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THE IMPORTANCE OF KEY PERFORMANCE INDICATORS (KPIs) IN STRATEGIC GOVERNANCE AND PERFORMANCE ENHANCEMENT FOR SMALL BUSINESSES IN SAUDI ARABIA

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ABSTRACT

This study addresses the importance of Key Performance Indicators (KPIs) in strategic governance and performance enhancement for small businesses in Saudi Arabia. The research problem stems from the fact that small businesses in Saudi Arabia suffer from low performance, failure to achieve objectives, and a lack of transparency and accountability in decision-making. The study aims to demonstrate the role of KPIs in improving strategic performance and achieving strategic governance goals for small businesses. The importance of this study stems from the significance of Key Performance Indicators (KPIs) in strategic governance and performance enhancement in small businesses. An analytical and descriptive approach was used to measure the role of the strategic governance framework in creating added value in small businesses in Saudi Arabia. This was achieved by collecting primary and secondary data from previous literature (previous research and studies) and developing a questionnaire as a data collection tool. The study concluded that KPIs influence strategic performance, strategic governance, and financial performance. This research was supported by small research groups at the Deanship of Scientific Research - King Khalid University - Saudi Arabia (RGP.1/119/46)

KEYWORDS: Key Performance Indicators (KPIs), Key Objectives and Key Results (OKRs), Strategic Governance.

1. INTRODUCTION

Key Performance Indicators (KPIs) are crucial elements for the success of companies. Strategic governance is a set of rules and practices that guide and monitor the process of formulating and implementing strategy. KPIs are quantitative measures used to assess the extent to which strategic objectives are achieved. They provide a framework that ensures an organization's decisions align with its strategic goals and are made transparently and responsibly. Their importance lies in their contribution to achieving long-term objectives, improving performance, and fostering trust among stakeholders. Key components include defining responsibilities, establishing policies and procedures, managing risks, and conducting continuous evaluation.

1.1. Study Problem

Naif pointed out that many small businesses in Saudi Arabia do not implement corporate governance principles due to their small size, a desire to avoid increased costs, or a lack of experience and knowledge regarding the role of corporate governance in sustainable performance. A 2020 survey by the Saudi Association of Small Businesses, covering 918 small businesses in the Kingdom, revealed that the absence of corporate governance principles negatively impacted the performance of a large percentage of these businesses (95.5%) during the pandemic. They faced significant difficulties in conducting their business during the pandemic due to lockdown measures, which severely affected their operations. Revenues decreased because of reduced sales, and operational, management, and market risks increased.

Small businesses in Saudi Arabia suffer from poor performance, failure to achieve objectives, and a lack of transparency and accountability in decision-making.

1.2. Significance of the Study

The significance of this study stems from the importance of Key Performance Indicators (KPIs) in strategic governance and performance enhancement within small businesses.

1.3. Objectives of the Study

This study aims to

Demonstrate the role of KPIs in improving strategic performance in small businesses.

Understand the importance of KPIs in achieving strategic governance objectives within small businesses.

Demonstrate the role of KPIs in fostering trust among stakeholders in small businesses.

1.4. Study Hypotheses

1. There is a statistically significant relationship between the application of Key Performance Indicators (KPIs) and improved strategic performance in small businesses.
2. There is a statistically significant relationship between the application of KPIs and the achievement of strategic governance goals in small businesses.
3. There is a statistically significant relationship between the application of KPIs and the role of KPIs in enhancing trust among stakeholders in small businesses.

2. STUDY METHODOLOGY

2.1. Study Approach and Tools

The analytical and descriptive approach was used to measure the role of the strategic governance framework in creating added value in small businesses in the Kingdom of Saudi Arabia. This was achieved by collecting primary and secondary data from previous literature (previous research and studies), in addition to developing a research instrument in the form of a questionnaire designed via an online link. This questionnaire was distributed to a random sample of small businesses in the Kingdom of Saudi Arabia. The link was also distributed to a pilot sample of managers and employees of small businesses, as well as to a number of specialized experts to benefit from their opinions and suggestions. This was done to verify the consistency, validity, reliability, and accuracy of the questionnaire using known measures (such as the Cronbach's Scale).

2.2. Geographical Scope: Khamis Mushait City

Temporal Scope: 2024/2025.

2.2.1. Study Population

The study population consisted of approximately 50 small businesses, including commercial, service, and industrial enterprises, in Khamis Mushait.

