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Review Article

Corporate Governance and Financial Performance in Saudi Arabian Listed Companies: A Integrative Literature Review

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Abstract

This research investigates the effect of corporate governance factors, including board size and multiple directorships, on firms' financial performance. Utilizing agency and stakeholder theories as its basis for analysis, this investigation seeks to understand board size's effect on decision-making efficiency as well as organizational efficiency. Additionally, this study investigates how interlocked directorships affect firm performance. Studies examining existing literature reveal mixed findings regarding the correlation between board size and financial performance, with some studies finding positive effects while others showing adverse results. Furthermore, the busyness hypothesis states that multiple directorships may hinder firm performance due to reduced management supervision and higher agency costs. This paper contributes significantly towards the understanding of corporate governance's influence on firm performance by offering insight into this complex relationship while serving as a basis for further study in this area.

Keywords: *Corporate Governance; Financial Performance; Board Size; Multiple Directorships; Interlocked Directorships*

Introduction

Corporate governance plays an essential role in the management and financial performance of companies worldwide. Corporate governance refers to a system through which companies are directed and controlled, including policies, rules, and regulations designed to ensure companies act in their stakeholders' best interest - shareholders, employees, and the community at large - shareholders in particular being of great concern in recent times - particularly in emerging markets such as Saudi Arabia, where regulatory changes were put in place in order to strengthen governance for listed companies on Tadawul (Saudi Arabian Stock Exchange).

Over recent years, Saudi Arabia has witnessed numerous modifications to its regulatory mechanisms and corporate governance landscape. At the start of 2011, for instance, Saudi Arabia's Capital Market Authority (CMA) called upon various enterprises to increase compliance with corporate governance regulations introduced back in 2006. Corporate Governance Regulations (CGRs) encompass all of the rules and regulations that pertain to specific joint stock companies listed on Tadawul (Buallay, Hamdan & Zureigat, 2017). Initialy, CGR development wasn't mandatory, and companies simply followed principles or had principles they needed to adhere to (Al-Faryan, 2019). But by 2010, the implementation of certain CGRs had become compulsory among certain listed firms. Since January 2009, all changes have required the CMA to list companies with Corporate Governance Reporting

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Systems (CGRs) (Bagais & Aljaaidi, 2020). This was meant to increase transparency while fully protecting stakeholders' rights.

Studies have been carried out to gauge the effects of corporate governance practices on the financial performance of companies across nations (Buallay, Hamdan & Zureigat, 2017). Organizations with strong corporate governance practices tend to experience more success than those with poor structures (Ibrahim, Habbash & Hussainey, 2019). Corporate governance systems play a pivotal role in crafting effective policies to increase market efficiency (Jensen, 1986). Effective corporate governance includes measures designed to safeguard minority stakeholders' interests while building trust in financial statements (Al-Adeem & Al-Khonain, 2020). Therefore, changes implemented in Saudi Arabia could significantly influence firms and their corporate governance practices.

Corporate governance encompasses relationships among a company's board, management, and shareholders (OECD, 2004). Corporate governance provides the framework within which objectives can be established and pursued to completion, with the board of directors playing an instrumental role in both the implementation and enforcement of corporate governance regulations. They must submit annual reports that include information regarding CGR compliance, board member details, and any imbalance between executive and non-executive directors (Khanifah *et al*., 2020). Joint stock co-directors acting in key board roles also contribute significantly to overall corporate governance (Marai, Elghariani & Pavlović, 2017).

The opening up of the Saudi Stock Exchange Tadawul to foreign investors has had a dramatic effect on corporate governance practices in Saudi Arabia. Foreign investment has resulted in an unprecedented influx of capital entering the economy (Hamdan, Buallay & Alareeni, 2017), leading to an increase in the total number of investors operating within it (Hamdan, Buallay & Alareeni, 2017). Unfortunately, however, this phenomenon has created compliance challenges that both firms and investors face as part of doing business here. Changes like the New Companies Law and Saudi Stock Exchange's opening to foreign investors have presented companies with both opportunities and challenges in terms of compliance requirements that they must abide by in order to remain compliant. Businesses need to adapt quickly in order to ensure effective corporate governance that promotes transparency, accountability, and avoidance of conflicts of interests.

