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Listed companies' internal control index construction on corporate governance structure and corporate performance: Basis for improved strategic framework

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Abstract

Listed firms frequently rely on strong internal control systems and effective corporate governance structures as the foundation of their operations. While the individual effects of these pillars on corporate performance are well documented, the interaction of these two systems is less so. This study exposes this connection by developing a new index termed the Listed Companies' Internal Control Index (LCICI), investigating its relationship with corporate governance frameworks, and, ultimately, its impact on corporate performance. Our findings suggest a revised strategy based on the interconnected strength of internal control and corporate governance, which drives the long-term success of publicly traded organizations. This study intended to establish the impact of the Construction of Listed Companies' Internal Control Index on Corporate Governance Structure and Corporate Performance, which aided in the development of an enhanced Strategic Framework. The use of descriptive design in this research sheds insight on the relationship between internal control measures, corporate governance practices, and company performance. It helps to investigate such links and uncover potential linkages. The survey questionnaire was employed as the data collection instrument because it provides for consistent and standardized data collection, resulting in comparable responses from all respondents. The participants of the study came from six listed firms, and they gathered a total of 335 to be used as respondents in the research from a total population of 1669 using Raosoft. According to the study's findings, the internal control index on strategic, operational, compliance, and asset security objectives is reliable and valid for measuring the effectiveness of internal control in a publicly traded company, implying that each index item is important and contributes significantly to the overall effectiveness of internal control. The internal control index of corporate governance structure is trustworthy and valid for measuring the effectiveness of internal control of purpose, people, and processes, implying that all index components are significant and contribute to the overall effectiveness of internal control of corporate governance. A corporation with a high level of profitability, liquidity, growth, and a strong stock market will be profitable because it can apply smart internal controls to maximize firm performance. The study found a significant correlation between the instrument, corporate performance, and governance structure of Chinese listed companies. Poor corporate governance can lead to breaches of duty, limiting the efficiency of internal control institutions and improving the strategic framework for internal control in China.

Keywords: internal control index, corporate governance structure, corporate performance, improved strategic framework

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1. Introduction

Over the past years, the legal framework that supports corporate governance in China has increasingly improved. The Company Law, the Securities Law, and the Corporate Governance Code for Listed Companies are just several of the most important laws that have come out during that time. Obstruction of law: The Chinese government has also been continually doing things to tackle the intentions of the laws and regulations that help corporate governance. Creating China Securities Regulatory Commission (CSRC), delivering guidelines and regulations on corporate governance, and other institutional arrangements were invented to ensure the protection of shareholder rights and enhance corporate governance (Jia, et al., 2018). The importance of corporate governance has steadily become recognized in Chinese businesses and among investors. The rise of corporate scandals in recent years has prompted Chinese corporations to focus on corporate governance. Some organizations in China have taken initiatives to enhance their corporate governance. These improvements include establishing an independent board of directors, implementing an internal control system, and disclosing corporate governance information. China has a dark investor relationship in corporate governance, but with the implementation of the Company Law and Securities Law, transparency is growing (Wang, et. al, 2020).

The term "corporate governance structure" refers to the system of checks and balances established to defend the interests of shareholders and other stakeholders. The particular components of a corporate governance system differ from one company to the next, but they often include three groups of people: the board of directors, the management team, and shareholders. In theory, the board of directors regulates what management is permitted and prohibited from doing. The management team oversees the day-to-day operations of the organization. Shareholders are the company's investors. Shareholders are the proprietors of the company. They have the final say in how the organization functions. The efficacy of the corporate governance structure is determined by the composition of the board of directors, the experts who lead it, and the rights of the owners. A well-functioning corporate governance framework will prevent undesirable things from happening, thereby "preventing fraud and mismanagement", providing a decent replacement for non-shareholders, and generate long-term wealth (Acharya, et. al, 2018).

Corporate governance refers to the structure of how businesses are managed and directed. Corporate governance refers to the relationships between the board of directors, management, shareholders, and other stakeholders. The term "corporate governance structure" refers to a set of processes whose objective is to ensure that the interests of a company's shareholders are aligned with those of management. The corporate governance structure is the mechanism by which businesses are controlled and directed. The connection between a firm's management, board, shareholders, and other stakeholders is made up of the legal, regulatory, and institutional framework (OECD, 2015). A good internal control index can help improve corporate governance by establishing a risk management framework and ensuring compliance with applicable rules and regulations; it can also help improve business performance by lowering the risk of errors and fraud and saving money (Zhang, et. al,2021).

In recent years, the ICI of China's listed companies has risen dramatically. Zhang, et. al, (2021) have the following findings: ICI mainly reflects the quality of the company's own internal control system, and operating performance is positively correlated with the company. Therefore, the better the corporate governance, the higher the operating performance of listed companies. Zhao, et. al, (2020) stated that ICI was significantly positively correlated with the profitability of China's listed companies. ICI was significantly positively correlated with China's listed companies' liquidity and significantly negatively correlated with the cost of capital. The study by Jia et al (2018), showed that ICI is positively related to the profitability and the liquidity of nonfinancial listed firms in China but is negatively associated with equity costs, which means that the companies' which have higher level of internal control are supposed to have more profitability, more liquidity and less cost of equity, therefore;

this study also reveals that ICI has important influence on corporate performance, and the companies' with better internal control are probably to the be better performer in term of finance.

