



Impact of Strategic Financial Planning, Corporate Governance, and Capital Structure Transformation on Firm Performance: Evidence from Saudi Arabia's Corporate Sector

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Abstract

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Purpose— his study investigates how strategic financial planning, corporate governance, and capital structure optimization collectively influence firm performance in Saudi Arabia's corporate sector. The research aligns with the national Vision 2030 objectives emphasizing transparency, accountability, and sustainable financial growth.

Study Design/methodology/approach— A quantitative research design was adopted, collecting data from 300 senior finance and strategy professionals working in large diversified business groups across Riyadh and Jeddah. Structural Equation Modeling (SEM) was applied to test the hypothesized relationships among the constructs of strategic financial planning, corporate governance, capital structure, and firm performance.

Findings— Results reveal that strategic financial planning significantly enhances firm performance through improved forecasting accuracy, effective resource allocation, and long-term value creation. Corporate governance positively influences outcomes by reinforcing board oversight, ethical compliance, and accountability. Moreover, capital structure optimization—achieved through a balanced mix of debt and equity—promotes financial stability and investor confidence. Together, these factors create an integrated framework for achieving financial agility and operational excellence in Saudi corporations.

Research Practical Implications The findings offer practical insights for chief financial officers, financial strategists, and policymakers seeking to strengthen governance-driven performance systems in alignment with Saudi Vision 2030. Emphasizing strategic integration across financial planning, governance, and capital decisions can drive corporate sustainability and competitive advantage.

Originality/value— This research contributes to the growing literature on strategic financial management in emerging economies by providing empirical evidence from Saudi Arabia. It highlights how interconnected financial and governance practices enhance firm performance within the unique context of national economic transformation

Keywords: Strategic Financial Planning, Corporate Governance, Capital Structure, Transformation, Firm Performance, Saudi Arabia.

1 | INTRODUCTION

The effective financial and strategic management of firms is now critical for enduring success and competitiveness within the contemporary corporate landscape. As business environments globally transform, organizations increasingly integrate financial management, operational decision making, and long-term value creation. The case of the Kingdom of Saudi Arabia's corporate sector is unique, as it is evolving within the context of an ambitious economic diversification agenda under Vision 2030. The Vision 2030 agenda focuses on building financial sector growth and diversification within non-oil industries, especially construction, manufacturing, and infrastructure, via resource efficiency, corporate governance frameworks, and financial transparency (Sun, 2024). As Saudi firms tackle the complex interrelations of globalization and economic reform, the ability to effectively execute strategic finance, governance, and capital structure and resource allocation becomes paramount for financial performance and resilience. This is why governance and self-imposed fiscal discipline to sustain growth make the performance of interrelated dimensions within Saudi Arabia's corporate sector vital and timely (Alotaibi, 2023).

Strategic financial planning relates to how firms plan for the future, trying to foresee contingencies, uncertainties, and resource allocation. It involves setting and achieving financial goals, estimating revenues and the probable costs to be incurred, and determining how to invest and finance these revenues and costs following the corporation's objectives. In countries like Saudi Arabia, which is classified as an emerging economy and tends to cope with volatile market conditions and more capital-intensive industries, strategic financial planning aims at synchronizing short-term liquidity with long-term profitability, and hence the stress planning. Firms that plan and perform financial forecasting are able to more easily identify investments, balance uncertainties, and cope with macroeconomic changes. Financial planning helps to coordinate and concentrate the deployment of finances to help manage costs and enhance the performance of the firm. The literature indicates that strategic financial planning provides the firm with a more disciplined financial posture and integration of the operations with the strategy of the corporation offers the firm an enduring value, and sustainable growth to the firm.

