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Governance Characteristics and Their Role in Reducing Financial Risks: An Applied Study on Entrepreneurial Projects in the Food Industry – Zadna Company

خصائص الحوكمة ودورها في الحد من المخاطر المالية: دراسة تطبيقية على المشاريع الريادية في صناعة الأغذية – شركة زادنا

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Abstract:
Objectives: This study investigates the role of corporate governance characteristics in mitigating financial risks, specifically liquidity, credit, and operational risks, faced by entrepreneurial ventures, with a focus on Zadna Company, a Sudanese food manufacturing firm of national economic and social importance.
Methods: The study adopts a descriptive, analytical method. Data was collected through a structured questionnaire distributed to 80 managers and employees and analyzed using correlation and regression analysis in SPSS.
Results: Findings indicate that applying governance principles significantly enhances financial management efficiency and risk mitigation capacity. Specifically, transparency in financial disclosure reduced financial irregularities by approximately 27%, board independence improved oversight and strategic decision-making, and corporate social responsibility contributed to institutional stability and corporate reputation.
Conclusions: Key recommendations include strengthening board independence, enhancing transparency and disclosure practices, supporting audit committees with clear and defined mandates, and adopting a governance framework tailored to the local context.
***Keywords**: Governance; Governance Characteristics; Financial Risks; Entrepreneurial Ventures.*

الملخص:
الأهداف: تهدف هذه الدراسة إلى استكشاف دور خصائص حوكمة الشركات في التخفيف من المخاطر المالية، وبشكل خاص مخاطر السيولة والائتمان والتشغيل، التي تواجه المشاريع الريادية، مع التركيز على شركة زادنا، وهي شركة سودانية لتصنيع الأغذية ذات أهمية اقتصادية واجتماعية وطنية.
المنهجية: اعتمدت الدراسة منهجًا وصفيًا تحليليًا. تم جمع البيانات من خلال استبانة منظم تم توزيعه على 80 من المدراء والموظفين، وتم تحليلها باستخدام تحليل الارتباط والانحدار في برنامج SPSS.
النتائج: أظهرت النتائج أن تطبيق مبادئ الحوكمة يعزز بشكل كبير كفاءة إدارة الموارد المالية وقدرة المشروع على التخفيف من المخاطر. على وجه الخصوص، أسهمت الشفافية في الإفصاح المالي في تقليل المخالفات المالية بنحو 27%، كما حسّنت استقلالية مجلس الإدارة من الرقابة وصنع القرار الاستراتيجي، وساهمت المسؤولية الاجتماعية للشركات في تعزيز الاستقرار المؤسسي وسمعة الشركة.
الخلاصة: كما تمثلت أبرز التوصيات في: ضرورة تعزيز استقلالية مجلس الإدارة، والشفافية وممارسات الإفصاح، وأيضًا دعم لجان المراجعة بمهام واضحة ومحددة، واعتماد إطار حوكمة يناسب السياق المحلي.
***الكلمات المفتاحية:** الحوكمة؛ خصائص الحوكمة؛ المخاطر المالية؛ المشاريع الريادية.*

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1 Introduction

Corporate governance has become an emerging topic in contemporary business, serving as a key mechanism for ensuring sustainability and enhancing competitiveness. Its importance has grown particularly in the context of financial crises and rapid economic fluctuations in recent years (OECD, 2023). In the food industry, entrepreneurial ventures face increasing challenges stemming from market volatility, liquidity pressures, and weak financial and administrative structures (Tran, 2018). These challenges can negatively affect the stability and continuity of such projects.

In this context, governance characteristics—such as independence, transparency, and corporate social responsibility—are considered effective tools for mitigating financial irregularities, including liquidity and market risks. These characteristics contribute to a more efficient and accountable regulatory environment, ensure optimal resource utilization, and protect the interests of investors and stakeholders (Buallay et al., 2017; Kyere & Ausloos, 2020). Moreover, audit committees, acting as independent oversight mechanisms, strengthen the quality of financial reporting and ensure compliance with standards, thereby reducing the likelihood of financial irregularities that may threaten business continuity (Abbott et al., 2004; Almarayeh et al., 2022; Deloitte & Touche LLP, 2024).

Despite the growing literature on corporate governance, few studies have examined its role in mitigating financial irregularities in entrepreneurial food ventures in the Arab region, creating a clear research gap. This study adopts agency theory as the theoretical framework to explain how governance mechanisms influence financial risk reduction. It provides an applied analysis using Zadna Company as a case study, focusing on the direct effects of independence, transparency, and corporate social responsibility, as well as the mediating role of audit committees (Razali & Arshad, 2014; Arora & Bodhanwala, 2017).

