

DOI: 10.5281/zenodo.11425152

# STRATEGIES OF DIGITAL TRANSFORMATION GOVERNANCE AND THEIR ROLE IN REDUCING SMALL COMPANIES' RISKS

Nahla Alnour Mohamed Almakki<sup>1\*</sup>, Amina mohammad Solyman<sup>2</sup>, Sridevi  
Tharanidharan<sup>3</sup> and Suad Nour El-Din Hamed Adam<sup>4</sup>

<sup>1</sup>*Department of Accounting, Applied College-Khamis Mushait, King Khalid University*

<sup>2</sup>*Department of management, Applied College-Khamis Mushait, King Khalid University*

<sup>3</sup>*Department of Computer Science, Applied College-Khamis Mushait, King Khalid University*

<sup>4</sup>*College of Sharia and Fundamentals of Religion in King Khalid University*

Received: 17/07/2025

Accepted: 04/12/2025

Corresponding Author: Nahla Alnour Mohamed Almakki

([nmaky@kku.edu.sa](mailto:nmaky@kku.edu.sa))

## ABSTRACT

*The study aimed to clarify the strategies of digital transformation governance and their role in reducing small companies' risks. The problem of the study was represented in small companies facing risks and performance problems because of weak oversight, financial corruption, embezzlement, and many other practices related to increasing profits that reflect unreal. The significance of the study lies in highlighting the role the digital transformation governance in reducing the practices of small companies' risks. The study verified the following hypothesis: There is a statistically significant relationship between strategies of digital transformation governance and reduction of small companies' risks, there is a statistically significant relationship between digital transformation governance and the override of small companies' risks. The researchers adopted the deductive, the inductive, the historical, the statistical and the descriptive analytical approaches. The study confirmed the validity of the hypothesis: there is a statistically significant relationship between strategies of digital transformation governance and their role in reducing small companies' risks. This research was supported by small research groups at the Deanship of Scientific Research - King Khalid University - Saudi Arabia (RGP.1/119/46)*

---

**KEYWORDS:** Strategies, Digital Transformation, Small Companies, Risks.

---

## 1. INTRODUCTION

Corporate governance has a special importance in the financial and business agenda due because of the benefit it brings to companies and community. This importance appeared when some of world giant companies were exposed to major financial declines, as under the separation of ownership from management and through the flexibility available in applying accounting principles and selecting accounting methods and policies, in addition to the lack of governance as an effective control system, many negative accounting practices emerged and management exploited these gaps to achieve its objectives at the expense of owners and investors. When management believed that laws were unable to hold it accountable for what it was doing, it decided to select a game to achieve its own objectives. If it did not achieve profits, it could create them through manipulating the financial figures, what is known in the accounting literature as creative accounting the newest manipulating of accounting and misleading that is practiced through exploiting the accounting flexibility and the multiplicity of alternatives in choosing accounting methods and policies. This negatively affects the quality of accounting information and misleads the users of accounting data, which led to decline trust between the parties of agency (owners and management) considering the lack of trust in accounting information prepared by accountants under the management umbrella. This called for the search for solutions that reduce management practices to the minimum possible level, which led specialists to adopt the governance system as an integrated system for companies, which is based on three basic pillars: risk management, disclosure and control.

### 1.1. Study Problem

The problem of the study was represented in small companies face risks and performance problems because of weak oversight, financial corruption, embezzlement, and many other practices related to increasing profits that reflect unreal performance, therefore, the researcher studied strategies of digital transformation governance and their role in reducing small companies' risks.

### 1.2. Study Objectives

This study mainly aims to investigate the impact of strategies of digital transformation governance in reducing small companies' risks.

### 1.3. Study Significance

The significance of the study lies in highlighting

the role of strategies of digital transformation governance on reducing the practices of small companies' risks and enhancing the quality of accounting information through the objectives the study aims to achieve. Utilizing the available flexibility in using the principles, methods and policies of accounting led to known as small companies' risks methods used throughout the world resulting bankruptcy and deterioration of giant companies which negatively affected accounting profession and harmed its reputation. This in turn led to lack of trust between management and stakeholders in the accounting information contained in the published financial statements.

### 1.4. Study Hypothesis

The study sets the following hypothesis:

1. There is a statistically significant relationship between strategies of digital transformation governance and reduction of small companies' risks.
2. There is a statistically significant relationship between digital transformation governance and the override of small companies' risks.

## 2. STUDY METHODOLOGY

The researchers adopted the deductive, the inductive, the historical, the statistical and the descriptive analytical approaches.