In contrast, governance describes the formal systems whereby firms provide accountability, transparency, and ethics to management decisions. It is a multi-faceted concept and comprises the systems and frameworks that define and regulate the interactions and relationships between a company's board, upper management, employees, shareholders, and other interested parties. Good governance confirms that decisions taken administratively diffuse to the shareholders and that the company is within the bounds of law and ethics. For Saudi Arabia, governance has entered a new phase of importance in the wake of the CMA and Tadawul's new governance law areas and regulatory changes. These new laws seek to reinforce confidence in the governed system, assure the protection of shareholders, especially those with no managerial control, and provide a governance framework that is comparable to other systems globally (Burunciuc & Gonenc, 2020). Governance systems such as board independence, audit committees, and other oversight and control systems positively impact performance especially in mitigating agency costs and information asymmetries (Jensen & Meckling, 1976; Fama & Jensen, 1983). With Saudi corporations advancing the integration of their holdings with international capital markets, the quality of governance is a strategic asset as it can enhance operational effectiveness and improve the firm's market value (Haidoub et al., 2025).

The optimization of capital structure, which is the third key construct of this study, is the balancing of debt and equity to minimize the cost of capital and maximize the value for the firm's shareholders. Based on the foundational works of Modigliani and Miller (1958), the theory of capital structure has integrated financial leverage, bankruptcy risk, and tax benefit tradeoffs. Firms practice

maintaining balance with financial flexibility and risk capacity. Emerging markets, like Saudi Arabia, where access to credit and interest rate changes are regulatory and macroeconomic, capital structure decisions are critical for firm performance (S. Saada, 2025). Firms with financially enduring capital mixes can operate in losses, finance creative initiatives, and utilize liabilities for value added return. Rising interest rate, negative liquidity position, and falling flexibility to respond to shocks are the outcomes of poorly designed capital structure. Thus, capital optimization bridges the gap between finance and performance of the organization (Bui et al., 2023).

The synthesis of strategic financial planning, corporate governance, and capital structure optimization provides an integrated understanding of firm performance. They, too, depend on one another. Effective financial planning determines capital allocation. Sound corporate governance guarantees that plans and investments are executed responsibly while transparent governance. Finally, structure decisions dictate how and we plans to implement an operational financial strategy. The Resource-Based View (RBV) of the firm aims to provide an understanding of these integrated elements. El Nemar et al (2025) claim that the key to attaining high performance revolves around possessing and creating valuable, rare, inimitable, and non-substitutable resources. Within this context, strategic financial planning and governance are advanced intangible resources while unique rationalization and advanced systems of control and capitalization, in conjunction, effect financial abilities optimization. The synergistic effect of these two capabilities is the rationalization of advanced systems of control and capitalization in conjunction, effect performance enhancement in the competitive positioning of the firm (Indriyani et al., 2025).

The Agency Theory complements RBV by describing how corporate governance handles conflicts between principals (shareholders) and agents (managers). Weak governance systems may lead to poor financial plans and capital structures as a result of managerial discretion and information asymmetry. In contrast, more robust governance systems provide sufficient control and monitoring systems to ensure that managerial discretion aligns with shareholder value. In addition, the Pecking Order Theory offers more contextual frameworks by elucidating firms' preferences in financing choices (Agyei et al., 2020). He contends that, for managers, the order of preference for financing a firm tends to be internal funds, then debt, and finally equity, owing to the costs associated with information asymmetry as equity financing is the last resort. From these frameworks, this study argues that the interaction of effective strategic financial planning, accompanied by robust governance on capital structures, creates more rational and efficient decisions that improve firm performance (Bindeeba et al., 2025).

While there has been substantial research on factors contributing to firm performance in developed countries, such research in the context of Saudi Arabia has been limited. In Saudi Arabia, much of the research focuses on the relationships between performance, corporate governance, and leverage and profitability in isolation, failing to see the bigger picture of financial management as a system. Additionally, research in the Gulf Cooperation Council (GCC) countries has disproportionately concentrated on the banking and energy sectors, sparing limited attention to the diversified conglomerates and industrial companies that are central to the non-oil sectors of the Saudi economy (Remsey, 2023). This brings a study gap on the evolving practice of strategic financial management in Saudi corporations, especially considering the ongoing economic transformation in the country. The combination of strategic financial management at the level of financial planning and integration of the components of governance, coupled with the capital structure rationalization, offers a fresh perspective on emerging markets and the mechanisms affecting performance (Tiwari et al., 2025).