Findings highlight both academic and practical contributions, as governance principles were shown to improve sustainability and competitiveness, thereby enriching the literature on governance and entrepreneurship in emerging markets. Results revealed that transparency in financial disclosure reduces financial irregularities and increases investor trust, while board independence improves strategic and monitoring decisions. Additionally, social responsibility supports institutional stability and strengthens corporate reputation. Overall, the study confirms that governance is not merely a regulatory requirement but a practical mechanism that ensures the sustainability of entrepreneurial ventures and enhances their chances of success and growth in competitive markets.

1.1 Research Problem

Entrepreneurial projects in the industrial sector encounter increasing challenges, particularly in terms of financial risks resulting from market volatility, limited access to finance, and weak administrative structures. Governance characteristics—such as transparency, accountability, and oversight—provide a potential foundation for mitigating these risks. Yet, few studies have examined the role of governance in addressing financial risks in Sudan's food industry, especially in entrepreneurial ventures like Zadna Company, which reveals a clear research gap.

Effective implementation of governance requires innovative risk management practices (such as integrated risk frameworks and digital monitoring tools) and regulatory reforms (including updated governance codes and stronger compliance mechanisms) to ensure financial stability and administrative soundness.

Accordingly, the main research question is reformulated as:

How effectively do governance characteristics provide a framework for managing financial risks in Zadna Company?

Sub-questions:

- Is there a relationship between governance characteristics and financial risk management in Zadna Company?
- Does the presence of audit committees influence the relationship between governance practices and financial risk reduction in Zadna Company?
- How effectively do governance characteristics provide a framework for managing financial risks in Zadna Company?

1.2 Research Significance

The significance of this research stems from its twofold contribution:

Theoretical significance: It enriches the literature on governance and entrepreneurial projects by highlighting the link between governance practices and financial stability.

Practical significance: It offers actionable insights and recommendations for entrepreneurs and policymakers to strengthen transparency, oversight, and accountability, thereby reducing financial risks and supporting both **financial sustainability** (through improved risk management) and **operational sustainability** (through stronger administrative systems) in industrial entrepreneurial projects operating in competitive markets.

1.3 Research Objectives

The study seeks to achieve the following objectives:

- To examine the governance characteristics applied in entrepreneurial projects, with a focus on the food sector and Zadna Company in particular.
- To statistically analyze the relationship between governance mechanisms (transparency, disclosure, ownership structure, and board independence) and financial risk management, while assessing the mediating role of audit committees.
- To provide targeted recommendations for entrepreneurs, company managers, and policymakers to strengthen governance practices and enhance the financial and operational sustainability of industrial entrepreneurial projects.

1.5 Research Hypotheses

Main Hypothesis (Ho1): There is a statistically significant relationship between governance characteristics and the reduction of financial risks, from the perspective of the company's employees.

There is a statistically significant relationship between governance characteristics and the reduction in financial risks, from the perspective of the company's employees.

H1: Board independence reduces financial risks.

H2: Transparency reduces financial risks.

H3: Corporate social responsibility (CSR) reduces financial risks.

Secondary Hypothesis (Ho2): Audit committees, as a mediating variable, are expected to influence the relationship between governance characteristics and financial risks.

Third Hypothesis (Ho3): There is a statistically significant relationship between corporate social responsibility (CSR) and the reduction of financial risks in entrepreneurial projects.

2 Theoretical Framework and Related Studies

2.1 Theoretical Framework

2.1.1 Definition of Governance Characteristics

The Organization for Economic Co-operation and Development (OECD) defines corporate governance as "a set of laws, rules, and standards that determine the relationship between a company's management, its board of directors, shareholders, and other stakeholders" (Abdelaziz, 2012). Corporate governance focuses on protecting the interests of all parties engaged with the company, regulating the relationships between executive management, the board of directors, and audit committees. Effective governance contributes to reducing corporate risks, increasing firm value, improving the quality of leadership, and enhancing production efficiency. Furthermore, governance ensures optimal utilization of assets, reduces the cost of capital (Al-Hanini, 2004), and addresses social and environmental responsibilities associated with corporate governance practices (Callrysse, 2005).