2.3. Study Sample

The study sample comprised 50 businesses. A questionnaire was distributed to a random sample of these small businesses. 48 respondents completed the questionnaire, representing 96% of the 50-business sample.

2.4. Research Instruments

Primary Studies: This included fieldwork and a questionnaire.

Secondary Studies: This included previous studies, books, journals, blogs, and the internet.

2.5. Previous Studies

Previous studies on the relationship between implementing Key Performance Indicators (KPIs) and improving strategic performance in small businesses have addressed this relationship. These include:

- A 2020 study: KPI Implementation Has a Positive Impact on Strategic Performance
- A study on the impact of KPI implementation on strategic performance: This study showed that KPI implementation has a positive impact on strategic performance in small businesses in Saudi Arabia.
- A 2019 study: KPIs Play an Important Role in Improving Organizational Performance
- A study on the role of KPIs in improving organizational performance: This study found that KPIs play an important role in improving organizational performance in small businesses in Egypt.
- A 2018 study found that implementing Key Performance Indicators (KPIs) has a positive impact on financial performance.
- A study on the impact of KPI implementation on financial performance: The study showed that implementing KPIs has a positive impact on the financial performance of small businesses in Jordan.

2.6. Study Conclusion

These studies show that implementing KPIs can lead to improved strategic performance in small businesses.

Implementing KPIs is a powerful tool for improving performance in small businesses. Many studies have addressed this topic, and here are some of the findings:

- A study on the role of strategic planning in improving institutional performance: The study showed that strategic planning has a positive impact on the institutional performance of small and medium-sized enterprises (SMEs) in Saudi Arabia.
- A study on the impact of strategic planning on the performance of higher education institutions: The study found that strategic planning has a positive impact on the performance of higher education institutions in Algeria.
- A study on the application of key performance indicators (KPIs) in Saudi universities: The study proposed a model for measuring KPIs in

Saudi universities, focusing on national and international trends.

These studies demonstrate that the application of KPIs can lead to improved performance in small enterprises, but this must be done in a strategic and well-considered manner.

2.7. 1/ Study: (Ata, 2020)

The Role of Governance in Corporate Sustainability and Achieving the Kingdom's Vision 2030: A Comparative Study Between the Saudi Companies Law and Islamic Sharia.

The study aimed to determine the role of governance in corporate sustainability and achieving the Kingdom's Vision 2030 by comparing the Saudi Companies Law and Islamic Sharia. The researcher used statistical analysis.

The study concluded that implementing governance within the Saudi Companies Law leads to efficiency, accountability, contract enforcement, and the growth of Saudi companies into giant corporations. This, in turn, generates wealth, combats poverty, attracts foreign investment, enhances competitiveness, and achieves the vision and sustainable development in accordance with the principles of Islamic Sharia.

2.8. Study (Radwan, 2020)

The Importance of Corporate Governance in Combating Financial and Accounting Corruption: An Analytical Study of the Legal and Regulatory Framework Governing the Operations of Joint-Stock Companies in Iraq, University of Baghdad.

The study aimed to examine the importance of the legal and regulatory framework for corporate governance in combating financial and accounting corruption. Statistical methods were used in the study, including statistical analysis and a descriptive approach.

2.9. 3/ Study (Al-Sanousi, 2017)

The study aimed to test the principles of e-governance and its application in a number of public and private institutions and its impact on achieving organizational excellence. The researcher used statistical analysis.

The study concluded that institutions that adopted e-governance were more distinguished than their counterparts that did not. Furthermore, the study observed improvements in organizational structures through the adoption of electronic methods in managing institutions, as well as higher organizational performance regarding the flow of authority within these institutions.

3. THEORETICAL FRAMEWORK

3.1. Introduction

The strategic governance framework defines the policies, structures, and processes that guide and monitor the formulation and implementation of strategy. The importance of strategic governance lies in its inclusion of accountability, transparency, and efficient decision-making. Key elements of strategic governance include forming an effective board of directors, setting objectives, conducting periodic evaluations, and implementing transparency principles. The relationship between strategic governance KPIs is evident in the following:

Key Performance Indicators (KPIs) are essential tools in strategic governance, helping to measure the achievement of governance objectives.