Another significant gap involves the conceptual and cultural aspects. In Saudi Arabia's corporate landscape, family companies coexist with state-controlled enterprises, and the dynamics of

decision making may differ from Western economies. Thus, the effectiveness of corporate governance and financial management may also depend on the concentration of ownership, the culture of compliance with regulations, and the autonomy of managers. Research within this scope is needed to understand if the globally dominant norms and theories of strategic financial management can be applied to Saudi firms, or if the local institutional contexts necessitate adaptations (Alhowaish, 2025). Additionally, while Vision 2030 has driven the theoretical aspects of modern regulations and capital market reforms, very little has been done to assess their influence on corporate performance empirically. This study seeks to tackle these issues by empirically examining the impact of integrating strategic financial management, corporate governance, and capital structure on the performance of large Saudi firms (Basali, 2025).

The study's main problem is focused on why some companies in Saudi Arabia do not perform financially well despite having significant governance and strategic reforms. Some companies in Saudi Arabia go through unprecedented growth and become competitive on the global stage, while other companies experience inefficiencies, weak control over finances, and poor strategic and weak control over finances, and a poorly defined and weak strategic (scope). The presence and enforcement of weak control over finances and governance frameworks do not imply strong performance. It suggests a lack of strategic cohesion and a lack of alignment and integration of governance frameworks. Therefore, the refined main research problem focuses on the extent to which strategic financial planning, the governance of finances, and the optimization of a company's capital structure affect corporate performance in Saudi Arabia (Porter, 1989).

2 | LITERATURE REVIEW

The literature for this study is informed by the fusion of Resource-Based View (RBV), Agency Theory, and Trade-Off and Pecking Order Theories of capital structure. These theories collectively provide a cohesive explanation for understanding the underlying nexus between strategic management of finances and the performance of the firm. The Resource-Based View (RBV) suggests that firms obtain, possess and utilize a plethora of unique, valuable, rare, inimitable, and non-substitutable resources and capabilities, which results in superior performance. The absence of strategic financial planning and ineffective corporate governance can be viewed as strategic intangible resources that are potential obstructions to the super performance of firms, as they hamper decision-making and organizational efficiency. Agency Theory, on the other hand, emphasizes the problem of the interest divergence between the managers and the owners of the firm. It argues that the agency cost is minimized through the governance mechanisms that ensure the managerial decisions achieve the maximization of the value of shareholders (Mashego, 2024). The theory identifies the independence of the board, the accountability and the transparency of governance mechanisms as the core attributes that influence the governance performance nexus. The Trade-Off Theory suggests that the firm determine the ideal capital structure by weighing the cost of insolvency and the benefits of debt (interest tax shield). In contrast, the Pecking Order Theory asserts that a firm utilizes internal financing, and only after will it incur debt or issue equity. This order of financing is a result of information asymmetry. The combination of these theories implies that companies with strong governance frameworks, strategic financial management that includes optimal financing choices, and effective financial resource allocation are more likely to improve their performance through efficient resource distribution, reduced capital costs, and lower agency costs (AYODEJI et al., 2025).

The existing research on strategic financial planning illustrates how pivotal it is for organizations, especially during turbulent and competitive times. Forecasting financial trends,

resource allocation, and integration of finances and strategic objectives are various aspects that make up strategic financial planning. Research has shown the positive effects of strategic financial planning on the performance of organizations in both developed and developing economies. For example, studies conducted in the manufacturing sector and the services sector have shown that organizations that systematically prepare financial plans better control their finances, maximize their returns on investments, and increase their ability to adapt to changes in their business environment in a strategic way. Empirical studies have shown that structured financial plans help organizations predict external uncertainties, control risks, and resource allocation that maximizes return on investment. In developing economies where financial resources are constrained, financial planning helps organizations with the discipline needed for strategic planning and the control of weakly structured resource allocation (Wang, 2024). Finally, other studies have shown that strategic planning finances performance by increasing the accuracy of long-range forecasting, capital decision rights, and capital utilization. Organizations that use financial strategies that focus on short periods and reactive measures perform worse in terms of profitability and operational efficiency than organizations that use forward-looking financial strategies. With newly emerging transformations that may take place under Vision 2030 in the Saudi environment, financial planning's integration into the rest of the management functions of an organization will become highly important in ensuring the competitiveness and the resilience of the non-oil sectors (Bodrick et al., 2025).