### 2.1. Data Sources

The researchers adopted various methods of data collection, to obtain results as follows:

A- Theoretical aspect: In preparing the theoretical aspect of the study, the following sources were used:

1. Books and articles specialized in the field of companies risks and the quality of accounting information.
2. Studies, research, Arab and foreign journals and periodicals that are directly and indirectly related to the study variables.

B- Practical aspect: In completing the practical aspect of the research and collecting the required data, a questionnaire was used as the main source of collecting the required data.

### 2.2. Study Limits

A- Objective limits: The research investigates the role of strategies of digital transformation governance on reducing companies risks and enhancing the quality of accounting information.

B- Spatial limits: In the study population and sample, a number was selected of managers and employees of companies and their

branches distributed according to the managerial levels.

Time limits: The research data was prepared in 2024.

### 2.3. Study Variables

An independent variable: digital transformation governance

Dependent variables: company's risks

### 2.4. Previous Studies

Al-Hueidi & Taha (2022) study entitled: The role of digital transformation on supporting organizational entrepreneurship. The study mainly aimed to investigate the role of digital transformation on supporting organizational entrepreneurship. The research contained five parts a general framework, a theoretical framework of digital transformation, a theoretical framework of organizational entrepreneurship and the relationship between digital transformation and organizational entrepreneurship. The study adopted the Statistical Package for Social Science (SPSS). The study results showed the concept and dimensions of digital transformation, the concept and dimensions of organizational entrepreneurship and the relationship between digital transformation and organizational entrepreneurship.

Abd-Alaziz & Nabeel (2021) study entitled: The reflections of integration between enterprise resources planning (ERP) and resource consumption accounting (RCA) under the digital transformation for supporting competitiveness. The study mainly aimed to investigate and analyze the impact of integration between the system of institution's resource planning and resource consumption accounting under the digital transformation for supporting organization's competitiveness. The study also aimed to explain the role of resource consumption accounting for determining modern cost system on supporting statistical methods used in the study. The researcher adopted the Statistical Package for Social Science (SPSS). The researcher concluded the following results: the organization's competitive advantage is affected by two factors the competition it faces and its competitive position. The organization's resource planning system and the organization's resource consumption accounting system can contribute to increasing and improving the efficiency of products' quality and the good cost management, and therefore, increasing the capacity of operational processes of the organization. The field study also confirmed that there is a significant relationship between the integration between both organization's resource planning system and resource consumption accounting system under

digital transformation for supporting industrial organizations' competitiveness.

Rashwan & Abu Arab (2022) study entitled: The role of digital transformation on improving the quality of internal auditing process. The study aimed to identify the role of digital transformation on improving the quality of internal auditing process. The study adopted the Statistical Package for Social Science (SPSS). The researcher concluded the following results: using digital transformation contributes to ensuring the quality of internal auditor's performance, ability to use electronic data facilitates accomplishment and execution of auditing process at a high accuracy and makes vital changes in organizing and planning of the auditing process at a high accuracy

Wahba (2023) stated that the digital governance aims to governing and organizing the institution's works related to digital transformation and this contributes to achieving an optimal benefit from the available resources and avoiding replication and optimal using of common platforms.

Digital transformation positively affects the process of governance and audit within institutions depending on the modern digital transformation toolkit such as computers and the Internet. Using modern accounting information systems affects the use of quality technology in audit performance.

## 3. THEORETICAL AND CONCEPTUAL FRAMEWORK

### 3.1. Concept of Corporate Governance

There are many definitions of corporate governance as a result of the issue of governance being linked to different fields and parties. Many writers and researchers have given various definitions of corporate governance, each of them started from the field to which he/she belongs.

Cadbury report was the first study that defined governance in 1992, where the term 'governance' defined as a system by which companies and slaves are directed.

It was also defined as: "the practice of good governance through a set of laws, rules and standards that govern the relationship between the company's management, its board of directors, shareholders and other stakeholders, aiming to maintain shareholders' rights and maximizing their wealth fairly, while supporting the different levels of the board of directors.

The Organization for Economic Co-operation and Development (OECD, 2004) defined corporate governance as: "A set of relationships between managers, board of directors, shareholders and other

stakeholders concerned with providing the structure through which the company's objectives are set, the means of achieving them are determined, and performance is controlled." (Peter & Chartreux, 2006) defined corporate governance as: "A group of mechanisms that have an influence on determining the authority and influencing the decisions taken by managers, or in other words, the mechanisms that govern their behavior and determine the scope of its estimates."