Corporate governance (CG) serves to monitor and regulate relationships among managers of firms and their owners (Al-Adeem & Al-Khonain, 2020). Conflict of interest issues could potentially arise between firm managers' interests and those of owners; relinquishing control in any firm can create various agency issues (Buallay, Hamdan & Zureigat, 2017).

Given recent shifts in Saudi Arabian corporate governance practices and regulations, this integrative literature review seeks to evaluate their relationship to financial performance among Saudi Arabian listed companies. Any direct changes related to company performance while considering any impacts made via CGR changes for any correlations or correlations should be analysed and identified.

This research review will synthesize existing studies on corporate governance practices and financial performance in Saudi Arabia, paying particular attention to regulatory changes for listed companies. Articles published by Buallay, Hamdan and Zureigat (2017) will also be taken into consideration; providing policymakers, investors, and business leaders within Saudi Arabia with invaluable information that provides invaluable insights.

Corporate governance plays a central role in shaping company financial performance, so recent regulatory changes in Saudi Arabia require us to understand their effects on this relationship between governance practices and financial outcomes. With an integrative literature review aiming to investigate further this relationship between practices of corporate governance and performance financial outcomes for Saudi Arabian businesses as well as explore its influence in shaping listed company performance financially in Saudi Arabia listed companies, this study contributes to ongoing debate as well as shaping future research efforts and policy decisions.

Review of Literature

Corporate Governance Theories

Agency Theory

Agency theory, originally developed by Alchian and Demsetz (1972) and later updated by Jensen and Meckling (1976), investigates the relationship between shareholders (principals) and organizational executives or managers (agents) (Yusoff & Alhaji, 2012). This theory posits that agents must ensure the principals' ideas and values are maintained and make decisions that align with the financial interests of the principals (Lan & Heracleous, 2010).

The theory emphasizes the importance of agents utilizing their critical thinking, decision-making, leadership behaviors, and other skills to address the needs and goals of the principals (Mitnick, 2015). It adopts a positivist approach, suggesting that agents play a significant role in developing individualistic solutions to various scenarios, adhering to the rules set by the principals to achieve the shareholders' objectives.

Westphal and Zajac (2013) note that agency theory explores the differences in ideas and values between agents and principals. Consequently, agents are responsible for aligning goals and maintaining a mutualistic ideology between themselves and the principals. This highlights the role of managers or leaders in enhancing employee accountability and performance monitoring, which are crucial in the development and implementation of corporate governance.

In the context of Saudi Arabian listed companies, understanding the implications of agency theory becomes essential for designing effective corporate governance mechanisms that can address the inherent conflicts of interest between shareholders and managers. As these companies operate in a business environment characterized by concentrated ownership structures, the potential for agency problems is more pronounced (Almaqtari, Hashed & Shamim, 2021). Therefore, adopting corporate governance practices that minimize conflicts and align the interests of agents and principals can contribute to better financial performance.

Agency theory plays a vital role in understanding the dynamics of corporate governance by emphasizing the importance of the relationship between shareholders and organizational executives and the need for agents to align their actions with the financial interests of the principals (Al-Matari, Al-Swidi & Fadzil, 2012). Adhering to the principles of agency theory can contribute to more effective corporate governance practices and improved financial performance in organizations, including Saudi Arabian listed companies.

Stewardship Theory

Stewardship theory, developed by Davis, Schoorman, and Donaldson (1997), asserts that every company has one or multiple stewards, such as executive members, leaders, or managers, who are responsible for firm performance, shareholder value maximization, and financial performance (Filipovic, Podrug, & Kristo, 2010). The theory differs from agency theory in that stewards are more independent, taking autonomous actions and leadership roles to achieve not only their personal goals but also the shareholders' goals. Therefore, the stewards are liable for the advancement yearly reports and execution reports that assist the investors with surveying the commitments and the exhibition accomplishments of the association (Hernandez, 2012). This improves the trust and straightforwardness of the pioneers and the association, which further aides in the improvement of the monetary performance of the organisation.