Corporate governance may thus be regards as a regulatory and administrative framework designed to ensure fairness, transparency, and accountability within organizations. Its main characteristics include:

- **Transparency**: Refers to the clarity and accuracy of information regarding financial and administrative activities, disclosed regularly to all stakeholders. Transparency fosters trust, reduces risks, and mitigates corruption within institutions (OECD, 2015).
- **Board Independence:** Indicates the ability of the board of directors to make decisions independently of undue internal or external pressures. This has occurred through the inclusion of non-executive independent directors who oversee management and safeguard the rights of shareholders and stakeholders (Mallin, 2019).

- **Social Responsibility:** Represents the commitment of an enterprise to consider social and environmental dimensions in its operations, balancing profitability with sustainable development and community engagement (Carroll & Brown, 2018).
- **Discipline:** Ensuring ethical and proper behavior in corporate practices.
- Independence: Minimizing unnecessary influence or external pressure in decision-making.
- **Accountability:** The ability to evaluate and assess the performance of both executive management and the board of directors.
- **Responsibility:** Holding all parties accountable to stakeholders.
- **Fairness**: Respecting the rights of diverse groups of stakeholders in the company.

2.1.2 Importance of Corporate Governance

Good corporate governance regulates relationships among stakeholders and boards of directors while preventing misuse of authority or pursuit of self-interest. It restricts misconduct by managers, resolves conflicts of interest between directors, managers, and shareholders, and ensures boards exercise proper oversight. Failure to do so often results in excessive engagement in risky activities. Thus, effective governance is not only vital for individual firms but also contributes to economic stability at large (Seenivasan, 2014).

Risks: Risk can be defined as a state of uncertainty associated with future events that significantly influence performance (Ibrahim, 2009, p.27). Economically, risk refers to the possibility of adverse or undesirable outcomes and represents situations in which deviations from expected results may occur (Vaughan & Therese, 1999, p.7).

Financial risks are specifically tied to financing activities and may take the form of negative returns (actual returns lower than expected), uncertainty of returns, or risks linked to investment and cash flow fluctuations (often termed "**investment risk" or "business risk"**). Recent developments in modern portfolio theory have advanced the scientific understanding of financial risk, particularly in the context of investment optimization. However, applying these insights directly to entrepreneurial ventures requires adaptation, as risk management in startups and industrial projects involves not only investment decisions but also operational, financial, and strategic uncertainties (Zhao, 2025).

Overview of Entrepreneurial Projects: An **entrepreneurial project** is defined as an innovative initiative undertaken by individuals or groups to exploit market opportunities or introduce new products and services that create economic or social value.

Entrepreneurial projects emphasize creativity, take calculated risks, and aim for rapid growth, unlike traditional businesses (Drucker, 2014). They are considered major drivers of economic development through job creation, enhancing competitiveness, and fostering knowledge economies (Kuratko, 2016).

According to Shane (2003), entrepreneurial success depends on the interaction of three elements: the entrepreneur, the opportunities, and the resources employed. Reports According to the Global Entrepreneurship Monitor (GEM, 2023), entrepreneurial activity has been increasing worldwide. emphasize that entrepreneurship is increasingly a strategic pillar for economic diversification and sustainability, particularly in economies seeking to reduce dependency on traditional resources.

Financial Risks in Entrepreneurial Projects: Financial risk in entrepreneurial projects is defined as the degree of uncertainty associated with the project's ability to generate sufficient cash flows that enable it to meet its financial obligations and ensure its continuity. These risks arise from multiple factors, including limited financing sources, reliance on high-risk capital, market volatility, and managerial and financial inexperience **(Kuratko, 2016)**. Entrepreneurial projects, often funded through venture capital or self-financing with limited collateral, susceptible to cash flow volatility (Shane, 2003).

Drucker (2014) highlights that managing such risks requires proactive strategies, including: developing flexible financial models, diversifying revenue streams, enhancing financial transparency, and preparing contingency plans for economic fluctuations. GEM reports also underscore that financial risks are among the most critical determinants of entrepreneurial survival or failure, particularly in the early stages of business development.

2.2 Related Studies

- **Rashwan & Abdel Hafiz Qasim, (2020)** examined how mandatory governance regulations affect risk management in their study titled "The Effect of Implementing Mandatory Governance Rules on Risk Management." Conducted on investment companies listed in the Palestine Stock Exchange, the research applied a descriptive-analytical design. The findings showed that these companies' internal control systems effectively support risk management. The study recommended the adoption of unified risk management frameworks across all departments.