Accordingly, corporate governance can be defined as a system consisting of a set of principles and procedures through which the company operates in a way that guarantees the rights of all interested parties on the one hand, and on the other hand achieving control and accountability for these parties, leading to achieve the company's objectives and enable it to make appropriate decisions.

### **3.2. Digital Transformation for Companies to Accelerate Growth**

We have entered a new era as a result of digital technology, which has radically transformed the way business is conducted. As organizations seek to improve their workflow for faster services and easier procedures, digital channels play a crucial role in driving this development.

Digital transformation strategies must be aligned with the organization's goals and future projects, so time must be allocated to pilot testing, identifying the necessary skills, and controlling risk management. This process is driven by activating the digital mindset and choosing the digital technologies that best serve your business.

#### **3.2.1. Digital Transformation Services Include**

- Digital maturity assessment
- Preparing a roadmap for transformation.
- Evaluation technology and implementation
- Service/Product Innovation Tools

#### **3.2.2. The Main Challenges of Digital Transformation**

Digital transformation challenges are a big part of the transformation to

An interconnected world, and among the main challenges of transformation Digital we find:

##### **1 - Business Model Development**

One of the most important challenges of digital transformation is the need to adapt and align your current organization's business model with the sweeping digital change happening around us. You need to work on changing the way businesses operate

within your organization. You need to change from traditional business models to models that support a successful digital transformation journey, and it is difficult to do this without a change in mindset.

##### **2- Ineffective Data Management**

Customer data for emerging technologies is one of the pillars of digital transformation but it can also be one of the most challenging digital transformation challenges. In fact, by collecting data on customer preferences, behaviors, and potential future decisions, companies can gain insights value to their customers. However, it is not enough to simply collect these Data - must be organized, stored and displayed in a logical manner.

In the backend for administrators to work within the site Central to use it effectively, and if you are still Working with isolated systems, it can be difficult to integrate.

##### **3- Developing Relevant Strategies**

Digital transformation initiatives are changing every aspect of modern business and the way we operate. It is no secret that digital organizations are investing in digital strategy more than ever before. To effectively stay ahead of the curve, it is important for organizations to continually develop a relevant digital transformation strategy that ensures their growth and success.

What does this mean for employers? To compete and succeed in today's world, companies need to find the right kind of talent. This means that companies should not only focus on finding employees with skills that fit their company culture, but also on finding digital natives who understand how emerging trends will shape the future.

##### **4- Lack of Technical IT Skills**

Behind every successful digital transformation is a highly skilled team of IT professionals. However, building this team is becoming increasingly difficult. As more companies seek new technologies, a labor shortage is developing. According to a recent survey, 54% of organizations reported that a skills shortage was preventing them from pursuing their transformation goals. In particular, they were They lack experience in:

- Cybersecurity
- Artistic architecture
- Enterprise architecture
- Advanced data analytics

##### **5- Lack of Organizational Change Management**

Outdated organizational structures, inefficient

workflows, and rigid leadership styles can hinder the success of digital transformation. This was never more evident than in 2020 when companies struggled to quickly shift to a remote business model.

Fortunately, focusing on organizational change management can help your company prepare employees for what lies ahead. Instead of just focusing on the technical side of digital transformation, you need to think about the people it directly impacts by developing a comprehensive change management plan.

### **6- Evolution of Customer Needs**

In the past years, people have realized how much they can accomplish from their laptops and smartphones, and as such, customers have become more discerning and demanding than ever.

Go ahead, and instead of assuming you know the techniques he wants, Your clients are requested to provide you with this information, we recommend that you take the time to do so.

Market research, this way, you can see what they Want.

### **7 - Budget Concerns and Constraints**

As your business grows, it can be difficult to maintain control over your budget without a clear understanding of your income and expenses. It can also be difficult to make sound financial decisions. This is especially true when it comes to projects that have a lot of moving parts. Furthermore, if your business doesn't have a clear strategy, it can be easy to succumb to scope creep, making decisions that lead to unnecessary expenses. This can quickly put a strain on your budget and make it difficult to stick to your schedule. To solve this challenge, you need to have a plan in place, so that It's easy for you to Determine a budget and stick to it.

### **8. Security Concerns**

When it comes to data privacy and security, most companies err on the side of caution, as they can A data breach can be catastrophic to both reputation and bottom line.