In the context of corporate governance, stewardship theory emphasizes the importance of leaders using ethical methods to achieve organizational and personal objectives, thereby meeting the organization's goals for performance improvement and shareholder value maximization. This includes ethical monitoring, personal performance using ethical leadership skills, effective decision-making, developing trust between stakeholders and shareholders, engaging employees effectively, and allocating responsibilities (Davis, Schoorman & Donaldson, 1997).

Stewardship theory can be particularly relevant to Saudi Arabian listed companies, as the business environment is characterized by strong family ties and cultural norms that emphasize loyalty, trust, and long-term relationships (Al-Matari, Al-Swidi & Fadzil, 2014). In such a context, stewardship theory can provide a more accurate representation of the relationship between managers and shareholders, emphasizing the importance of fostering a sense of stewardship among organizational leaders to enhance financial performance.

Stewardship theory highlights the importance of ethical leadership and independent decision-making in corporate governance. It emphasizes the role of stewards in balancing their personal goals with the interests of shareholders to achieve overall organizational success (Hernandez, 2012). For Saudi Arabian listed companies, adopting stewardship theory principles can contribute to the development of corporate governance practices that align with the unique characteristics of the business environment and ultimately lead to improved financial performance.

Stakeholder theory

Stakeholder theory, developed by Freeman, is a critical approach to corporate governance that focuses on the roles and interests of various stakeholders in an organization (Freeman, 2010). Stakeholders are defined as any entity or individual affected by the organization's decisions and actions and can include employees, suppliers, shareholders, board members, government agencies, and others (Filipovic, Podrug, & Kristo, 2010).

This theory acknowledges that each stakeholder has unique roles, responsibilities, goals, and objectives in relation to the organization's development. Corporate governance, according to stakeholder theory, must ensure that the organization's goals align with those of its stakeholders to promote mutualistic development (Tricker, 2015). This approach suggests that all stakeholders, not just shareholders, have a responsibility for the development and achievement of the organization's objectives.

In the context of Saudi Arabian listed companies, stakeholder theory can provide valuable insights into the interplay of various stakeholder groups and their impact on corporate governance and financial performance. By adopting stakeholder theory principles, these companies can develop governance practices that consider the interests and expectations of multiple stakeholders, leading to more inclusive and responsible decision-making processes.

Stakeholder theory emphasizes the importance of considering the interests and expectations of all stakeholders in the development and implementation of corporate governance practices. By aligning stakeholder goals with organizational objectives, companies can create a more harmonious business environment, reduce conflicts, and improve overall financial performance. For Saudi Arabian listed companies, adopting stakeholder theory principles can lead to the development of more inclusive and responsible corporate governance practices that contribute to better financial performance.

Board Meeting and financial performance

Research findings regarding board meetings vary significantly. Some have observed that board meetings contribute to financial success (Kaczmarek, 2017); however, another five-year study of 114 firms beginning in 2006 by Kaczmarek did not find any correlation. Furthermore, various factors can impact whether board meetings influence financial success, such as company size, industry sector, and legal or institutional environment (Siebels & Zu Knyphausen-Aufseb, 2012).

Research suggests a relationship between meeting frequency and the financial performance of businesses in developing nations, although its impact has yet to be proven conclusively (Siebels & Zu Knyphausen-Aufseb, 2012). Regular board meetings could potentially erode company value - Kaczmarek (2017) found a correlation between board meetings and company success when studying 170 Malaysian listed enterprises over three years, where board meetings occurred at every single company, whereas Larcker and Tayan (2015) did not find evidence that meeting frequency had an impact on either their economic condition or business performance during 2000-2005.

Studies conducted to date regarding the relationship between board meetings and financial success remain inconclusive; some suggest an association between frequency and attendance at board meetings and financial success, but not others. Due to this inconclusive evidence, companies should carefully consider their individual circumstances when setting meeting frequencies and objectives for board meetings.