Corporate performance refers to a corporation's overall capacity to accomplish its objectives. In today's context, it refers to the corporation's overall financial performance, which includes financial measurements such as profitability and return on investment for firm stakeholders. In a broader sense, corporate performance refers to the corporation's performance as assessed by other financial metrics such as customer happiness, employee morale, and consumer loyalty (Biswas, et. al, 2019). The Li, et. al, (2019) article discusses corporate governance and firm performance. And the findings indicated that excellent corporate governance promotes good firm performance. It also finds evidence that the level of ownership concentration increases the impact of corporate governance. Finally, Zhao, et. al,(2020) investigate whether internal control quality predicts business performance in the context of China. They discover a beneficial effect of internal control quality on business performance and demonstrate that this effect is stronger in enterprises with higher levels of debt.

Several issues with IC in China include the lack of a universally acknowledged definition of internal control in China, making it impossible to compare ICI across organizations. The data used to calculate ICI is frequently inaccurate due to poor record-keeping or misreporting. It is difficult to distinguish the impact of internal control from other factors that may influence corporate performance, such as the company's overall business climate and business plans. Managers are typically hesitant to implement many of the procedures because they believe they will be too costly or difficult to accomplish. Finally, many Chinese businesses are unfamiliar with internal control or the importance of its operations (Zhang, et. al, 2021; Zhao, et. al, 2020; Jia et al., 2018; Li, et. al, 2018, Li, et. al, 2019, Wang, et. al, 2020; Agyei-Mensah, 2018).

The impact of internal control on corporate performance has not been thoroughly investigated. Some research demonstrate that internal control has a good effect on corporate performance, but others show a detrimental effect. Agyei-Mensah (2018) suggests that more study is needed to reconcile these findings. The majority of studies investigating the impact of internal control on corporate performance has been cross-sectional, meaning it occurred at a certain point in time. To further understand the impact of internal control on corporate performance, longitudinal research is required (Agyei-Mensah, 2018).

The study is projected to offer an important theoretical and practical contribution by addressing topics such as (1) internal controls, (2) governance structures, and (3) corporate performance while accounting for corporate governance aspects. The study's findings are also expected to be useful to various stakeholders such as senior management, company boards, regulators, in vestors, investment analysts, and others, as they will provide them with a clear understanding of the value added that will result from the implementation of sound and effective internal controls. Furthermore, this study would provide invaluable insights for the proposed strategic framework for managing internal controls in listed companies, with the goal of achieving the business objectives in terms of operational effectiveness and efficiency, financial reporting reliability, and compliance with applicable laws and regulations.

This study aims to make a significant contribution to the existing body of information on internal control and governance. The study will be beneficial to a wide range of audiences, including academics, researchers, corporate leaders, and regulators. The researcher is likewise keen on making a practical contribution to internal control and corporate governance. By developing a comprehensive index to measure internal control and examining the relationship between internal control, corporate governance structure, and corporate performance, the researcher can help listed companies, investors, and regulators to better understand and improve the internal control systems of listed companies.

Objectives of the Study - This study aims to determine the impact of listed Companies' Internal Control Index Construction on Corporate Governance Structure and Corporate performance that will be the basis in developing an improved Strategic Framework. Specifically, determined the internal control index construction of listed companies in terms of: strategic objectives, operating objectives, compliance objectives and asset security objectives; described the internal control index construction on the corporate governance structure in terms of purpose, people, and process, assessed the corporate performance in terms of profitability, liquidity, growth, and stock market performance; tested the significant relationship of internal control index construction to corporate governance structure and corporate performance and developed an improved Strategic framework for the listed companies in China.

2. Methods

Research Design - The researcher used a descriptive research design which involves the distribution of questionnaires in survey form to first distinguish the demographic profile of the respondents. Also, this method was used so that they can analyze the internal control index, corporate governance structure and corporate performance. It is perceived that this research design is the most appropriate to use to gain a better understanding of how a certain group behaves, what motivates them, and what their characteristics are.

Participants of the Study - The research object selects the 2019-2022 data of A-share listed companies in the Shanghai and Shenzhen stock markets as the research sample. These companies are: Huaibei Mining, CNPC, Meiyan Jixiang Hydropower, Wencan Group, COSCO Shipping Energy, Fosun Pharma, etc. A-share listed companies not only have great advantages in terms of scale, facilities, and employee software, but also have their own management characteristics. Therefore, the selection of these listed companies is broadly representative. The internal control index selects the internal control target index calculated in this study, and the data of other variables come from RIS database and Guotaian database, and are processed using SPSS, EXCEL, and STATA software. When excluding missing data and directly assigning a score of 0 due to specific reasons (company samples with a score of 0 because the audit opinion of the internal control report is negative, the internal control score is a mandatory score, which is not calculated by the model. Other samples are not comparable and cannot participate in the next step of calculation, so they are excluded), these six companies obtained a total of 1669 samples, and obtained 335 effective samples. Effect size 0.5, power probability 0.95 or 95%, alpha level 0.05 or 5%, using Google Raosoft.

The limitation encountered in this study is that the selection of internal control index construction indicators has a certain degree of subjectivity. When constructing the internal control index, this study selects specific evaluation indicators based on the degree of completion of internal control objectives and disclosed internal control information, fully considers the five major objectives and five major components of the internal control of the enterprise, and modifies the indicators. However, since it is impossible to cover all variables, the selection of indicators is somewhat subjective.