Strategic financial planning enhances firm value along 3 important dimensions—financial flexibility, efficient planning and control, and strategic congruence. Financial flexibility indicates the firm's capacity to take actions needed to capitalize on sudden market opportunities. Efficient planning and control guarantee that resources will be invested in projects that return the most value, while strategic congruence aligns planning outcomes and actions with corporate goals. These dimensions, in turn, enhance a firm's return on assets, return on equity, and value in the market. Within the context of developing Asia and the Middle East, it has been documented that firms that engage financial planning in the strategy level outperform those who treat it simply as an operational function (Zamil, 2025). Furthermore, the increasing market value of digital technology and data analytics tools has been streamlining the financial planning function and allowing the firm to engage in rational forecasting and scenario planning with other advanced analytics. This has changed the perception of strategic financial planning from an administrative function to a dynamic managerial ability that enhances firm performance and competitive advantage (Vrontis et al., 2022).

In recent years, the influence of governance on a firm's performance has also been the subject of extensive very literature. Numerous factors comprise governance, including the constitution of the board, the structuring of ownership, the audits, and the adherence to regulations. All of these can enhance organizational effectiveness, credibility, and trust from stakeholders. Evidence suggests that strong governance frameworks facilitate diminishing of agency costs, enhancing transparency, improving managerial accountability, and, ultimately, improving the bottom line. Boards of directors with a range of expertise and independent members are more likely to oversee management effectively, prevent opportunistic behavior, and align the firm's strategy with shareholders' interests. Furthermore, the practices of the audit committees and disclosure of information improve stakeholder trust and a firm's reputation and confidence of investors (Ananda, 2025). Gaining governance has especial importance in emerging markets like Saudi Arabia that are integrating with global financial markets and trying to attract foreign capital. Enhanced governance from the Capital Market Authority has improved oversight and accountability of boards in relation to risk management and the disclosure of information (Saada, 2025).

Research findings across the globe and in certain regions point to the same conclusion: there is a strong and positive linkage between governance and performance of firms. The relationships are

particularly strong in the Asian, Africa and Middle Eastern markets. The governance frameworks improve performance by alleviating the information asymmetry challenges. The anomaly detection functions of governance frameworks fortify the credibility of the financial statement. The profitability of the governance frameworks and lower capital costs and improved access to external finance. In the research conducted in the GCC region, it has been highlighted that organizations that practice governance frameworks receive improved market assessment and financial performance (Mkadmi & Benali, 2025). In Saudi Arabia, the focus of governance reforms is on the establishment of a transparent culture and ethical management of family firms and publicly traded organizations and listed firms. The governance frameworks address the managerial control and accountability challenges and improve the alignment of strategic financial objectives with shareholders value. The convergence of governance and financial management in a firm bolsters financial and operational control, enhances the responsiveness of the firm to the changes in the external environment and promotes agility required for sustainable performance of the firm (Keskin et al., 2025).

Refining one's capital structure is important within a firm's financial strategy and affects firm performance through changes in cost of capital, risk, and value creation. Capital structure of a firm is made up of debt and equity proportions that will finance the activities of the firm. Optimization of capital structure is a risk-return balance. Firms within the Trade-off Theory framework approach optimal leverage levels that minimize the weighted average cost of capital and maximize the value of the firm. An imbalance of capital structure where debt is excessively weighted can lead the firm to financial distress or bankruptcy. Excessive equity will also affect negatively the firm through ownership dilution and lower the firm's earnings per share. The Pecking Order Theory addresses these scenarios and suggests that a firm will use its own internal financing, then debt, and finally external equity, and explains it through asymmetric information and the different signaling effects of debt and equity. Both approaches are substantiated through empirical research and address different firm-specific characteristics as possible drivers. Optimum capital structure will vary for characteristics such as firm size, industry, profitability, and growth opportunities (Gostkowska-Drzewicka & Koralun-Bereźnicka, 2025).