Ultimately, therefore, many institutions operating in the Data-sensitive industries embrace transformation efforts Digital, fearing that the move to the cloud and integration All company data in one central system to make Data is more vulnerable to security breaches.

### **3.3. Population and Sample of the Study**

#### **3.3.1. Study Population**

It means all individuals who have the same or common characteristics that can be observed, and the

results of the study can be generalized to them. The identification of the study population is very important because it provides the necessary information to form answers to the study questions in order to verify the hypotheses. The study population consists of (90) employees in a group of companies in Saudia Arabia, operating in the medium industries sector, including managers, accountants and auditors.

#### **3.3.2. Study Sample**

The study sample means a relatively specific number of members of the original population, with whom the study deals within the limits of the available time, and then the results are generalized to the original population. (90) questionnaires were distributed to all the sample individuals and recovered valid for statistical analysis.

#### **3.3.3. Determination of the Sample**

A class random sample was selected from three sectors (companies). Random sampling can be defined as the process of selecting a number of individuals divided into classes (these classes are not intervened and the individuals within one class are homogeneous, while there are large differences between classes of this population). The total samples selected from the classes constitute the random sample, in order to obtain the characteristics of the population from the data of this sample.

#### **3.3.4. StudyTool**

The questionnaire consisted of two parts; the first part dealt with the personal information of the respondents, while the second part dealt with the objective data, it included (34) statements distributed on the three aspects of the study.

#### **3.3.5. Method Used in Data Analysis**

The Statistical Packages for Social Science (SPSS) was used to process the study data statistically. Several statistical methods, including Cronbach Alpha coefficient for validity and reliability, Skewness to determine whether the data follows a normal distribution, Chi-square test, frequency and percentage, mean and standard deviation, T test for individual significance, (F) test for total significance, coefficient of determination for the strength of model interpretation (R<sup>2</sup>), correlation coefficient, regression model, and one way ANOVA test to determine the variation.

#### **3.3.6. Testing Validity and Reliability of the Questionnaire (Study Tool):**

To test the validity and reliability of the questionnaire items, the coherence of the

questionnaire was evaluated by calculating ( $\alpha$ ) value to calculate Cronbach Alpha correlation coefficient, which equaled (0.87), which is considered a high value and indicates that the study tool is characterized by a high reliability.

**Table 1: Validity and Reliability Coefficients of the Questionnaire Aspects.**

Variable	Aspect	Statements number	Reliability Coefficient
Independent		12	0.69
First dependent		9	0.92
First dependent		10	0.92
Questionnaire as a whole		31	0.87

Source: Prepared by the researchers using the field study data 2024.

Table (1) above shows that the reliability coefficient indicates that the tool is characterized by a high reliability coefficient; this means that the tool is able to achieve the purposes of the study. The questionnaire's reliability total coefficient was (0.87) which placed between the zero and one; this indicates that the results obtained by using the questionnaire are reliable.

**Table 2: Skewness Test of Normal Distribution of the Questionnaire Aspects for the Pilot Sample.**

Variable	Aspect	Statements Number	Skewness	Error	Statistical Decision
Independent	Governance/ Board of directors	12	-1.020	0.254	follows a normal distribution
First dependent	small companies' risks methods	9	0.609	0.254	
First dependent	Quality of accounting information	10	-1.084	0.254	
Questionnaire as a whole		31		0.254	

Source: Prepared by the researchers using the field study data 2024.

It is clear from Table (2) that the torsion coefficient is confined to the range ( $\pm 3$ ), which is the level adopted in the statistical treatment of this study, and its standard error value is (0.254). This means that the data follow a normal distribution, and the three aspects of the questionnaire follow a normal distribution. This indicates a good correlation between the study variables, which confirms that these variables have a high explanatory ability to explain their inter-effect.

### 3.4. Analysis and Hypotheses Verification

#### 3.4.1. Study Sample Personal Description

The analysis revealed that 31.6% belong to the private company, 32.6% belong to the partnership of the two sectors, and 29.5% belong to the public sector. With regard to employment, 22.1% were managers, 27.4 were heads of department, 18.9% were financial controllers and 10.5% were auditors and 15.8 were other positions. With regard to years of experience, 32.6% their experience ranges between 5 to 10 years; this is consistent with the percentage of partnership of the two sectors. 18.9% their experience range between

#### 3.3.7. Questionnaire Validity

The researchers verified the validity of the study tool by presenting it in its initial form to (5) specialized arbitrators, who checked the statements of the questionnaire which confirmed the validity of the questionnaire for the study purpose because of the comprehensiveness of the information to cover the study objectives and the topic. There were some recommendations received from the specialists and were taken into consideration, and appropriate modifications were made.