- **Al-Tawil (2018)** examined the impact of integrating governance rules with audit quality on organizational oversight. The study found that combining governance mechanisms with high audit quality significantly enhances financial control and reduces the likelihood of financial misstatements. This highlights the complementary role of governance and audit practices in mitigating financial risks, rather than merely controlling earnings, and underscores the importance of addressing deficiencies to strengthen overall financial stability and accountability.
- **Abu Jarad (2011**) examined the role of external audit quality in enhancing financial transparency and accountability. The study found that high-quality audits help limit opportunistic practices, improve the reliability of financial information, and reduce financial risks for organizations. It further emphasized the importance of strict compliance with audit standards and improved disclosure practices to strengthen financial oversight, which is particularly relevant for entrepreneurial ventures seeking to manage financial uncertainties.
- **Rarsuin (2010)** investigated the interplay between internal governance structures, audit fees, and earnings management in Finnish listed companies. The study found that audit committees and audit fees interact complementarily, with high audit quality effectively limiting earnings management, especially during periods of declining profits.
- **Schneider (2013**). examined the role of strong internal auditing in enhancing financial control and organizational oversight. The study found that robust internal audits significantly improve the reliability of financial information and reduce financial risks, whereas weaker auditing systems provide less protection. These findings highlight the importance of effective internal audit mechanisms in mitigating financial uncertainties and strengthening risk management practices within firms.
- **Chen and Zhang (2014)** examined the impact of corporate governance on financial oversight in Chinese listed firms. The findings indicated that specific board characteristics—such as the separation of CEO and board chair roles and the presence of financial expertise in audit committees—significantly enhance the reliability of financial reporting and contribute to reducing financial risks. This underscores the importance of effective governance structures in strengthening risk management and financial accountability within firms.
- **Brogi (2008)** examined corporate governance and risk management in banks and insurance companies, focusing on board size and its role in overseeing risk. The study found that both board size and composition significantly affect performance, with larger boards sometimes reducing effectiveness. It also emphasized the dual function of boards in oversight and strategic planning within financial institutions.

Contribution of the Current Study:

While previous research has extensively explored corporate governance in relation to earnings and risk management—primarily focusing on financial institutions, listed companies, and auditing practices (Al-Rashwan & Qasim, 2020; Al-Tawil, 2018; Trabelsi, 2016; Abu Jarad, 2011; Schneider, 2013; Chen & Zhang, 2014; Rarsuin, 2010; Brogi, 2008)—few studies have specifically examined direct financial risks in entrepreneurial ventures, where uncertainties often stem from operational, market, and financial constraints rather than portfolio or regulatory risks typical of listed firms.

This study addresses this gap by investigating the impact of governance characteristics, transparency, board independence, and corporate social responsibility, on mitigating financial risks in entrepreneurial projects, while assessing the mediating role of audit committees. By focusing on Zadna Company in Sudan's food sector, the study captures the unique challenges of financial risk management in an emerging market context and highlights aspects of governance, such as social responsibility, which have received limited attention in prior studies on entrepreneurial ventures.

By emphasizing the entrepreneurial context, emerging markets, and industry-specific risks, the study provides both a unique applied perspective and strengthens **its scientific and practical relevance** for policymakers, company managers, and entrepreneurs in similar settings.

3 Study Procedures

This study empirically investigates the research objectives and evaluates the hypotheses outlined in the introduction. A descriptive-analytical approach was selected because it enables both to describe the current state of governance practices and financial risk management at Zadna Company and analyzing the relationships among variables, which is more suitable than longitudinal or experimental designs for capturing cross-sectional data in an emerging market context.

Data was collected through structured questionnaires distributed to employees involved in financial and administrative operations at Zadna Company during the period from January to March 2025. The study ensures representative sampling across different departments and managerial levels.

Statistical analysis was conducted using SPSS version 28, applying correlation analysis, multiple regression, and mediation analysis to examine the impact of governance characteristics on financial risks and the mediating role of audit committees. This detailed procedure enhances the transparency, reliability, and replicability of the study's findings.

3.1 Study Methodology

The study adopts a descriptive-analytical approach, using SPSS to test the hypotheses.

3.2 Study Instrument

The questionnaire, as the primary study tool, is designed to collect data measuring the study variables. It consists of four sections:

1. Demographic information about respondents.
2. Items assessing the role of governance characteristics in reducing financial risks, covering:
   - Transparency
   - Board of independence
   - Corporate social responsibility
3. Items assessing financial risks were specifically designed to reflect the financial uncertainties faced by Zadna Company.
4. Items evaluating the impact of audit committees focus on their role in applying governance characteristics within the company.