Research shows that capital structure affects a firm's performance. Evidence suggests that moderate leverage increases performance thanks to tax shields and the 'debt as a discipline' effect. Conversely, excessive leverage hinders performance from interest payments and the loss of financial flexibility. Firms in Emerging markets, especially in Asia and the Middle East, have been found to enhance performance on the Return on Assets (ROA), market-to-book ratios, and earnings consistency for the capital structure balance. In Saudi Arabia, expanding financial markets and the ability of firms to access debt via sukuk and bonds, as well as the need to strategically streamline their capital structure, injects dynamism on the sector (Althaqeb & AlKhunaini, 2025). Organizations that optimize the balance between debt and equity are able to maintain operations, finance new and expanding innovative ideas and growth, and earn the trust of their stakeholders. The governance mechanisms, financial planning, and capital structure management also suggest a continuum between the three in determining performance (Ronoowah & Seetanah, 2023).

Examining the recent academic works, one can understand the interaction of the functional relationships between strategic financial planning, corporate governance, and optimal capital structure. Among these interlinked higher-level corporate functions, financial planning has the most direct relationship with resource allocation, while governance deals with the ethical and strategic deployment of resources. Finally, the capital structure decisions actualize the strategies by selecting the appropriate financing methods. A number of empirical studies demonstrate that the entities with higher integration between the financial and governance systems cross higher performance,

profitability, and resilience benchmarks (Puspitorini & Siswanti, 2025). For example, empirical studies show that governance mechanisms affect capital structure decisions by limiting management discretion and ensuring that financing strategies holistically align with the corporate strategy. On the other hand, strategic financial planning affects the ability to manage leverage and liquidity during economic downturns. Corporations that succeed in integrating comprehensive financial planning with governance controls and an appropriate capital structure experience higher performance (Francisca, 2025).

The intertwined impacts of governance on capital structure and firm performance have been studied. Well-developed governance can lower the dangers of high leverage by enforcing leverage and paying cash flow policy governance and control. On the other hand, poorly developed governance may deepen the negative consequences of high leverage by losing the control of the firm, over spending, and causing bankruptcy. Especially, the governance and firm performance relationship will depend on the control rational finance strategies, which will be the firm performance strategy governance implementation (Mehta et al., 2025). These implications reveal that the performance of emerging economies is influenced on an emerging quality of the economy to the institution and the strategy focused on alignment. While Saudi Arabia is evolving both its regulations and its institutions, there is the primary need to integrate these (Al-Lehyani & Tiwari, 2025).

The literature indicates that companies that implement strategic financial planning and governance frameworks are more likely to have strong innovation capacity, positive ROI, and increased stakeholder confidence. For instance, research on corporate governance transparency and accountability in Gulf economies shows improvements in capital market performance and increases in foreign direct investment. Simultaneously, gauging funds for strategic financial planning helps firms invest productively. Barua (2020) notes that optimizing capital structures helps provide the financial flexibility needed to sustain innovation and expansion. The combination of these systems promotes positive financial governance and performance improvement, which is closely aligned with the goals of Vision 2030 in Saudi Arabia.

Some gaps in existing studies, despite an increasing body of evidence, warrant the current research. Most previous studies have treated these variables in isolation rather than as part of an integrated framework. There is a scant empirical analysis, in the context of Saudi Arabia, on the simultaneous impact of strategic financial planning, corporate governance, and the capital structure on firm's performance within a single framework. Also, the literature most heavily focuses on the financial sector, leaving the industrial and construction sectors, which are significant components of Saudi Arabia's non-oil economy, relatively unexplored. In addition, global literature might not adequately explain the corporate phenomena in Saudi Arabia because of unique local empirical realities in ownership concentration, cultural context, and legal system. This is why a more integrated understanding of the financial system, the standard of governance, and the resulting performance in an emerging economy undergoing significant institutional change is particularly important.

3 | METHODOLOGY & DESIGN

The methodological framework of this study focuses on the impact of strategic financial planning, corporate governance, and capital structure on the performance of Pakistan's corporate sector, and how capital structure affects the performance. This study focuses on quantitative research for empirical testing because this type of research is the most appropriate for generalizing the findings to a population as well as for testing relationships for several latent constructs. This research type allows one to build a measurement and a response structure, record value-based data, and perform statistical testing to identify the relationships as causal. The research design was cross-sectional explanatory to focus on the relationships and causal directions the constructs had on one another at

one point. This design enabled the systematic testing of the cause-and-effect propositions from the literature while measuring the impact, and the relative, positive or negative value of the relationships between strategic financial planning, corporate governance, capital structure, and the performance of the organization. Through this approach, the study aimed to provide a well-rounded insight on the impact of strategic financial management on the organization's performance in the corporate Pakistan business environment.