Board Independence and Financial Performance

Board independence is an integral component of corporate governance, as it helps businesses meet the demands and requirements of their principals according to agency theory (Lan & Heracleous, 2010). Higher levels of board independence help improve organizational decision-making efficiency as well as performance measures (such as improved financial results or stakeholder satisfaction). Independent board members have more scope for innovation when using experience, networks, or reputation to advance organizational or stakeholder goals (Lan & Heracleous, 2010).

Multiple empirical studies have illustrated the positive influence of board independence on financial performance. For instance, Muller-Kahle, Wang and Wu (2014) discovered a strong link between independent directors and firm valuation for 187 UK and US firms surveyed (187 firms each time), supporting previous findings suggesting independent directors enhance financial performance for companies. Hsu and Wu (2014) discovered an effective number of independent directors positively impacting Chinese companies' financial results.

However, in developing countries, the relationship between board independence and financial performance can be more tenuous. Osazevbaru (2021) observed a range of results across studies, such as South African companies with independent members attracting foreign investors (Muniandy & Hillier, 2015), while Sun, Lan and Ma (2014) discovered a negative effect of board independence on 7,045 Chinese firms' performance; furthermore, Sanda (2011) concluded there is no significant relationship between board independence and Nigerian listed firms.

Al Abbas (2009) did not find any relationship between board independence and financial performance for listed Saudi companies studied, while Ezzine (2011) discovered a positive correlation. Furthermore, Albassam (2014) conducted a comprehensive investigation involving 80 Saudi companies that demonstrated how independent directors on boards can significantly impact company performance through increased transparency during decision-making as well as creating strategies that take all stakeholder needs into consideration.

Studies from various disciplines show that the relationship between board independence and financial performance depends heavily on context. Therefore, companies need to recognize all its complexities to implement appropriate corporate governance strategies that ensure the financial success of their firms (Mangena & Tauringana, 2007; Muller-Kahle, Wang & Wu, 2014; Albassam, 2014; Muniandy & Hillier, 2015).

Mixed results in literature could have various causes. One possible factor may be that board independence and financial performance depend on various national-specific variables such as legal regulations, cultural norms, and business practices that determine relationships. Some countries may impose more stringent requirements regarding independent director appointments, which could obstruct this connection between board independence and performance.

Another contributing factor could be variations between studies in terms of methodology and samples used, with some using larger, more diverse samples that produce robust and generalizable findings; others might use smaller, more specific samples that don't represent all firms within a country's boundaries.

There may also be nonlinearity and moderating variables influencing the relationship between board independence and financial performance, as well as other variables, like industries or firm size; moreover, other corporate governance elements, like institutional investors' roles or executive management team composition, could interact with board independence to influence financial results.

Given these complex relationships, future research could focus on understanding which factors moderate board independence and financial performance; researchers could then investigate how it varies across countries, industries, and firm sizes. This analysis could assist in pinpointing specific situations where board independence has an especially profound impact on financial performance. Researchers could explore other corporate governance factors, including institutional investors' involvement, executive management team composition, or the presence of effective internal control mechanisms that affect board independence and financial performance, in shaping this relationship.

Future studies can also explore how board independence affects financial performance through various mechanisms. Researchers could investigate if independent directors contribute to more efficient decision-making processes, better financial reporting quality, or helping mitigate stakeholder conflicts of interest. Understanding these mechanisms could give companies insight into ways they could use board independence to bolster their own performance.

Longitudinal studies may also help shed light on the long-term implications of board independence on financial performance so as to ascertain if its influence endures or lessens as companies adapt new governance structures and practices.

Board independence is an integral element of corporate governance that has been shown to positively influence financial performance across different contexts, though its exact relationship is complex and depends on factors like country, industry, and firm size, as well as other corporate governance elements. Therefore, further research must be conducted in this area so companies can optimize their corporate governance structures for enhanced financial results.

Board Size and Financial Performance

The relationship between board size and financial performance has been the subject of extensive research and debate in the academic literature. Studies have presented conflicting findings, with some suggesting that larger boards lead to better financial performance due to increased diversity in decision-making, enhanced risk mitigation, and improved alignment of stakeholder interests (Jo & Harjoto, 2011).