Strategic governance provides the framework that ensures the effective use of KPIs to improve the overall performance of the organization. Governance is the framework that guides the organization, while KPIs are the metrics that measure this framework. Governance encompasses principles such as transparency, accountability, fairness, and independence, while KPIs are used to assess adherence to these principles, such as the percentage of compliance with governance policies, and to measure results, such as the percentage of improvement in financial and operational performance. This relationship aims to ensure that performance aligns with the organization's strategic objectives and ethical principles.

<https://www.investopedia.com/terms/k/kpi.asp>

3.2. Key Performance Indicators (KPIs)

These are defined as quantitative or qualitative measures used to improve and evaluate the performance of small businesses and their progress towards achieving their goals.

Types of Key Performance Indicators (KPIs) Related to Governance:

Structural Indicators: such as board member experience and conflict of interest ratio

Operational Performance Indicators: measure the efficiency of processes, such as the completeness of data entry in financial operations

Financial Performance Indicators: such as revenue, profitability, and return on investment

Stakeholder Satisfaction Indicators: such as customer satisfaction and employee loyalty

The Importance of Key Performance Indicators (KPIs) in Achieving Key Objectives and Key Results (OKRs) in Small Businesses

Key Performance Indicators (KPIs) are linked to

Key Objectives and Key Results (OKRs). They are individual metrics that allow you to track your company's performance. The purpose of OKRs is to serve as a strategic framework for the company, and KPIs can certainly contribute to achieving OKRs. The objectives within OKRs are broader organizational goals, which explains why KPIs exist.

3.3. The Relationship Between Key Performance Indicators (KPIs) and Strategic Performance Improvement

Key Performance Indicators (KPIs) are quantitative measures used to evaluate an organization's performance, such as market share growth rate, annual target achievement rate, customer satisfaction, innovation, and cost reduction.

<https://www.investopedia.com/terms/k/kpi.asp>

The Importance of Performance Indicators:

Performance indicators help determine progress towards strategic goals, direct resources towards the most impactful activities, and facilitate better decision-making.

Types of Performance Indicators include strategic indicators related to leadership priorities, directional indicators for evaluating performance improvement, and efficiency indicators related to costs and time.

The Role of Key Performance Indicators (KPIs): Improving Strategic Performance Through Key Performance Indicators:

3.4. Monitoring and Evaluating Performance

KPIs are used to track progress towards achieving strategic, financial, and operational goals.

3.5. Improving Efficiency

KPIs enable the identification of areas for improvement in operational processes and various activities within the organization.

3.6. Ensuring Alignment

Ensuring that Key Performance Indicators (KPIs) are aligned with the company's objectives at various levels (strategic, operational).

3.7. Continuous Monitoring

KPIs should be reviewed and updated periodically to ensure their continued relevance to the current strategy and the external environment.

3.8. Key Performance Indicators in Strategic Governance

The importance of KPIs in achieving objectives is evident in their purpose. Depending on the type of indicator, the objectives it aims to achieve are measured.

These indicators vary based on the sector and objectives, but they include:

- Financial Indicators: These aim to measure financial objectives such as net profit margin and return on investment (ROI).
- Customer Satisfaction Indicators: These aim to measure customer satisfaction objectives, such as measuring customer loyalty and value.
- Operational Efficiency Indicators: These aim to measure operational objectives such as employee retention rate or conversion rate.

The Importance of Key Performance Indicators (KPIs) in Enhancing Stakeholder Confidence Stakeholders are individuals and entities that can be directly or indirectly affected by the company's performance and success, and their role is diverse. Key Performance Indicators (KPIs) are used to enhance stakeholder confidence By measuring and evaluating company success, engagement levels, and their impact on operations, appropriate indicators such as stakeholder satisfaction, frequency of positive collaboration, and tangible results that demonstrate the value of their participation are identified.

Building trust relies on transparency, effective communication, and proactively addressing stakeholder concerns. Key Performance Indicators (KPIs) for Enhancing Stakeholder Trust:

KPIs for Relationship Performance: - Stakeholder satisfaction is measured through surveys and direct feedback. - Positive interactions track ongoing collaboration, referrals, and positive public statements about active participation to measure stakeholder engagement levels in events such as social media and surveys.

https://www.researchgate.net/en2ar.search.translate/publication/281367607_Key_Performance_Indicators_Improve_Industrial_Performance

- Building Trust Using Key Performance Indicators (KPIs) with Stakeholders
- Pre-identifying Stakeholders: Stakeholders should be identified and categorized based on their interest in and influence on the project.
- Transparent and Continuous Communication: Develop an effective communication plan based on honesty and consistency to provide stakeholders with relevant information.
- Listening to and Addressing Concerns: Listen to stakeholders' opinions and participate in discussions to understand and address their concerns and resistance.
- Balancing Stakeholders: Strive to achieve the interests of all stakeholders by finding compromises that satisfy everyone and promote collaboration.