Instrument of the Study - This study made use of a quantitative survey questionnaire that is designed by the researcher based on the knowledge garnered from the review of related literature and theories pertaining to entrepreneurial skills, orientation, and intention. The instrument used in the study consists of three parts. The first part of the instrument assessed the internal control index of the respondents in terms of strategic objectives, operating objectives, compliance objectives, and asset security objectives. The second part consists of the corporate governance structure in terms of purpose, people, and process. The third part showcases the corporate performance in terms of profitability, liquidity, growth, and stock market performance. Overall, all parts of the research questionnaire consists of fifty five (55) items.

A four-point Likert scale was used by the researcher to measure the respondents' assessment regarding the variables. The data collected from the respondents were weighted on a scale of 1-4, with 1 being the lowest and 4 being the highest value, which will quantitatively gauge the internal control index, corporate government structure and corporate performance. The Likert Scale grading for this study was 3.5-4 for Strongly Agree, 2.5-3.49 for Agree, 1.5-2.49 for Disagree, and 1.00-1.49 for Strongly Disagree. The questionnaire was validated after it had been reviewed by the research adviser to ensure that the contents of the questionnaire are clear, concise, accurate, reliable, and understandable for content validation. The validation comments and suggestions were considered when revising the instrument. The researcher presented the draft for content validation to ensure the item's content was clear and comprehensive, and subsequently produced a final copy after all validation procedures were accomplished.

For the purpose of reliability, the questionnaire was tested in a pilot study using Cronbach's Alpha Index of Reliability. The researcher distributed the questionnaire to small group of respondents from the research locale so as to examine the instruments and ensure that they are reliable. Based on the results obtained from the Cronbach test, the following values and interpretations are tabulated. The reliability results showed the computed Cronbach's alpha for internal control index (0.876), corporate governance structure (0.913), and corporate Performance (0.917) indicates that the items have a strong internal consistency in the rule of thumb.

Table 1

Reliability Results

Variables	No. of Items	α value	Interpretation
Internal control index			
Strategic Objectives	5	0.835	Good
Operating Objectives	5	0.841	Good
Compliance objectives	5	0.859	Good
Asset Security objectives	5	0.871	Good
Overall	20	0.876	Good
Corporate governance structure			
Purpose	5	0.830	Good
People	5	0.865	Good
Process	5	0.877	Good
Overall	15	0.913	Excellent
Corporate Performance			
Profitability	5	0.831	Good
Liquidity	5	0.858	Good
Growth	5	0.842	Good
Stock Market Performance	5	0.817	Good
Overall	20	0.917	Excellent

Legend > 0.9 =Excellent; >0.8=Good:>0.7=Acceptable;>0.6=Questionable;>0.5=Poor;<0.5=Unacceptable

Data Gathering Procedure - The approved final questionnaire after incorporation of suggestions and recommendations, was used by the researcher as the tool in data gathering. After passing the reliability test and getting the necessary approvals from the university, the results were encoded and sent to the respondents online. After grasping the concepts of the study, if the respondent expresses willingness to participate, the questionnaire was forwarded to the respondent through email or WeChat and was returned the same way. Once the surveys are collected, the researcher tallied them using Excel software. For surveys that are not fully accomplished, the researcher will dispose them – only instruments that are fully answered were used to ensure equal assessment between the respondents and among all variables. The tabulation, analyses, discussion, and conclusions were made by the researcher based on the findings of the study.

Data Analysis - Weighted mean and rank were used to determine the internal control index construction of listed companies in terms of strategic objectives, operating objectives, compliance objectives and asset security objectives; to determine the impact of internal control index construction on the corporate governance structure in terms of purpose, people and process; and to assess the corporate performance in terms of profitability, liquidity, growth, and stock market performance. The result of Shapiro-Wilk Test showed that p-values of all variables were less than 0.05 which means that the data set was not normally distributed. Therefore, Spearman rho was used as part of the non-parametric tests to determine the significant relationship. All analyses were performed using SPSS version 28.

Ethical Consideration - This study's confidentiality has been thoroughly checked. In terms of the respondents' participation in this study, the researcher ensured that the research policies and regulations of the university were followed. And the data gathering constraints of the school were fully understood by the respondents from four provinces in China. Initially, the researcher confirmed that the respondents agreed to participate in the study after explaining the study criteria, purpose, and location. The researcher guaranteed that all participants were not pressured because the study was based on the participants' free involvement. The respondents' identities and responses will be kept private since they will only be used for research purposes only in accordance with the Data Privacy Act of the Philippines and China. The researcher protected the confidentiality of the individual participants for the purposes of this study. Respondents can also determine how much of their information is disclosed in different contexts. The researcher notified all consumer respondents about how their information and responses would be used for this work, and the research was carried out with their full consent.

3. Results and discussion

Table 2

Summary Table on Internal Control Index Construction of Listed Companies

Key Result Areas	Composite Mean	VI	Rank
Strategic Objectives	3.04	Agree	2.5
Operating Objectives	3.05	Agree	1
Compliance Objectives	3.04	Agree	2.5
Asset Security Objectives	2.93	Agree	4
Grand Composite Mean	3.02	Agree	

Legend:3.50-4.00=Strongly Agree;2.50-3.49=Agree;1.50-2.49=Disagree;1.00-1.49=Strongly Disagree

Table 2 presents the summary table on internal control index construction of listed companies as to strategic objectives, operating objectives, compliance objectives, and asset security objectives with a grand composite mean of 3.02 which indicates agree on all indicators. Among the dimensions, operating objectives obtained the highest rank with a composite mean of 3.05 and an agreed verbal interpretation. This indicates that operating objectives are significant for a variety of reasons. They first aid in concentrating the company's efforts and resources on what matters most. They also give the business a means to track its progress toward its strategic objectives. Thirdly, they can support employee engagement and motivation. In order to accomplish its long-term strategic goals, a corporation establishes short-term, measurable operating objectives. They are often in line with the organization's overarching business plan and created to increase the business's operational effectiveness, profitability, and efficiency.