The agency theory posits that larger boards can provide better oversight, reducing the possibility of management engaging in self-serving activities. The stakeholder theory argues that having a diverse set of stakeholders on the board leads to balanced decision-making that takes into account the interests of various parties, resulting in better financial performance.

However, other studies found a negative relationship between board size and financial performance, particularly in smaller and medium-sized organizations, arguing that larger boards may lead to reduced profitability and inefficiencies in decision-making processes (Cheng, 2008). These studies contend that larger boards may experience communication and coordination difficulties, resulting in slower decision-making and suboptimal outcomes.

The mixed findings in the literature suggest that the relationship between board size and financial performance is not universally applicable and may depend on factors such as firm size, industry, corporate governance practices, and the degree of board independence. For instance, larger firms operating in complex and rapidly changing environments may benefit from larger boards that bring diverse expertise, networks, and resources to the table. On the other hand, smaller firms operating in more stable and predictable environments may benefit from smaller boards that can make decisions more quickly and efficiently.

In the context of developing countries, the relationship between board size and financial performance is mixed. Some studies show a positive relationship, for instance, in Indian listed firms (Jackling & Johl, 2009) and Pakistani commercial banks (Malik *et al*., 2014). These studies suggest that larger boards bring valuable expertise, networks, and resources that contribute to better financial performance in these contexts. On the other hand, other studies show a negative relationship between board size and financial performance in Iranian listed firms (Mashayekhi & Bazaz, 2008) and Nigerian listed firms (Sanda, 2011). The negative relationship may be attributed to factors such as bureaucracy, inefficiencies, and conflicting interests among board members in these contexts.

Regarding Saudi Arabia, Al-Nodel and Hussainey (2010) found a positive relationship between board size and financial performance in a small sample of Saudi companies. However, the generalizability of these findings is limited due to the small sample size. The positive relationship found by Al-Nodel and Hussainey (2010) is consistent with some studies in the literature (Albassam, 2014; Coles, Daniel & Naveen, 2008; Wang, 2012), but contradicts others that found a negative relationship (Afrifa & Tauringana, 2015; Eisenberg, Sundgren & Wells, 1998; Guest, 2009).

Given the mixed evidence on the relationship between board size and financial performance, future research could explore the moderating factors that might influence this relationship, such as industry, firm size, the quality of corporate governance practices, and the degree of board independence. Longitudinal studies could also be conducted to examine the long-term effects of board size on financial performance, and additional research could be done to investigate the potential mechanisms through which board size influences financial performance, such as decision-making quality, information asymmetry, and agency costs.

In addition to the moderating factors mentioned above, the composition of the board, in terms of the mix of executive and non-executive directors, gender diversity, and international experience, could also play a role in determining the relationship between board size and financial performance. Some studies have suggested that greater gender diversity on the board is associated with improved financial performance (Carter, Simkins, & Simpson, 2003; Joecks, Pull, & Vetter, 2013). This could be due to the diverse perspectives, experiences, and skills that women bring to the board, leading to better decision-making, risk management, and strategic thinking. Similarly, having board members with international experience can enhance the board's ability to deal with the challenges and opportunities of globalization, resulting in better financial performance (Nielsen & Nielsen, 2011).

The relationship between board size and financial performance remains inconclusive, with studies presenting mixed findings (Daily, Dalton & Rajagopalan, 2003; Hillman & Dalziel, 2003; Dahya, McConnell & Travlos, 2002). Factors such as firm size, industry, corporate governance practices, and board composition might influence this relationship (Yermack, 1996; Eisenberg, Sundgren & Wells, 1998; Fama & Jensen, 1983; Dalton *et al*., 1999). Furthermore, the context of developing countries, including Saudi Arabia, presents unique challenges and opportunities that might affect the relationship between board size and financial performance (Isa & Muhammad, 2014). Future research should explore these factors in more detail and consider longitudinal studies to better understand the long-term effects of board size on financial performance.

It is important for firms to carefully consider their board size and composition, taking into account the specific circumstances and needs of the company. In some cases, a larger board may be beneficial, providing a range of skills, expertise, and networks that contribute to better decision-making and financial performance. In other cases, a smaller board might be more effective, allowing for quicker and more efficient decision-making. Firms should also strive to maintain a diverse board in terms of gender, experience, and expertise, as this can lead to better decision-making and improved financial performance.