- Regularly Tracking KPIs: Use them to track progress, evaluate the effectiveness of engagement strategies, and improve relationships and tools with stakeholders.
- Fostering a Culture of Accountability: Build an internal culture that values transparency and accountability.

https://www.researchgate.net/en2ar.search.translate/publication/281367607_Key_Performance_Indicators_Improve_Industrial_Performance

4. DATA ANALYSIS

Data analysis provides a general description of the procedures followed by the researchers to conduct this study. This includes a description of the study population, sample, and research instruments, as well as a description of the statistical treatments used.

4.1. Study Methodology

The researcher adopted a descriptive approach. This approach not only describes the phenomenon but also analyzes its reality and interprets the results by processing the study data. The goal is to arrive at generalizable interpretations that contribute to expanding our understanding of the phenomenon under study.

This phenomenon is under study.

4.2. Study Population and Sample

The study population consists of small businesses in the Kingdom of Saudi Arabia. A sampling method was used because it is impractical to survey every member of the population. Even if it were possible, time, cost, and other human resource constraints would prevent the researcher from doing so (Sekaran, 2006). The study sample represents a subset of the study population. Convenience sampling, which is used during the exploratory phases of research projects, was employed because it allows the researcher to collect data from members of the population in circumstances that are advantageous for data collection (Saunders et al., 2009). This method relies on the researcher's experience and knowledge that a particular element represents the population. According to Sekaran, the larger the research population, the larger the sample size.

Table 1: Five-Point Likert Scale.

The Phrase	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
the weight	5	4	3	2	1

Source: Prepared by researchers from field study data using SPSS-202

The table above shows that the hypothetical mean is $3 = (5+4+3+2+1)/5$.

The score was determined according to the following formula: Class length = (lower limit - higher limit)/number of levels. Therefore, class length = (5-1)/5 = 4/5 = 0.8

Thus, the respondents' opinions on the statements in the table above become as follows:

Table 2: Classification According to the Five-point Scale.

The Phrase	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The weight	5-4.2	4.2-3.5	3.5-2.6	2.6-1.8	1.8-1

Source: Prepared by the researcher from field study data using SPSS-2025

4.3. Descriptive Analysis of the Key Variables

Table 3: Distribution of Sample Members According to Gender Variable.

Gender	Duplicates	Ratio
Males	40	83.3%
Females	8	16.7%
Total		100%

Source: Prepared by researchers from field study data using SPSS-2025

Table above, pertaining to the gender variable, show that 40 of the study sample (83.3%) were male and 8 (16.7%) were female. This indicates that most of the study sample was male. The researchers believe that the reason for the higher percentage of males compared to females is that the nature of insurance companies' work may rely more heavily on males than females.

Table 4: Distribution of Sample Members According to Age Variable.

Age	Duplicates	Ratio
Under 25 years	0	0%
25 and under 35 years old	15	31.25%
35 years and under 45	23	47.91%
More than 45 years	10	20.84%
Total	48	100%

Source: Prepared by researchers from field study data using SPSS-202

Table (2) and Figure (2) above, relating to the age variable, show that 15 of the study sample (31.25%) are between 25 and 35 years old, 23 (47.91%) are between 36 and 45 years old (the highest percentage),

Table 6: Distribution of Likert-scale responses on performance monitoring and KPI utilization.

The Phrase	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Performance monitoring and evaluation: Key performance indicators (KPIs) are used to track progress toward achieving strategic, financial, and operational goals	22 45.83	18 37.50%	5 10.42%	3 6.25%	
Efficiency improvement: They enable the identification of areas for improvement in operational processes and various activities within the organization	17 35.42%	26 54.17%	1 2.08%	4 8.33%	
Alignment assurance: They ensure that KPIs are aligned with the company's objectives at different levels (strategic and operational).	31 64.58%	5 10.42%	1 2.08%	4 8.33%	7 14.58%
Continuous monitoring: KPIs should be reviewed and updated periodically to ensure their continued relevance to the current strategy and the external environment.	12 25.00%	19 39.58%	5 10.42%	4 8.33%	8 16.67%

Source: Prepared by researchers from field study data using SPSS-202

and 10 (20.84%) are over 45 years old. Therefore, it is clear that the majority of the study sample are between 36 and 45 years old. There are no participants in the study sample under 25 years old.