The Association of Certified Management Accountants (2023) proved the importance of operating objectives for businesses of all sizes and provides a number of resources for businesses on how to develop and implement operating objectives. In the introduction, the authors define operating objectives as "short-term, measurable goals that a company sets in order to achieve its long-term strategic goals." They then go over the advantages of having operating objectives, which include concentrating the efforts and resources of the firm on the most crucial matters, increasing the profitability, effectiveness, and operational efficiency of the business, and engaging and inspiring workers. The relevance of matching operating objectives with the overall business plan of the company is then covered by the authors. They also offer a variety of pointers for creating and putting into practice successful operating objectives, such as ensuring that the goals are clear, quantifiable, doable, pertinent, and time-bound, distributing the goals to all stakeholders and staff, giving workers the tools and assistance, they need to accomplish the goals, tracking and monitoring the goals' progress on a regular basis.

Table 3

Summary Table on Internal Control Index Construction on the Corporate Governance Structure

Key Result Areas	Composite Mean	VI	Rank
Purpose	2.93	Agree	3
People	2.94	Agree	1.5
Process	2.94	Agree	1.5
Grand Composite Mean	2.94	Agree	

Legend:3.50-4.00=Strongly Agree;2.50-3.49=Agree;1.50-2.49=Disagree;1.00-1.49=Strongly Disagree

In Table 3, the summary of impact table on internal control index construction for corporate governance structure in terms of purpose, people and process garnered the grand composite mean of 2.94 which means agree in all indicators. Among the dimensions, people and process got the highest ranks which elicited the weighted mean of 2.94 and agreed verbal interpretation. It indicates that making an internal control index could have a positive impact customer in the corporate governance system of a company. A good internal control can leverage accountability and transparency that improve decision-making and performance. It can also be used in identifying and minimizing risks that secure the interest of its stockholders and employees.

Process framework corporate governance can be affected by a high internal control index. An internal control index measures a company's internal control efficiency. Company risk exposure, operational environment, information and communication systems, control actions, and control monitoring must be assessed using a framework. All these places are unique. A high internal control index improves firm governance, including process frameworks. The internal control index might reveal business internal control concerns. It gives the company the knowledge to create and execute fixes. An internal control index can measure the organization's internal controls' efficacy over time. This helps us identify trends to examine or tasks to do. External stakeholders can assess your organization's internal controls using an index. This information might boost your company's reputation.

Jiayao et al. (2023) found that internal control index and corporate governance are strongly correlated. In state-owned financial institutions, corporate governance affects the internal control index more than in others. They say Chinese banks must emphasize corporate governance to boost internal control. State-owned financial institutions value corporate governance and the internal control index more than other institutions. To validate the ICI and get insight into Chinese listed firms' corporate governance and financial performance, their structures and performance were examined. They found that the ICI accurately predicted business internal control quality. Corporate governance structure and financial success also positively affect the ICI. This shows that greater internal controls improve business governance and financial performance. The ICI also helps organizations assess their internal controls, identify areas for improvement, and recommend changes. This reduces fraud risk, improves financial reporting, and boosts investor trust. The ICI can assist investors assess a company's internal controls before investing, improving their judgment. The ICI may also assist regulators analyze the internal controls of organizations they regulate to find deficiencies and remedy them.

Table 4

Summary Table on Corporate Performance

Key Result Areas	Composite Mean	VI	Rank
Profitability	3.05	Agree	3
Liquidity	3.01	Agree	4
Growth	3.08	Agree	2
Stock Market Performance	3.10	Agree	1
Grand Composite Mean	3.06	Agree	

Legend:3.50-4.00=Strongly Agree;2.50-3.49=Agree;1.50-2.49=Disagree;1.00-1.49=Strongly Disagree

According to Table 4, the summary table on corporate performance of profitability, liquidity, growth, and stock market performance is presented with an overall grand composite mean of 3.06 which signifies agree in all indicators. Of all the dimensions, stock market performance got the highest rank holding a weighted mean of 3.10 and agreed verbal interpretation. This denotes that stock market performance and corporate performance is highly correlated. Companies with good financial performance such as high revenue growth and profitability tend to have a high stock price. This is because investors are more likely to invest in companies that they believe are well-managed and have the potential to grow in the future. There are other factors that can affect stock performance, such as the state of the economy, interest rate, and investor sentiment. However, corporate performance will usually be the most important factor in determining the stock of a company.

Jones, et. al, (2022) has proven that the future performance of a company can be predicted by stock market performance. With that, this study found that this association is stronger for larger firms and firms in a more developed market Making it very crucial for the stock market performance to be used by investors when they try to predict the future corporate performance. The article also shows that some companies and some industries have stronger association with this. You can find companies with good stock market performance or even those with higher stock prices and returns. Companies that have performed successfully as stocks are more likely to have a strong future corporate performance. Concentrate on larger companies and those in more developed industries, as there is a stronger correlation between past stock performance and future corporate performance than with other companies. Use stock-price performance to identify companies that warrant further investigation. Investors can use stock market performance as a screening tool to find companies that need further investigation. Investors could, for instance, look for companies with a high stock market performance and then examine their financial statements and other indicators to learn more about their operations and future prospects. Investors can make better investment selections by using stock market performance to forecast future corporate performance.

