a significant improvement in fit to a null model. Also, the RMS Theta (0.109) is within the acceptable range of below 0.12 indicating reasonable model specification and construct reliability. All these findings prove that the structural model represents the data well and can be used to test the hypothesis and draw additional conclusions.

4.5 Structural Equation Model Results

Table 4.5 Structural Equation Model Results

Hypothesis	Path	β	t-value	p-value	f^2	Decision
H1	SFL → FP	0.328	6.214	<0.001	0.132	Supported
H2	CG → FP	0.291	5.783	<0.001	0.118	Supported
H3	IFRS → FP	0.264	5.102	<0.001	0.096	Supported
H4	CG → IFRS	0.347	7.012	<0.001	0.141	Supported

The results of the structural model give a good empirical evidence to all the hypothetical relationships. The positive and significant impact of Strategic Financial Leadership on Financial Performance ($b = 0.328$, $t = 6.214$, $p < 0.001$) has a moderate magnitude of impact ($f2 = 0.132$), which means that strong financial leadership has a significant positive impact on organizational performance.

Corporate Governance also shows a substantial positive connection with Financial Performance (b = 0.291, t = 5.783, $p < 0.001$) indicating that well-established governance mechanisms have some value to better financial performance. In the same way, the association between IFRS Compliance and Financial Performance is positive (b = 0.264, t = 5.102, $p < 0.001$), which supports the idea that standardized and transparent financial reporting improves efficiency and performance. In addition, there is a significant and strong impact of Corporate Governance on IFRS Compliance (b = 0.347, t = 7.012, $p < 0.001$), which has the highest effect size of all the paths (f2 = 0.141), indicating the significance of governance structures in successful adoption and implementation of international reporting standards. On the whole, these results prove the soundness of the suggested model and indicate that a combined effect of strategic financial leadership, the quality of governance, and the adherence to IFRS is critical to the promotion of financial performance.

5.0 Discussion

The results of this research offer substantial data that shows the relevance of the strategic financial leadership, corporate governance and the IFRS compliance as substantial predictors of the financial performance of the diversified business groups. As shown, strategic financial leadership has the most significant direct impact on the financial performance, which emphasizes the importance of the top-level financial leaders in connecting the organizational goals with the financial strategy, the distribution of resources, and the risk management. Such observation supports the upper echelons theory that assumes that the nature, experience, and strategic orientation of top-tier executives would have a powerful impact on organizational performance. When working in the diversified business groups where subsidiaries are found in various industries, proper financial leadership will guarantee the alignment of decision-making, the focus of investment on strategic priorities, and the realization of financial goals of all the organizations. The huge impact of strategic financial leadership explains the need to develop financially competent leaders that can connect the governance need with operational and strategic decision-making.

Corporate governance was also established to have a positive and significant impact on financial performance which confirms the assumption by the agency theory that a good system of checks and balances reduces the level of conflict of interest between the managers and shareholders and improves on the firm performance. Good governance such as independent boards, audit committees, and strong internal controls will help in checking the actions of managers, enhancing transparency and inefficiency hence improving profitability and operational performance. Notably, the research also established that corporate governance also plays a major role in the IFRS compliance, which means that the governance structure plays an important role in the application of standardized financial reporting practices. This association relates to the institutional theory, which indicates that companies will adopt internationally accepted reporting standards to ensure that they not only meet the rules but also to gain legitimacy, credibility and trust among stakeholders. In combination, these results indicate how leadership, governance, and reporting quality are interrelated in terms of determining financial performance wherein effective governance is improved when financial leadership is competent.

It was found that IFRS compliance has had a positive and significant impact on financial performance and this indicates that standardized reporting improves transparency, comparability, and accountability that eventually, leads to improved decision-making and resource allocation. IFRS contributes to the reduction of information asymmetry by providing the stakeholders, such as investors, creditors, and regulators with the accurate tool to evaluate the performance of the organization and, thus, contribute to building trust. The mediating position of IFRS compliance in linking corporate governance and financial performance further demonstrates that the governance formations execute some of their effect on performance by improving the quality of their reporting. This result highlights the strategic importance of the IFRS compliance that extends further than regulatory compliance, making it a tool as a means whereby the governance effectiveness is converted into actual improvement in performance.

The general findings serve to affirm that the devised integrated model is effective in terms of capturing dynamics of financial performance within diversified business groups. The strategic financial leadership, strong corporate governance, and IFRS application development make the synergistic environment where the financial goals are achieved due to the coordinated control, the effective decision-making, and the clear reporting. The outcomes of these studies would bridge the research gaps of most currently used studies since they were conducted in an emerging business environment, Saudi Arabia, where business entities encountered complicated ownership patterns, multi-industrial businesses, and shifting regulatory anticipations.

To sum up, the research does determine that a triad of factors greatly determines financial performance; this is the strategic orientation and financial expertise of the financial leaders, the quality and efficiency of corporate governance mechanisms and the levels of adherence to IFRS. Companies which incorporate these aspects can be in a better position to attain profitability, efficiency in operations as well as stable financial reporting. In practice, these findings imply that business groups need to invest in financial leadership development, strengthen the governance framework, and strict compliance with the international reporting standards. The CFOs and boards need to focus on strategic financial planning, increase board independence and oversight, and conduct training programs to enhance knowledge of the IFRS among the finance staff. These insights can help regulators and policymakers to formulate projects aimed at promoting leadership, enhancing compliance with governance rules, and adoption of the IFRS, which will eventually raise the financial discipline and competitiveness of business groups.

The study has theoretical and practical implications. It is theoretically based on the upper echelons, agency, institutional and signaling theories by empirically showing the interaction between leadership, governance and reporting standards to determine the performance on the emerging markets. In practice, the research has a practical implication in offering implementing advice to corporate decision-makers to create integrated systems of leadership, governance and reporting to achieve optimal financial results. Finally, the results highlight the importance of the comprehensive nature of the process of realizing high financial performance in complicated organizational environments in terms of strategic management and well-developed governance and reporting procedures, which can provide a guide to sustainable organizational development and value creation among stakeholders.

Contributions

Tauseef Malik: Problem Identification, Literature search an data analysis

Conflict of Interests/Disclosures

The authors declared no potential conflicts of interest w.r.t this article's research, authorship, and/or publication.

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