By understanding the potential factors influencing the relationship between board size and financial performance, companies can make more informed decisions about their board composition and governance practices, ultimately leading to improved financial performance and long-term success.

Multiple directorships (Interlock) and Financial Performance

This study seeks to ascertain the effect of multiple directorships (interlocking directorates) on firm financial performance. Interlocking directorates occur when one director serves on both boards concurrently - such as when serving on two boards simultaneously at different companies. Board interlocking has long been the subject of discussion based on theories such as the external resource dependence hypothesis, which postulates strong links between accessing resources for businesses and firms as well as firms themselves and national economies that drive economic prosperity - interlocking directorates provide direct connections for achieving company broader objectives (Julizaerma & Sori, 2012).

Data supports the concept that external directorships offer CEOs distinct benefits by increasing business development opportunities while upholding and protecting their stature and status as leaders in their organizations. Unquestionably, multiple organizations benefit from director participation; each company gains unique skills, knowledge, and experiences. Diversity among board members allows for improved identification and planning for work-life balance issues in the future. Companies have an effective long-term strategy when it comes to improving workplace diversity by supporting leaders to transition more easily into their roles and maintaining long-term dedications to employees. While interdependency between departments might present some difficulties, this issue can be alleviated by selecting board members without external business interests, as board members are appointed with impartial judgments and decision-making powers.

The busyness hypothesis asserts that multiple directorships negatively affect firm performance due to reduced managerial oversight, increasing agency costs such as voting power dilution, agency conflicts, or a lack of commitment arising out of multiple external board appointments, leading to decreased firm performance overall. Therefore, having multiple directorships has an adverse impact on firm performance.

Based on initial research relating the number of directorships to firm performance, the fifth hypothesis asserts that when multiple directors work at one company simultaneously, they exert a detrimental impact on its financial performance (Joecks, Pull, & Vetter, 2013). When considering this impact on financial performance, it is crucial that account be taken of both industry context and multiple directorships - some industries could benefit from multiple appointments providing greater experience, while others may require greater individual attention from board members.

Overall, the relationship between multiple directorships and financial performance can be complicated and dependent upon each company's and industry's specific circumstances. While some studies indicate a negative impact due to the busyness hypothesis on firm performance from having multiple directors with multiple appointments, others maintain that diversity can provide many advantages over time. To gain a fuller picture of this phenomenon, further research should investigate these interlocking directorates' specific contexts while taking individual director characteristics into account as part of such research studies.

Discussion

An integrative literature review revealed that relationships between board characteristics and firm financial performance are complex and multidimensional, with effects varying depending on company contexts, such as independence, size, and multiple directorships; their effects depend on factors like board independence, size, and multiple directorships, as well as different industries and company circumstances. Here, reviewed literature is synthesized by discussing key findings, strengths, and weaknesses from studies performed, as well as common themes/areas of disagreement, and further discussing what implications this has on Saudi Arabian listed companies' corporate governance practices/performance outcomes as a result.

Board Independence: A literature review has demonstrated a correlation between board independence and financial performance and board independence and efficiency in general. Independent directors play an invaluable role in improving decision-making processes and financial reporting quality, mitigating stakeholder conflicts of interest, and mitigating stakeholder conflicts (Fama & Jensen, 1983; Klein, 2002). However, this relationship may differ depending on factors like national-specific variables, legal regulations, cultural norms, and business practices (Bhagat & Black, 2001). These studies' strengths lie in their extensive empirical evidence, while their weaknesses stem from potential endogeneity issues and board independence being complex and multifaceted. Prioritizing board independence for Saudi Arabian-listed companies can ensure compliance with corporate governance regulations set by the Capital Market Authority (CMA, 2017).
Board Size: The correlation between board size and financial performance remains inconclusive. Studies indicate that larger boards lead to superior financial performance due to increased diversity in decision-making, enhanced risk mitigation capabilities, and better alignment of stakeholder interests (Dalton et al., 1999; Adams & Ferreira, 2009). Others, however, argue that larger boards could lead to decreased profitability and ineffective decision-making processes (Yermack, 1996; Eisenberg, Sundgren & Wells, 1998). The mixed findings reveal a correlation between board size and financial performance that depends on factors like firm size, industry sector, corporate governance practices implemented within an organization and board independence levels. The strengths of these studies lie in their thorough consideration of various variables influencing the relationship between board size and financial performance, but limitations include endogeneity issues as well as the fact that no universal conclusion is offered by any single study. It is vitally important that Saudi Arabian listed companies consider all relevant factors when deciding the optimal board size (Al-Matari, Al-Swidi & Fadzil, 2012).