As seen in the table 5, the computed rho-value of 0.048 indicates a very weak direct relationship between strategic objectives and purpose while the computed rho-values ranging from -0.021 to -0.084 indicate a very weak indirect relationship between strategic objectives and the sub variables of corporate governance structure namely people and process. There was no statistically significant relationship between strategic objectives and corporate governance structure because the obtained p-values were greater than 0.01. The computed rho-values ranging from -0.062 to -0.126 indicate a very weak indirect relationship between operating objectives and the sub variables of corporate governance structure namely purpose and people while the computed rho-value of 0.229 indicates a weak direct relationship between operating objectives and process. There was a statistically significant relationship between operating objectives and the sub variables of corporate governance structure namely people and process because the obtained p-values were less than 0.01/0.05. The relationship between operating objectives and people under Internal Control Index (PICI) and corporate governance structure is significant because people are the ones who ultimately implement and execute the organization's plans. If people are not properly trained, supervised, and held accountable, then it is unlikely that the organization will be able to achieve its goals.

People are the driving force behind an organization's success. People are the organization's most precious resource. They come up with new ideas, create new products or services, deliver them, and provide after-sales care. Organizational objectives cannot be met without competent management and motivation. Effective internal controls on people can help to limit risk while also improving organizational performance. Hiring the appropriate individuals can assist an organization ensure that its staff are knowledgeable and capable. A well-designed training program will provide employees with the skills and information they need to accomplish their jobs properly. A fair and open performance review system will provide an excellent opportunity to evaluate performance and motivate personnel. (Chari, et. al, 2018). It has been confirmed in a study by Adhikari, et. al, (2020) that the organization's principles are mirrored in its culture, and that having a solid corporate governance structure allows for more efficient operations. Consider the following example: a board of directors that is committed to conducting ethical and responsible business may be expected to oversee a firm with strong internal controls for all employees.

Table 5

Relationship Between Internal Control Index and Corporate Governance Structure

Variables	rho	p-value	Interpretation
Strategic Objectives			
Purpose	0.048	0.381	Not Significant
People	-0.021	0.706	Not Significant
Process	-0.084	0.127	Not Significant
Operating Objectives			
Purpose	-0.062	0.256	Not Significant
People	-0.126*	0.021	Significant
Process	0.299**	0.000	Highly Significant
Compliance Objectives			
Purpose	-0.032	0.556	Not Significant
People	-0.213**	0.000	Highly Significant
Process	-0.064	0.241	Not Significant

Asset Security Objectives			
Purpose	0.109*	0.046	Significant
People	-0.060	0.275	Not Significant
Process	0.059	0.280	Not Significant

**. Correlation is significant at the 0.01 level /*. Correlation is significant at the 0.05 level

Processes, on the other hand, are the means by which operational goals are accomplished. Each operating purpose, such as increasing sales, improving customer satisfaction, or reducing costs, requires its own set of processes. When processes are well-designed and effectively controlled, they are more likely to be efficient and effective in achieving the organization's operating objectives. This is because processes help to ensure that tasks are performed consistently and accurately, and that risks are identified and mitigated. The high significant relationship between operating objectives, process under Internal Control Index, and Corporate Governance Structure is important because it highlights the role of internal controls in helping organizations achieve their goals in a responsible and ethical manner (Al-Alak, et. al, 2021).

The computed rho-values ranging from -0.032 to -0.213 indicates a very weak to weak indirect relationship between compliance objectives and corporate governance structure. There was a statistically significant relationship between compliance objectives and people because the obtained p-value was less than 0.01. People are responsible for carrying out and adhering to the organization's compliance policies and procedures. Internal control index and Corporate Governance Structure provide a framework for ensuring that people are properly trained, supervised, and held accountable, which is essential for achieving compliance objectives. According to Chen, et. al, (2023) people are essential for achieving all of these compliance objectives. Employees need to be aware of the organization's compliance policies and procedures, and they need to be properly trained on how to follow them. They also need to be supervised and held accountable for their actions.

The computed rho-values ranging from 0.059 to 0.109 indicate a very weak direct relationship between asset security objectives and the sub variables of corporate governance structure namely purpose and process while the computed rho-value of -0.060 indicates a very weak indirect relationship between asset security objectives and people. It shows that there was a statistically significant relationship between asset security objectives and purpose since the obtained p-value was less than 0.05.

There is a significant relationship between asset security objectives and purpose under Internal Control Index and Corporate Governance Structure because assets are essential for organizations to achieve their purpose. Internal Control Index and Corporate Governance Structure provide a framework for ensuring that assets are properly protected, which is essential for achieving asset security objectives. Internal Control Index and Corporate Governance Structure play an important role in protecting assets and achieving asset security objectives. Internal Control Index provides a measure of the effectiveness of the organization's internal controls over its assets, which can be used by management and the board of directors to identify areas where improvements are needed. Corporate Governance Structure provides a framework for ensuring that the organization's values are reflected in its culture and operations, and that management is held accountable for protecting assets. Al-Alak, et. al, (2021) confirmed that asset security objectives are the specific goals that an organization sets for itself in order to protect its assets from theft, loss, or damage. These objectives may vary depending on the organization's industry, size, and location. If the company's internal control index is effective and its Corporate Governance Structure is strong, then the company is more likely to achieve its asset security objective of protecting its inventory from theft.