#### 3.3.8. Structural Validity

After the researchers made sure of the validity of the study tool, they applied it to a sample of the population. The normal distribution of the questionnaire data was tested, in order to find out whether the data follows a normal distribution or not? The Skewness test was used, which is a necessary test in the case of testing hypotheses because most parametric tests require that the data have a normal distribution.

10 to 15 years; this is consistent with the percentage of the position of financial controllers, 40.0%, their experience range from 15 years and more; they are the ones on whom the board of directors depends and who take companies risks and enhance the quality and credibility of the published accounting information and at the same time they have priority in the administrative board of governance. Accordingly, it can be concluded that the overall results that have been reached provide a reliable indicator for planning, decision making and predicting the future. Therefore, the respondents are qualified to answer the questions raised in the questionnaire thus their answers can be depended on as a basis for drawing the targeted conclusions from the field study.

### 3.5. Frequency and Percentages of the Study Aspects

#### 3.5.1. First aspect: Board of Directors: it was found that

1. More than three-quarters of the sample, 46 by 51.1%, confirm that the board of directors is elected of those who are competent and honest.

2. Less than half of the sample, 41 by 45.6%, confirms that the board of directors controls the company's general performance.
3. Less than half of the sample, 44 by 48.9%, confirms that the board of directors desires to establish the digital transformation governance in the company.

### 3.5.2. Transparency

1. More than a quarter of the sample, 32 by 35.6% confirms that there is a committee manages transparency.
2. More than a quarter of the sample, 34 by 37.8% confirms that the company's to maintains a balance between transparency and confidentiality of information.
3. More than a quarter of the sample, 34 by 37.8%, confirms that the company encourages the culture of dialogue with customers and accepts their suggestions, and this is consistent with the previous percentage.

### 3.5.3. Disclosure

1. More than a quarter of the sample, 29 by 32.2% confirms that the company discloses its financial statements impartially.
2. Half of the sample, 45 by 50% confirms that the company maintains its privacy, the confidentiality of customer accounts and their data.
3. More than a quarter of the sample, 27 by 30% confirms that the company announces its financial accounts in all media.

### 3.5.4. Auditing

1. More than half of the sample, 46 by 51.1% confirms that there is an internal audit department in the company.
2. More than a quarter of the sample, 33 by 36.7% confirms that the Audit Department is committed to all standards issued by the Accounting and Auditing Organization.
3. More than a quarter of the sample, 34 by 37.8% confirms that the company's auditing process include all the company's activities and actions.

### 3.5.5. Second Aspect: Companies Risk Methods

1. Less than half of the sample, 43 by 47.8%, believes that in order to apply small companies' risks methods, there should be not to manipulate the cash exchange rates to improve the financial ability of the company.
2. Three-quarters of the sample, 50 by 55.6%, believe that in order to apply small companies'

risks methods, the recording of cash flows related to profits and losses should be not to manipulate on the sale of tangible assets.

3. More than a quarter of the sample, 37 by 41.1%, acknowledges that the organization's ability to distribute profits should not be hidden by distributing shares to shareholders instead of distributing profits.
4. More than a quarter of the sample, 43 by 47.8%, strongly confirm the company's obligations should be paid in order to show the cash flows in a better position.
5. More than a quarter of the sample, 40 by 44.4%, praises the failure to increase the cash balance in the current year by adding the revenues received at the beginning of the following year in order to increase the cash flows for activities.
6. Three-quarters of the sample, 46 by 51.1%, believe that companies do not exclude some expenses from cash flows, such as interest on loans and costs of research and development.
7. More than a quarter of the sample, 43 by 47.8%, believes that all private and public sectors should not record fictitious sales at the end of the year and then throw them at the beginning of the following year in order to inflate the profits of the current year.
8. More than half of the sample, 46 by 51.1% believes that companies do not treat capital expenditures as revenue expenses.
9. More than a quarter of the sample, 36 by 40%, confirms that there is no exaggeration in the evaluation of tangible assets in order to improve the statement of financial position.