Multiple Directorships (Interlock): The relationship between multiple directorships and financial performance can be complicated. Some studies indicate a negative impact due to the busyness hypothesis, while others argue that diversity and experience brought by directors holding multiple appointments are beneficial (Fich & Shivdasani, 2006; Ferreira, Ferreira & Raposo, 2011). Impacting financial performance through multiple directorships depends heavily on both industry context and director characteristics. These studies' main strengths lie in their analysis of multiple directorship effects; their weaknesses include potential endogeneity issues and no overall consensus regarding impact assessment. Saudi Arabian listed companies should carefully weigh both the potential benefits and drawbacks associated with having multiple appointments (Yasser, Mamun & Rodrigs, 2017).

The findings from this literature review hold significant implications for Saudi Arabian listed companies, policymakers, and regulators. Companies should:

1. Establish and follow sound corporate governance practices and guidelines, emphasizing board independence, diversity, and transparency (CMA, 2017).
2. Take into consideration industry context, firm size, and the quality of corporate governance practices when selecting an optimal board size and composition (Al-Matari, Al-Swidi & Fadzil, 2012).
3. Monitor and define regulatory guidelines regarding multiple directorships' effect on financial performance to ensure directors maintain an equilibrium among their various appointments without undermining their responsibilities to each company (Yasser, Mamun & Rodrigs, 2017).

Policymakers and regulators should:

1. Encourage and enforce compliance with corporate governance standards and best practices that prioritize transparency, accountability, and shareholder protection (CMA, 2017).
2. Regularly review and amend regulations and guidelines in line with global best practices as well as challenges faced by Saudi Arabian listed companies (Al-Matari, Al-Swidi & Fadzil, 2012).
3. Increase awareness and understanding among stakeholders relating to corporate governance's influence on financial performance among investors, executives, and board members (Yasser, Mamun & Rodrigs, 2017).

This integrative literature review highlights the intricate relationships between board characteristics and firm financial performance. These findings have important implications for Saudi Arabian listed companies, policymakers, and regulators looking to optimize corporate governance structures and practices. By understanding potential factors affecting those relationships between board characteristics and performance outcomes and board composition and practices, decisions can be made more wisely for increased financial success and long-term success.

Conclusion

This study sought to investigate the relationship between corporate governance factors, particularly board size and multiple directorships, and financial performance. A literature review revealed mixed findings regarding its effect on performance; while some reports found a positive correlation, others observed the opposite pattern. This suggests that optimal board sizes may vary across organizations and industries, necessitating further investigation to pinpoint which size works best in specific contexts.

Studies on multiple directorships and financial performance have produced conflicting evidence. On one hand, the busyness hypothesis suggests that having directors with multiple appointments can negatively impact firm performance due to limited management oversight and increased agency costs; on the other hand, some studies have argued that having multiple directorships provides valuable resources, expertise, and networking opportunities, which may actually enhance firm performance.

In conclusion, the connection between corporate governance factors and financial performance remains complex and context dependent. Board size and the number of directors on a board can have an impact on firm performance; however, the optimal governance structures may vary depending on the industry, size of the firm, and other contextual variables. Future research should continue to investigate the nuances of this relationship, such as any moderating effects from additional corporate governance variables and external influences such as economic conditions or regulatory environments. Ultimately, having a better grasp on how corporate governance and financial performance interact can inform the creation of more effective governance structures that benefit organizations and their stakeholders alike.

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Conflict of Interest:

The authors declare that there are no conflicts of interest related to this study.

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