As seen in the table 6, the computed rho-values ranging from 0.022 to 0.189 indicate a very weak direct relationship between strategic objectives and the sub variables of corporate performance. There was a statistically significant relationship between strategic objectives and stock market performance because the obtained p-value was less than 0.01. Strategic objectives are the specific goals that an organization sets for itself in order to achieve its overall mission. They may be short-term or long-term, and they may be quantitative (e.g., increasing revenue by 10%) or qualitative (e.g., improving customer satisfaction). Stock market performance is the measure of how well an organization's stock is performing relative to the overall stock market. It is typically measured by the organization's stock price and return on equity (ROE). There is a high significant relationship between strategic objectives and stock market performance because investors are more likely to invest in organizations that have clear and achievable strategic objectives. Investors are also more likely to invest in organizations with effective internal controls and strong corporate performance.

Internal control index plays an important role in this relationship by providing a measure of the effectiveness of the organization's internal controls over people. Effective internal controls help to ensure that the organization's strategic objectives are achieved in a responsible and ethical manner. This can lead to improved financial and operational performance, which can make the organization more attractive to investors. Corporate performance also plays an important role in this relationship. Investors are more likely to invest in organizations with strong corporate performance because they believe that these organizations are more likely to be successful in the future (Chen, et. al, 2023).

The computed rho-values ranging from 0.110 to 0.110 indicate a very weak direct relationship between operating objectives and the sub variables of corporate performance namely profitability and stock market performance while the computed rho-values ranging from -0.178 to -0.181 indicate a very weak indirect relationship between operating objective and the sub variables of corporate performance namely liquidity and growth. There was a statistically significant relationship between operating objectives and corporate performance because the obtained p-values were less than 0.01/0.05.

Table 6

Relationship Between Internal Control Index and Corporate Performance

Variables	rho	p-value	Interpretation
Strategic Objectives			
Profitability	0.022	0.687	Not Significant
Liquidity	0.062	0.258	Not Significant
Growth	0.089	0.102	Not Significant
Stock Market Performance	0.189**	0.000	Highly Significant
Operating Objectives			
Profitability	0.110*	0.044	Significant
Liquidity	-0.181**	0.001	Significant
Growth	-0.178**	0.001	Significant
Stock Market Performance	0.111*	0.041	Significant
Compliance Objectives			
Profitability	0.099	0.069	Not Significant
Liquidity	-0.028	0.613	Not Significant
Growth	-0.098	0.073	Not Significant
Stock Market Performance	0.187**	0.001	Significant
Asset Security Objectives			
Profitability	-0.103	0.059	Not Significant
Liquidity	-0.058	0.291	Not Significant
Growth	-0.020	0.715	Not Significant
Stock Market Performance	0.031	0.574	Not Significant

**. Correlation is significant at the 0.01 level /*. Correlation is significant at the 0.05 level

Operating objectives are the specific goals that an organization sets for itself in order to achieve its overall mission. They may be short-term or long-term, and they may be quantitative (e.g., increasing revenue by 10%) or qualitative (e.g., improving customer satisfaction). Profitability is the measure of how profitable an organization is. It is typically measured by financial metrics such as net profit margin and return on equity (ROE). Liquidity is a sign to determine how quickly a firm can sell its assets. It is often calculated by using financial ratios like current ratio and quick ratio. Secondly, growth is the indication of how quickly a firm is growing. It is often calculated by using financial ratios like revenue growth and asset growth. Stock market performance is the indication of how much a firm's stock is outperforming the overall stock market or not. It is often calculated by using financial ratios like a firm's stock price and return on equity (ROE) (Al-Alak, et. al, 2021).

According to Hassan et al. (2020), business performance is dependent on operating objectives. When organizations achieve their operating objectives, they are more likely to be profitable, liquid, and growing because operating objectives are aligned with the organization's overall strategy, which creates value for owners, whereas internal control index and corporate performance play an important role in the previous relationships. Corporate performance provides a measure of how successful the organization has been in achieving its operating objectives. If the company's internal control index is effective and its corporate performance is strong, then the company is more likely to achieve its operating objective of increasing its revenue by 10% in the next year. This is likely to lead to improved profitability, liquidity, growth, and stock market performance.

Further, the computed rho-values ranging from 0.099 to 0.187 indicate a very weak direct relationship between compliance objectives and the sub variables of corporate performance namely profitability and stock market performance while the computed rho-values ranging from -0.028 to -0.098 indicate a very weak indirect relationship compliance objectives and the sub variables of corporate performance namely liquidity and growth. It shows that there was a statistically significant relationship between compliance objectives and stock market performance since the obtained p-value was less than 0.01. There is a significant relationship between compliance objectives and stock market performance because investors are more likely to invest in organizations that have a strong track record of compliance. Investors are also more likely to invest in organizations with effective internal controls and strong corporate performance. Internal control index plays an important role in this relationship by providing a measure of the effectiveness of the organization's internal controls over people. Effective internal controls help to ensure that the organization's compliance objectives are achieved in a responsible and ethical manner. This can lead to improved financial and operational performance, which can make the organization more attractive to investors. Hassan, et. al, (2020) disclosed that corporate performance also plays an important role in this relationship. Investors are more likely to invest in organizations with strong corporate performance because they believe that these organizations are more likely to be successful in the future.