### 3.5.6. Third Aspect: The Quality of Accounting Information

1. More than a quarter of the sample, 36 by 40%, strongly confirms that the company commits to considering the rules and principles stipulated in the primary accounting standards to achieve the quality of accounting information.
2. More than a quarter of the sample, 39 by 43.3%, confirm that the company commits to maintain organized financial records in accordance with generally accepted accounting norms and principles.
3. More than a quarter of the sample, 41 by 45.6%, recognize that the company commits to employ an independent external auditor to examine its final financial statements in accordance with financial auditing standards.
4. More than a quarter of the sample 31 by 34.4% confirms that the company commits to

- providing the minimum required disclosure.
5. More than a quarter of the sample, 37 by 41.1%, strongly confirms that the company commits to issue annual periodic reports in an appropriate time.
  6. More than half of the sample, 46 by 51.1%, confirms that the company contributes to producing accounting information with high credibility and transparency, and this reduces fraud and manipulation.
  7. More than a quarter of the sample, 43 by 47.8%, confirms that the company's commits to strengthening accountability and raising levels of trust in accounting information.
  8. More than a quarter of the sample, 34 by 37.8%, suggests that the company should provide a proper basis for the process of comparison between the results for several years.
  9. More than a quarter of the sample, 26 by 28.9%, suggests to the Board of Directors that the company the company should provide a proper basis for a comparison process between the results of one company and several companies in the same sector.
  10. More than a quarter of the sample, 33 by 36.7%, confirms that the Council for the Quality of Accounting Information is interested in accountability.

**Table 3: Individuals' Classification into Different Classes.**

Class	First Class is a Private Company	Second Class is a Partnership between Two Sectors	Third class is Government	Total Individuals
Number of individuals for each class	30	30	30	90

### 3.6. General Mean and Standard Deviation of the Study Variables

**Table 4: Means, Standard Deviations and Significance Level for the Three Aspects of the Study Variables.**

Variable	Statement	Aspect	Mean	SD	T Value	T statistical Significance	Significance Level	Ranking
Independent	Board of directors is elected from the competent and honest	First	4.0222	1.2083	17.570	0.000	High	4
	Control		4.1111	1.010	19.588	0.000	High	3
	Board of Directors cares to establish the digital transformation governance		4.4000	5.497	14.435	0.000	High	1
	Encouraging culture of dialogue		4.0333	1.065	22.268	0.000	High	3
	Maintaining confidentiality		4.2000	1.0299	21.340	0.000	High	2
	Committing to all standards		4.3000	3.2479	13.876	0.000	High	1
	Internal Audit Department		4.2667	0.9691	16.435	0.000	High	2
	Transparency		3.788	1.2763	10.271	0.000	High	4
Dependent	small companies' risks methods	Second	2.777	1.355	15.880	0.000	High	3
	Delay in paying company's obligations		2.7333	1.234	10.389	0.000	High	4
	Increasing cash balance		2.766	1.218	31.713	0.000	High	3
	Overvaluation of tangible assets		2.8333	1.3921	23.432	0.000	High	2
	Excluding some expenses from flows		2.6111	1.1869	22.088	0.000	High	1
Dependent	Quality of accounting information	Third	3.8773	1.2792	8.582	0.000	High	1
	The company keeps financial records		4.077	1.1240	23.099	0.000	High	1
	The company employs an auditor		4.055	1.074	16.995	0.000	High	2
	The company provides disclosure		3.8222	1.1275	24.317	0.000	High	3
	Accountability		3.5779	0.488	19.902	0.000	High	3

Source: Prepared by the researchers using the field study data 2024.

Table (4) showed the means of the three variables of the study, the highest one was the variable 'digital transformation governance' (Board of directors is elected from the competent and honest), followed by the variable 'quality and enhancement of published accounting information, and the lowest was the variable 'small companies' risks methods. With regard to the dimensions of selection of those who are competent and honest (governance), the highest was committing to all standards issued by the Accounting and Auditing Organization, and the lowest was encouraging culture of dialogue and

transparency, and then the quality of the published accounting information. The most significant point of the aspect was 'the company keeps financial records, and the least significant point was 'accountability'. The highest point of the variable 'small companies' risks methods' was overvaluation of tangible assets, and the lowest one was 'excluding some expenses from flows. The researchers believe that all the dimensions of the study's three variables are important dimensions, and the decision-maker, who has a role in planning, may take them all into consideration.

**Table 5: Chi-square Test for the Validity of the Study.**

Aspects of the Study	Chi-Square	Significance
First aspect: Board of director	62.88	0.000
Second aspect small companies' risks methods	46.44	0.000
Third aspect: Quality of published accounting information	45.22	0.000

Source: Prepared by the researchers using the field study data 2024.