Table 5: Distribution of Sample Members According to the Educational Qualification Variable.

	Duplicates	Ratio
Diploma	3	6.3%
Bachelor's Degree	25	52.1%
Postgraduate Studies	20	41.6%
Total	48	100%

Source: Prepared by researchers from field study data using SPSS-202

The table and figure above, pertaining to the educational qualification variable (2), shows that 6.3% of the study sample hold a diploma, 25 (52.1%) hold a bachelor's degree, and 20 (41.6%) hold postgraduate degrees. Therefore, the majority of the study sample holds a bachelor's degree.

Table 5: Distribution of Sample Members According to the Variable of Years of Experience.

	Duplicates	Ratio
Under 3 years	6	12.5%
3-5 years	8	16.7%
6-10 years	9	18.8%
Over 10 years	25	52.1%
Total	48	100%

Source: Prepared by researchers from field study data using SPSS-202

The table and figure above, relating to the variable of years of experience, show that 6% of the study sample (12.5%) have less than 3 years of work experience, 8% (16.7%) have 3-5 years, 9% (18.8%) have 6-10 years, and 25% (52.1%) have more than 10 years. Therefore, the majority of the study sample has more than 10 years of work experience.

4.4. Analysis of the Questionnaire Items

4.4.1. Hypothesis Testing

First Hypothesis: There is a statistically significant relationship between the application of Key Performance Indicators (KPIs) and the improvement of strategic performance in small businesses.

The table above shows the following:

- 45.83% strongly agree that Key Performance Indicators (KPIs) should be used to track progress towards achieving strategic, financial, and operational goals. 37.50% agree, with a cumulative percentage of 83.33% in favor, 10.42% are neutral, and 6.25% disagree.
- 35.42% strongly agree that KPIs should enable the identification of areas for improvement in operational processes and various activities within the organization. 54.17% agree, with a cumulative percentage of 89.59% in favor, 2.08% are neutral, and 8.33% disagree.
- 64.58% strongly agree that KPIs should ensure alignment with company objectives at different

levels (strategic and operational). 10.42% agree, with a cumulative percentage of 75% in favor, 2.08% are neutral, and 22.91% disagree.

- 25% strongly agree that key performance indicators (KPIs) should be reviewed and updated periodically to ensure their continued relevance to the current strategy and external environment, 39.58% agree, with a cumulative percentage of 64.58% agree, 10.42% are neutral, and 25% disagree.

Second hypothesis: There is a statistically significant relationship between the application of Key Performance Indicators (KPIs) and the achievement of strategic governance goals in small companies.

Table 7: Respondents' perceptions of financial, customer, and operational performance indicators.

The phrase	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Financial indicators aim to measure financial performance, such as net profit margin and return on investment (ROI).	7 14.58%	15 31.25%	13 27.08%	4 8.33%	9 18.75%
Financial indicators measure market share growth rate.	9 18.75%	22 45.83%	8 16.67%	2 4.17%	7 14.58%
Customer satisfaction indicators aim to measure customer satisfaction and innovation.	7 14.58%	25 52.08%	13 27.08%	3 6.25%	
Customer satisfaction indicators are targets.					
Operational efficiency indicators enable operational efficiency, such as employee retention rate or conversion rate.	11 22.92%	9 18.75%	21 43.75%	5 10.42%	2 4.17%
Customer satisfaction indicators aim to measure customer satisfaction and innovation.					
Customer satisfaction indicators are targets.	15 31.25%	18 37.50%	7 14.58%	6 12.50%	2 4.17%
Operational efficiency indicators enable operational efficiency, such as employee retention rate or conversion rate					
Operational efficiency indicators enable operational efficiency, such as employee retention rate or conversion rate	19 39.85%	23 47.92%	6 12.50%		
They help determine progress towards strategic goals and direct resources towards the most impactful activities, enabling better decision-making. Efficiency relates to costs and time	11 22.9%	30 62.50%	5 10.42%	1 2.08%	1 2.08%