If the company's internal control index is effective and its corporate performance is strong, then the company is more likely to achieve its compliance objective of protecting customer data. This is likely to lead to improved stock market performance, as investors become more confident in the company's ability to manage its risks and comply with all applicable laws and regulations. The computed rho-values ranging from -0.020 to -0.103 indicate a very weak indirect relationship between asset security objectives and the sub variables of corporate performance namely profitability, liquidity, and growth while the computed rho-value of 0.031 indicates a very weak direct relationship between asset security objectives and stock market performance. It shows that there was no statistically significant relationship between asset security objectives and corporate performance since the obtained p-values were greater than 0.01.

Table 7

Relationship Between Corporate Governance Structure and Corporate Performance

Variables	rho	p-value	Interpretation
Purpose			
Profitability	-0.111*	0.042	Significant
Liquidity	-0.015	0.779	Not Significant
Growth	0.021	0.702	Not Significant
Stock Market Performance	-0.147**	0.007	Significant
People			
Profitability	-0.025	0.643	Not Significant
Liquidity	-0.142**	0.009	Significant
Growth	0.013	0.816	Not Significant
Stock Market Performance	-0.122*	0.026	Significant
Process			
Profitability	0.071	0.197	Not Significant
Liquidity	-0.138*	0.011	Significant
Growth	-0.155**	0.005	Significant
Stock Market Performance	0.072	0.191	Not Significant

**. Correlation is significant at the 0.01 level /*. Correlation is significant at the 0.05 level

As seen in the table 7, the computed rho-values ranging from -0.015 to -0.147 indicate a very weak indirect relationship between purpose and the sub variables of corporate performance namely profitability, liquidity, and stock market performance while the computed rho value of 0.021 indicates a very weak direct relationship between purpose and growth. It shows that there was a statistically significant relationship between purpose and the sub variables of corporate performance, namely profitability and stock market performance since the obtained p-values were less than 0.01/0.05. Purpose-driven organizations are more likely to have a clear and focused strategy. This is because purpose provides a guiding principle for decision-making and helps to ensure that all stakeholders are aligned on the organization's goals.

Chung, et. al, (2021) found out that purpose-driven organizations are more likely to be innovative and adaptable. This is because they are constantly looking for new and better ways to achieve their purpose. This can lead to a competitive advantage and improved financial performance. These organizations are more likely to attract and retain top talent. Employees are increasingly looking to work for organizations that have a strong purpose and mission. This can lead to a more engaged and productive workforce, which can also improve financial performance. Purpose-driven organizations are more likely to build strong relationships with customers and other stakeholders. This is because they are focused on building trust and value for all stakeholders. This can lead to increased sales and repeat business, which can also improve financial performance. Overall, there is a strong relationship between purpose, profitability, and stock market performance. Purpose-driven organizations that are well-managed and successful are more likely to be profitable and attractive to investors (Chen, et. al, 2023)

Meanwhile, the computed rho-values ranging from -0.013 to -0.142 indicate a very weak indirect relationship between people and the sub variables of corporate performance namely profitability, liquidity and stock market performance while the computed rho-value of 0.013 indicates a very weak direct relationship between people and growth. It shows that there was a statistically significant relationship between people and the sub variables of corporate performance namely liquidity and stock market performance since the obtained p-values were less than 0.01/0.05. There is a significant relationship between people and the sub variables of corporate performance namely liquidity and stock market performance because people are the primary drivers of corporate performance. People are the most important asset of any organization. They are the ones who develop and execute the organization's strategy, create and deliver its products and services, and interact with its customers and other stakeholders. When people are engaged, motivated, and productive, it leads to improved corporate performance.

Liquidity evaluates an organization's capacity to meet its short-term financial obligations. Liquidity is determined by the connection between current assets and current liabilities. Liquidity is extremely critical for corporate performance. Liquidity enables a firm to invest in fresh prospects and weather unforeseen financial setbacks. Stock market performance indicates how well the organization's stock is performing in comparison to the overall stock market. Stock market success is typically measured by an organization's stock price and return on equity (ROE) (Al-Alak et al., 2021). Stock market performance is critical to company performance because it influences the organization's capacity to generate cash and attract and retain staff.

Chen, et. al, (2023) found that employee motivation and attitude are significant. Employees that are driven and approach problems positively are more likely to succeed. This will result in increased customer satisfaction, which has been proved to improve a company's profitability. Employees with a positive attitude are more likely to feel inspired and engaged. As a result, client satisfaction might grow, boosting the organization's sales and profitability. Employees with high levels of expertise and experience are more likely to be optimistic and motivated. In their study, Chen, et. al, (2023) discovered that employees who have a favorable experience working for the firm are more likely to build great customer relationships. This, in turn, can lead to greater levels of customer service and satisfaction, increasing tankful product sales and the organization's profitability. Employees that can adjust the tankful product offering to the customer's wants and preferences are more likely to keep current clients and attract new ones.

In summary, there is a clear connection between the people and the sub variables of corporate performance which include liquidity and the stock market performance. When organizations invest in their people and create an environment where they can thrive, it leads to improved corporate performance. The computed rho-values ranging from 0.071 to 0.072 indicate a very weak direct relationship between process and the sub variables of corporate performance namely profitability and stock market performance while the computed rho-values ranging from -0.138 to -0.155 indicate a very weak indirect relationship between process and the sub variables of corporate performance namely liquidity and growth. It shows that there was a statistically significant relationship between process and the sub variables of corporate performance namely liquidity and growth since the obtained p-values were less than 0.01/0.05. There is a significant relationship between process and the sub variables of corporate performance namely liquidity and growth because processes are the foundation of how organizations operate. Well-designed and efficient processes can help organizations to reduce costs, improve quality, and increase speed to market. This can lead to improved liquidity and growth.