Table (5) above shows the Chi-square test. This test was used to test the statistical significance at the significant level 5%. This means that if the value of the statistical significance associated with chi-square calculated at a significant level less than 5%, the null hypothesis is rejected and the alternative hypothesis 'there is a statistically significant relationship between the study variables' is accepted because the

value of significance (sig=0.000) is less than (0.05), so the study is valid.

**Hypothesis one:** There is a statistically significant relationship between strategies of digital transformation governance and reduction of small companies' risks

**To verify this hypothesis, the multiple regression model was used, as follows:**

**Table 6: Multiple Regression Model for the Statistical Relationship between Strategies of Digital Transformation Governance and Reduction of Small Companies' Risks.**

Independent Variable	B	(T)	Sig* (T)	(R <sup>2</sup> )	(F)	Sig* (F)
Constant	3.33	11.8	0.008	0.70	15.1	0.000
Governance	0.24	2.70	0.00	0.77	7.33	0.008
Quality of accounting information	0.22	2.43	0.017	0.555	5.91	0.017

Source: Prepared by the researchers using the field study data 2024.

Table No. (6) above shows that this model is valid to test the statistical relationship of digital transformation governance in reducing the practice of companies risks methods and enhancing the quality of accounting information, as the (F) value was (15.1) was at the significant level (0.000), which is less than the level of significance (0.05) which means that this model is valid for predicting the values of the dependent variable (companies risks methods). The table also shows that the coefficient of determination (R<sup>2</sup>) was (0.77); this means that governance explains an amount of (77%) of the variation that occurs in achieving (SD), which is a high explanatory ability, and (23%) is due to other variables that were not the subject of the study,

including the random variable. The table also shows that the low quality and credibility of the published accounting information negatively affects the creative accounting methods at a significant level less than (5%). This requires accepting the hypothesis one: there is a statistically significant relationship between the practice of companies risks methods and the low quality and credibility of published accounting information. This was due to that quality plays an effective role on the fields of practicing small companies' risks methods and enhances organizations of public and private sectors.

**Hypothesis two:** There is a statistically significant relationship between digital transformation governance and the override of small companies' risks.

**Table 7: Regression.**

Independent Variable	B	(T)	Sig* (T)	(R <sup>2</sup> )	(F)	Sig* (F)
Governance	0.24	2.70	0.000	0.57	5.65	0.008
small companies' risks methods	0.9	2.30	0.024	0.555	5.91	0.017

Source: Prepared by the researchers using the field study data 2024.

Table No. (7) above shows the total significance where (F) probable value for the independent variable 'governance' equals (0.008) which is less than (5%). Because the total significance of (F) is less than 0.05 the null hypothesis is rejected and the alternative hypothesis: (there is a statistically significant relationship between digital transformation governance and override of small companies' risks methods) is accepted. The coefficient of determination which is (0.57=2R) means that the explanatory power of the model is moderate equals 57% and (43%) are due to

other variables that were not the subject of the study, including the random variable. This requires accepting the hypothesis two therefore, digital transformation governance plays an effective role in reducing the practice of small companies' risks.

### 3.7. One-way Analysis of Variance between Groups and within Groups:

In order to identify to what extent there are differences between the means of study sample

respondents' answers regarding the assessment of the three aspects, One Way ANOVA analysis was adopted:

**Table 9: Company's Ownership.**

Source of Variation	Sum of Squares	Degree of Freedom	Mean of Squares	F Value	Significance Level
Between groups	10.189	4	2.547	3.812	0.007
Inside groups	56.800	85	0.668		
Total	66.989	89			

Source: Prepared by the researchers using the field study data 2024.

Table (9) above shows that the probable value of (F) is less than the significant level 5% among the means of companies (private, shared between two sectors, public).

**Table 10: Variation between different Groups.**

Binary Comparisons	Average Variance	Standard Error	Significance Level
(1) with (2)		0.867	0.011
(1) with (3)		0.867	0.001
(2) with (3)		0.867	0.330

Source: Prepared by the researchers using the field study data 2024.

The table (10) above shows that (1) is the code for the private company, (2) for the partnership of the two sectors and (3) for the public company.

It is clear that there is a significant difference between the private company, the partnership between two sectors, the private and governmental company, as the probability values equal 0.011 and 0.001, respectively, and they are less than 5%, while the difference between the partnership of the two sectors and the public sector is not significant because the probability is greater than 5 %.