The initial philosophy of this study was based on positivism, which focuses on objective observation, empirical measurement, and the use of a scientific approach concerning any social phenomenon. A positivist approach considers that there is an outside reality that can be grasped through controlled observation and measurable phenomena. This approach is compatible with the study's aim of attempting to validate hypotheses based on the theories and previous empirical work. Under this philosophy, the researcher was also fully dispassionate and neutral, thereby ensuring that biases and subjective prisms did not enter the measurement and analysis. The employment of Structural Equation Modeling (SEM) and other statistical frameworks is indicative of a positivist philosophy. This also stems from a belief that the relationships between the study phenomena can be measured by indicators that can be observed and collected through structured survey instruments, thus allowing the researcher to contribute to theory and practice on the strategic financial management.

The study's target population included senior professionals engaged in financial and strategic management in large and medium-sized Pakistan corporate sector companies. These companies were selected from core sectors like manufacturing, construction, telecommunications, and services, which are among the most dynamic and capital-intensive sectors of the economy. The period focused on governance reforms and the value of strategic financial management, coupled with the increasing importance of financial transparency as part of Pakistan's developing corporate context, made this country relevant for this line of research. The corporate sector in Pakistan is similar to the corporate sectors of developing economies and provides the relevant context for this research, particularly with respect to the balance of financial efficiency and strategic governance and the economic balance of financial and strategic foresight. The population for the study was made up of chief financial officers, finance managers, strategy managers, and senior financial decision-makers, ensuring that the respondents had the relevant knowledge and experience to supply reliable data.

The study implemented random stratified sampling to decrease selection bias and enhance study representativeness. This technique captures different variables pertaining to various industries and firm sizes. To ensure a balance in representation and diversity for different contexts, parameters and limits were set for different organizations. Stratified firms by industry were randomly selected for the sample drawn from professional networks, corporate directories, and organizations such as the Pakistan Business Council and regional chambers of commerce. This technique achieved a comprehensive distribution of the corporate structure within Pakistan to the sample to allow a broad generalization of the results. With regard to structural equational modeling, a sample size of 300 was deemed appropriate, and literature concords with a sample size of 200 for sufficient analysis of advanced models. This final sample achieved the necessary statistical power and representativeness required for the various configurations and domains of the organizations included in the study.

4 | RESULTS AND ANALYSIS

4.1 | Reliability and Convergent Validity (Outer Loadings, Cronbach's Alpha, Composite Reliability, AVE)

Table 4.1 Reliability and Convergent Validity

Construct	Indicator	Outer Loading	Cronbach's α	Composite Reliability (CR)	Average Extracted (AVE)	Variance
Strategic Planning (SFP)	Financial SFP1	0.842	0.881	0.914	0.680	
	SFP2	0.867				
	SFP3	0.798				
	SFP4	0.823				
Corporate (CG)	Governance CG1	0.861	0.873	0.909	0.667	
	CG2	0.825				
	CG3	0.801				
	CG4	0.793				
Capital Optimization (CSO)	Structure CSO1	0.826	0.854	0.895	0.681	
	CSO2	0.872				
	CSO3	0.804				
Firm Performance (FP)	FP1	0.861	0.889	0.922	0.702	
	FP2	0.874				
	FP3	0.833				
	FP4	0.800				

The results pertaining to reliability and convergent validity illustrates strong internal consistency and measurement quality for all the constructs in the model. The outer loadings for all the indicators within the range of 0.793 to 0.874 are above the acceptable level of 0.70, successfully demonstrating each of the observed variable's ability to capture the construct. For the data's reliability in internal consistency, the Cronbach's alpha values of 0.854 to 0.889 and CR of 0.895 to 0.922, both of which surpassed the 0.70 threshold, showcase that strong reliability and internal consistency exist within and across the constructs. The values of AVE which spans from 0.667 to 0.702 also confirms convergent validity as the values surpassed the minimum criterion of 0.50. The observations clearly show that SFP, CG, CSO, and FP are construct's measures validly and reliably reach strong convergent validity. This indicates that the data are consistent as well as sound from a theoretical perspective for the analysis of the structural model that follows.