Liquidity is the ability of an organization to meet its short-term financial obligations. Liquidity is a company's capacity to satisfy its short-term obligations using its short-term assets. It is often calculated as the ratio of current assets to current liabilities. Liquidity is vital in business performance because it allows corporations to participate in investment schemes and addresses financial issues that businesses may face unexpectedly. On the other hand, growth refers to a company's ability to expand its size as soon as possible. It is typically measured by the pace of growth in sales, revenue, or assets. Growth is crucial in business because it allows organizations to increase their market share and, as a result, profitability and stock market success. (Hassan, et. al, 2020). One key finding from this study is that firms that invest in their processes and operations to make them more efficient and effective get superior corporate performance, particularly in terms of liquidity and growth (Enyiukwu, et. al, 2020). Efficient sales procedures help businesses close more deals and produce more money, resulting in increased liquidity and growth opportunities. Effective production procedures can help businesses decrease costs and enhance quality, allowing them to make more money and increase profitability and growth. Standardized supply chain operations enable businesses to quickly provide products and services to clients, increasing customer satisfaction and improving growth prospects. Innovative product development procedures enable firms quickly bring new products and services to market, allowing them to enhance sales and revenue.

Strategic Framework for Listed Companies

One of the most significant advantages of implementing an internal control system is the improvement of corporate governance structures. A well-designed internal control system provides knowledge and confidence to the board of directors and management, allowing them to make more viable decisions. Furthermore, having a robust corporate governance structure can improve the effectiveness of the internal control system. As a result, there are numerous ways in which strong corporate governance can boost effectiveness. Measures that may be effective to mitigate the risk include significant corporate governance structures and internal control systems designed to provide management of the entity with reasonable assurance regarding the achievement of the entity's objectives in terms of effectiveness and efficiency of its operations, reliability of its financial reporting, and compliance with laws and regulations, and include providing a clear separation of roles, effective managerial collaboration Several studies have found that firms with somewhat stronger corporate governance structures and internal control systems do better financially. This is supposedly due to the fact that substantially stronger corporate governance structures and internal control systems may help to reduce the risk of fraud, errors, and other variables that could harm the entity's financial performance.

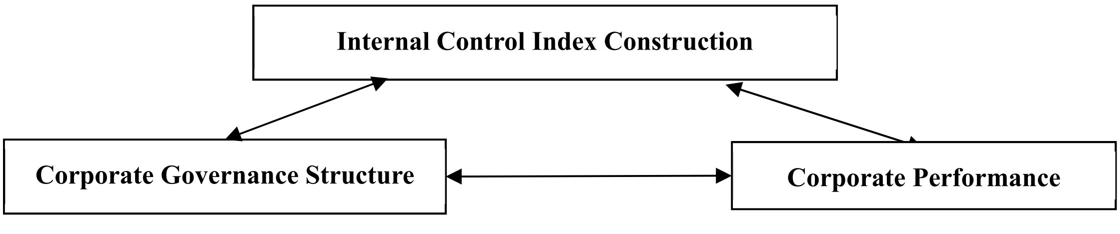

Figure 1. Strategic Framework for the Listed Companies in China

Companies with a strong internal control system for financial reporting are less error possible in their financial statements. This could improve the company's reputation in investor and creditor standpoint and can make regulators impose less financial penalties. Businesses with appropriate corporate governance structure is less likelihood to do fraudulent activity and unethical issues. This may help the company's reputation and the financial performance. Companies with strong internal control system and good corporate governance structure are more likely to attract and retain good quality employees. This will be helpful to increasing the company's productivity and profitability. In summary, there is a strong positive relationship between the internal control index construction, corporate governance structure and corporate performance. The company that invest in building a strong internal control index construction, corporate governance structure is efficient the corporate performance in the long-run.

4. Conclusions and recommendations

Respondents agree that the internal control index, which assesses strategic objectives, operating objectives, compliance objectives, and asset security objectives, is a strong and fair indicator of the efficacy of internal controls on publicly traded corporations. This suggests that all of the items in the index are essential and contribute to the overall effectiveness of internal controls. The internal control index for the efficacy of internal controls on the corporate governance structure is regarded as a legitimate and trustworthy assessment in terms of purpose, people, and procedure. In this respect, all of the indices counted are significant, and each makes a unique contribution to the total efficacy of internal controls on corporate governance structures. Corporate performance in terms of profitability, liquidity, growth, and stock market performance suggest the financial health of the company and increase assurance that it is well-positioned to grow in the future. In total, they all contribute to overall company performance. There is a significant relation between corporate performance, internal control index, and governance structure. An improved strategic framework was created for China's listed businesses.

The audit team might regularly review and update its internal control policies and procedures so that they remain effective in mitigating the risks that it faces. The board of directors should review with management the company's corporate governance structure and the adequacy of its internal controls system, in order to ensure that the company is being conducted in the best interests of its shareholders. Human resource managers should train employees regularly in internal control, so that they understand their roles and responsibilities in the internal control process. Chief audit executives should strive to improve operational efficiency so that they not only reduce costs, but also enhance profitability. Various projects or activities can expose the federal government or other entities to potentially significant financial losses or severe damages to its reputation if performed inadequately. The Strategic Framework may be endorsed to listed companies for reference and utilization. Future researchers may replicate the study and may use other dimensions to measure Internal Control, Corporate Governance and Corporate Performance.

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