Source: Prepared by researchers from field study data using SPSS-202

The table above shows the following:

- 14.58% strongly agree that financial indicators, such as net profit margin and return on investment (ROI), are financially sound. 31.25% agree, with a cumulative percentage of 45.83% agreeing, 27.08% are neutral, and 27.08% disagree.
- 18.75% strongly agree that financial indicators measure market share growth. 45.83% agree, with a cumulative percentage of 64.58% agreeing, 16.67% are neutral, and 18.75% disagree.
- 14.58% strongly agree that customer satisfaction indicators are intended to measure customer satisfaction and innovation. 52.08% agree, with a cumulative percentage of 66.66% agreeing, 27.08% are neutral, and 6.25% disagree.
- 22.92% strongly agree that customer satisfaction indicators are objectives. 18.75% agree, with a cumulative percentage of 41.47% agreeing, 43.75% neutral, and 14.58% disagreeing.

- 31.25% strongly agree that operational efficiency indicators such as employee retention or turnover rates enable operational efficiency. 37.50% agree, with a cumulative percentage of 68.75% agreeing, 14.58% neutral, and 16.67% disagreeing.

- 39.58% strongly agree that it helps in determining progress towards strategic goals. 47.82% agree, with a cumulative percentage of 87.4% agreeing and 12.5% remaining neutral.

- 22.92% strongly agree that directing resources towards the most impactful activities and making decisions with greater efficiency relates to costs and time. 62.5% agree, with a cumulative percentage of 85.84% agreeing, 10.42% remaining neutral, and 4.16% disagreeing.

Third Hypothesis: There is a statistically significant relationship between the application of Key Performance Indicators (KPIs) and enhancing trust among stakeholders in small businesses.

Table 8: Survey results on stakeholder identification, participation, and communication effectiveness.

The Phrase	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Pre-identifying stakeholders	15 31.25%	28 58.33%	2 4.17%		3 6.25%
Stakeholder satisfaction indicators and positive collaboration frequency are used to measure and evaluate the level of engagement and its impact on the work	9 18.75%	17 35.42%	7 14.58%	12 25.00%	3 6.25%
Listening to stakeholders' opinions and participating in discussions to understand and address their concerns and resistance	3 6.25%	22 45.83%	9 18.75%	11 22.92%	3 6.25%
Transparency and effective communication build trust.	19 39.58%	13 27.08%	6 12.50%	8 16.6%	2 4.17%
Stakeholder satisfaction indicators are used to measure and evaluate the level of engagement and its impact on the work	17 35.42%	18 37.50%	4 8.33%	6 12.50%	3 6.25%
Seeking to achieve the interests of all stakeholders by finding compromises that satisfy everyone and promote collaboration.	4 8.33%	33 68.75%	1 2.08%	6 12.50%	4 8.33%

Source: Prepared by researchers from field study data using SPSS-202

The table above shows the following:

- 31.25% strongly agree that stakeholder return-of-initiative (ROI) should be used. 58.33% agree, with a cumulative percentage of 89.58% agreeing, 4.17% are neutral, and 6.25% disagree.
- 18.75% strongly agree that stakeholder satisfaction indicators and the frequency of positive collaboration should be used to measure and evaluate the level of participation and its impact on work. 35.42% agree, with a cumulative percentage of 54.17% agreeing, 14.58% are neutral, and 31.25% disagree.
- 6.25% strongly agree that listening to stakeholders and participating in discussions to understand and address their concerns and resistance is important. 45.83% agree, with a cumulative percentage of 52.08% agreeing, 18.75% are neutral, and 29.17% disagree.
- 39.58% strongly agree that transparency and

effective communication build trust. 27.08% agree (cumulative percentage: 66.58%), 12.50% are neutral, and 20.84% disagree.

- 35.42% strongly agree that indicators should be used to measure and evaluate the level of participation and its impact on work. 37.5% agree (cumulative percentage: 72.92%), 8.33% are neutral, and 18.75% disagree.
- 8.332% strongly agree that efforts should be made to achieve the interests of all stakeholders by finding compromises that satisfy everyone and promote cooperation. 68.75% agree (cumulative percentage: 77.08%), 2.08% are neutral, and 20.83% disagree.