#### 4. CONCLUSION

This study aimed to identify the strategies of digital transformation governance and their role in reducing small companies' risks. The study concluded the following results, recommendations and suggestions:

#### 5. RESULTS

1. The study confirmed the validity of the hypothesis: there is a statistically significant relationship between strategies of digital transformation governance and their role in reducing small companies' risks.
2. digital transformation governance represents a set of principles, rules, mechanisms and systems that enhance control and reduce the practice of manipulation and fraud, with the purpose of achieving justice, transparency and fairness in order to reduce the practice of small companies' risks.

3. The published strategies of digital transformation governance is concerned with achieving connected symbiosis that guarantees opportunities for future generations.
4. (82%) shows that the data has an explanatory power within the model, while 18% shows that the data has an explanatory power outside the model. This indicates the percentage of error in data outside the model.
5. Digital transformation governance aims to maximize the value of work, to develop human resources and provide services for the common public interest. This confirms the importance of applying governance as a studied and independent variable.
6. It was clear that there were differences between each of the private companies, the partnership of the two sectors, and the public sector, due to the ownership, job and years of experience, towards governance, The greatest difference was between the private sector (a private company) and the public sector, through one-way ANOVA analysis.

#### 5.1. Recommendations

1. We strongly recommend that private and public companies should consider the rules and principles stipulated in the primary accounting standards to achieve the quality of accounting information.
2. We recommend that an independent external auditor should be employed to examine the final financial statements in accordance with the standards of financial auditing.
3. The company should contribute to producing accounting information with high credibility and transparency in order to reduce fraud and manipulation. The company should be obliged to issue annual periodic reports at an appropriate time.
4. We recommend that the Board of Directors should be elected of competent and honest, the company's general performance should be controlled, and corporate governance principles should be established.

5. A committee should be formed to manage transparency, to keep a balance between transparency and confidentiality of information, and to encourage the culture of dialogue with customers and accept their suggestions.
6. Complete privacy and confidentiality, customer accounts and data should be maintained.
7. Organization's ability to distribute profits by distributing shares to shareholders instead of distributing profits should not be hidden.
8. The company's obligations should be paid quickly in order to demonstrate cash flows in a better position.
9. Expenses should not be excluded from cash flows, such as loan interest and research and development costs, fictitious sales should not be recorded at the end of the year and then dump them at the beginning of the following year with the purpose of amplifying the profits of the current year, companies should not treat capital expenditures as revenue expenses, and should not exaggerate the evaluation of tangible assets in order to improve the financial position.
10. The company should commit to enhancing accountability and raise trust in the information provided. The company is advised to provide a proper basis for the comparison process between results for several years.

This research was supported by small research groups at the Deanship of Scientific Research - King Khalid University - Saudi Arabia (RGP.1 /119/46)

**Acknowledgement:** "The authors extend their appreciation to the Deanship of Research and Graduate Studies at King Khalid University for funding this work through small Group Project under grant number (RGP.1 /119/46)

## REFERENCES

- Charbel Salloum, la Gouvernance des Entreprises liberalizes in Situation de Depressed Financière. These de Doctorate, University Paul Cezanne -aux Marseille, Sciences de Gestion, paris,2002, p :28.
- Abdel-Samad, Wafaa Mohamed, (2011), A Proposed Model for Evaluating the Internal Audit Function to Activate Corporate Governance in the Egyptian Business Environment, Journal of Commercial Studies and Research, Faculty of Commerce, Benha University, Issue 1, Volume, 1, pp. 1-26.
- Rahma Ghazali, The Impact of Corporate Governance Application on the Quality of the Financial Statements: A Field Study of a Group of Joint Stock Companies in Steif Province.
- Hamza Dweifi, Mahmoudi Ahmed, The Role of Corporate Governance on Enhancing the Quality of Accounting Information and Reducing Creative Accounting Practices, Journal of Development and Applied Economics - University of M'sila - Issue D 03 - March 2018.
- Amani Ahmed Wahba, (2023), Digital transformation and its relationship with digital governance and financial reporting to achieve sustainable development, Scientific Journal of Accounting Studies, Volume 5, Issue 2.
- Maha Youssef Jalil Al-Huwaidi and Dr. Hassanein Al-Sayed Taha, The Role of Digital Transformation in Supporting Organizational Entrepreneurship, Scientific Journal of Financial and Administrative Studies and Research - Volume Thirteen - Issue Three - Business Administration, Faculty of Commerce, Sadat City University, March 2022
- <https://fekrait.com/>
- <https://www.mbgcorp.com/>