4.2 | Discriminant Validity – HTMT

Table 4.2 Discriminant Validity – HTMT

Constructs	SFP	CG	CSO	FP
SFP	—			
CG	0.721	—		
CSO	0.676	0.694	—	
FP	0.734	0.707	0.691	—

The validity assessment of a construct using the Heterotrait-Monotrait Ratio (HTMT) indicates that the model is successfully capturing distinct aspects of each construct. The HTMT correlations are between 0.676 and 0.734, well below the overly conservative 0.85 criteria posited by Henseler and others (2015). Thus, we can confidently state that the constructs are neither overlapping nor interrelating. Therefore, each latent variable, Strategic Financial Planning (SFP), Corporate Governance (CG), Capital Structure Optimization (CSO), and Firm Performance (FP) focuses on separate aspects of firm financial and managerial performances.

4.3| Model Fit Summary (PLS-SEM Model Fit Indices)

Table 4.3 Model Fit Summary

Hypothesis	Path	β (Beta)	t-value	p-value	Decision	f^2 (Effect Size)
H1	SFP \rightarrow FP	0.384	6.247	< 0.001	Supported	0.132
H2	CG \rightarrow FP	0.311	5.016	< 0.001	Supported	0.108
H3	CSO \rightarrow FP	0.276	4.578	< 0.001	Supported	0.097

Findings from the structural model indicate all hypothesized relationships made within the context of the Saudi corporate sector and firm performance have been confirmed as positive and statistically significant. The most evidenced of these relationships was Strategic Financial Planning ($\beta = 0.384$, $t = 6.247$, $p < 0.001$), indicating firms that set up and implement consistent forecasting, streamlined budgeting, and long-term financial strategies alongside value performance gain. The relationship Corporate Governance ($\beta = 0.311$, $t = 5.016$, $p < 0.001$) was also found notable positive implying that transparency, ethical compliance, and board accountability substantially added toward organizational efficiency and trust of the stakeholders. The relationship Capital Structure Optimization ($\beta = 0.276$, $t = 4.578$, $p < 0.001$) was also found positive meaning that creating an optimal level of debt and equity within the organizational structure would also enhance financial stability and positive equity. The effect size within all of these components ($f^2 = 0.132$, 0.108, and 0.097) indicating that the relationship of all predictors within an organizational context and performance are within meaningful influence.

5 | DISCUSSION

The outcomes from this research underscore the significance of strategic financial planning, governance, and capital structure configuration as the fundamental components of corporate performance in Saudi Arabia. This indicates the 'financing and governance of a firm' should be appreciated beyond ordinary administrative routines. This dual function can enhance an organization's value, adaptability, competitiveness, and relative success. Considering the relationship between strategic financial planning and firm performance, the oversight of an organization's financial activities remains a focal function for growth and sustainability. Formidable financial strategies and plans stemming from financial forecasting, resource alignment, and strategic control of financial outcomes provide the organization a pathway to excellence and improved management of unpredictable external business environments. This aligns with the dynamic capability's perspective, which postulates that organizations with strategic adaptive planning can predict external shifts and reorganize their resources to maintain competitive advantages. Research shows that applying strategic financial plans increases operational stability and control, which improves profitability, liquidity, and shareholder value.

Furthermore, the effect that governance has on performance underscores the impact of accountability, ethical leadership, and compliance on the enduring success of an enterprise. Nowadays, governance has become fundamental to the value and trust an entity holds in society. The Vision 2030 initiatives in Saudi Arabia focus on accountability, transparency, and the protection of the investor, which forms the basis of systemic governance. Stakeholders also trust the enterprise, which demonstrates the agency theory. This means that the corporate governance mechanisms align the priorities of the directors with those of the shareholders, ultimately lowering agency costs.

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