15-Hypothesis Testing: There is a statistically significant relationship between the application of Key Performance Indicators (KPIs) and improved strategic performance in small businesses.

Table 9: Regression analysis results showing the effect of strategic performance improvement on morale.

	Regression Coefficients	t-test	Probability Value	Interpretation	Correlation Coefficient (R)	Coefficient of Determination (R ²)
B0	3.265	13.366	0.000	Moral	0.375	0.141
B_1 Strategic Performance Improvement	0.239	4.281	0.000	Moral		
Model	Yi=2.145+0.471X1					

Source: Prepared by researchers from field study data using SPSS-202

The results of the assessment showed a positive correlation between Key Performance Indicators (KPIs) as the independent variable and strategic performance as the dependent variable, with a simple correlation coefficient of 0.375.

The coefficient of determination (CPD) was 0.141. This value indicates that KPIs contribute 14.1% to strategic performance as the dependent variable. The average strategic performance is 3.265 when KPIs are not present.

A value of 0.239 indicates an increase in strategic performance when KPIs increase by one unit. From the above, we conclude that the hypothesis is

confirmed; that is, KPIs influence strategic performance.

There is a statistically significant relationship between the application of KPIs and the achievement of strategic governance objectives in small businesses.

The results of the assessment showed a positive correlation between Key Performance Indicators (KPIs) as the independent variable and strategic governance as the dependent variable, with a simple correlation coefficient of 0.517.

The coefficient of determination (CPD) was 0.267. This value indicates that KPIs contribute 26.7% to strategic governance as the dependent variable.

Table 10: Regression analysis results showing the effect of strategic governance on morale.

	Regression Coefficients	t-test	Probability Value	Interpretation	Correlation Coefficient (R)	Coefficient of Determination (R ²)
B0	2.145	6.648	0.000	Moral	0.517	0.267
B_1 Strategic governance	0.417	6.392	0.000	Moral		
Model	Yi=2.145+0.471X1					

Source: Prepared by researchers from field study data using SPSS-202

The average value of strategic governance when KPIs are absent is 2.145.

A value of 0.471 indicates an increase in strategic governance when KPIs increase by one unit.

From the above, we conclude that the hypothesis

is confirmed; that is, KPIs influence strategic governance.

There is a statistically significant relationship between the application of KPIs and the enhancement of trust among stakeholders in small businesses.

Table 11: Caption Missing.

	Regression Coefficients	t-test	Probability Value	Interpretation	Correlation Coefficient (R)	Coefficient of Determination (R ²)
B0	2.710	7.078	.000	Moral	0.382	0.146
B_1 enhancing confidence	0.382	4.372	.000	Moral		
Model	Yi=2.145+0.471X1					

Source: Prepared by researchers from field study data using SPSS-202

1. The estimation results showed a positive correlation between Key Performance Indicators (KPIs) as the independent variable and financial performance as the dependent variable, with a simple correlation coefficient of 0.382.

2. The coefficient of determination (CPD) was 0.146. This value indicates that KPIs contribute 14.6% to financial performance as the dependent variable.

3. The average financial performance value when KPIs are absent is 2.710.

4. 0.382 means that financial performance increases when KPIs increase by one unit.

From the above, we conclude that the hypothesis is confirmed; that is, KPIs do affect financial performance.

5. RESULTS AND RECOMMENDATIONS

5.1. First: Results

1. Key Performance Indicators (KPIs) affect strategic performance and strategic governance.
2. Stakeholder satisfaction indicators and the frequency of positive collaboration are used to measure and evaluate the level of participation and its impact on operations.
3. Listening to stakeholders and participating in discussions helps understand and address

their concerns and resistance.

4. KPIs affect financial performance.
5. Customer satisfaction indicators measure customer satisfaction and innovation.

5.2. Second: Recommendations

Governance of Key Performance Indicators (KPIs) Includes establishing a framework to ensure effective performance measurement. However, there are performance items that were not measured, such as:

- *Employee Satisfaction*: Measuring employee satisfaction with the work environment and available opportunities.
- *Innovation*: Measuring new innovations or improvements implemented.
- *Sustainability*: Measuring the organization's impact on the environment and society.
- *Compliance*: Measuring compliance with laws and regulations.
- *Risk Management*: Measuring the effectiveness of risk management and identifying potential risks.

KPIs should be regularly reviewed to ensure they cover all aspects of performance.

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