All responses were measured using **a five-point Likert scale**, ranging from:

5. Strongly Agree
4. Agree
3. Neutral
2. Disagree
1. Strongly Disagree

The questionnaire was distributed to **managers and executives** at Zadna Company who are directly involved in financial and administrative decision-making, ensuring clarity and relevance of responses.

3.3 Study Population

The study population comprises 80 employees and administrators working across various departments of Zadna Company in Sudan.

3.4 Study Model

The study examines the effect of governance characteristics on reducing financial risks in entrepreneurial projects, with Zadna Company as a case study. Specifically, it explores the relationship between the independent variable (governance characteristics), the dependent variable (financial risks), and the mediating variable (audit committees).

Table 1: Study Model Variables

Independent Variable (IV)	Dependent Variable (DV)	Mediating Variable (MV)
Governance Characteristics (transparency, corporate social responsibility, independence)	Financial Risks at Zadna Company	Audit Committees

Source: *Developed by the author based on study variables.*

The conceptual model is illustrated below:

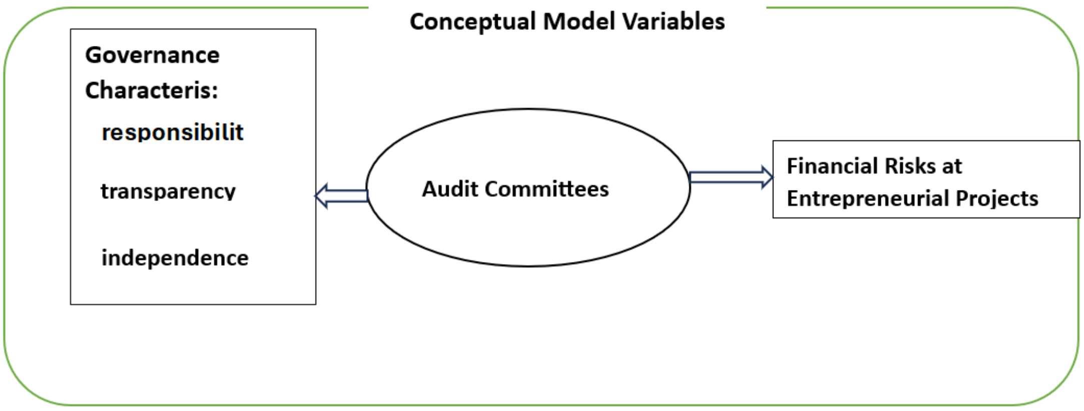

Figure 1: Conceptual Study Model

3.5 Statistical Methods

To address the Study questions and test hypotheses, the study employed a descriptive–analytical method using the Statistical Package for Social Sciences (SPSS). Reliability was assessed through Cronbach's Alpha to ensure the internal consistency of measurement scales.

4 Study Findings

The study's results indicate that governance characteristics—transparency, board independence, and corporate social responsibility—have a statistically significant effect on reducing financial risks. The analysis also confirms that audit committees mediate this relationship, enhancing the effectiveness of governance practices.

Importantly, these findings are observed within the context of Zadna Company in Sudan's food sector, highlighting the specific challenges and opportunities for managing financial risks in entrepreneurial ventures operating in an emerging market. This context-specific evidence underscores the practical relevance of adopting robust governance mechanisms and establishing active audit committees to strengthen financial oversight and operational resilience in Sudanese entrepreneurial firms.

4.1 Reliability Test (Cronbach's Alpha)

Cronbach's Alpha values were calculated for each scale used in the study. The results are presented in Table 2.

Table 2: Reliability Coefficients (Cronbach's Alpha)

Variables	Number of Items	Alpha Coefficient
Governance Characteristics	22	0.940
Financial Risks	14	0.907
Audit Committees	7	0.826
Overall	**43**	**0.962**

Source: Author's calculations using SPSS.

All coefficients exceeded the minimum acceptable threshold of 0.60, indicating high internal consistency of the measurement scales.

4.2 Hypothesis Testing: First Hypothesis (Ho1):

There is a statistically significant positive relationship between governance characteristics (transparency, corporate social responsibility, and board independence) and financial risk reduction in Zadna Company.

Type of correlation test: Pearson's correlation coefficient was used to examine the relationship between governance characteristics and financial risk indicators.

Measurement of governance characteristics: Each characteristic was analyzed both individually and as a composite index to assess its overall effect.

Direction of the relationship: A positive correlation indicates that stronger governance practices are associated with lower financial risks.

Measurement of financial risk: Financial risk was assessed using specific indicators, including cash flow volatility, debt-to-asset ratio, and short-term liquidity ratios, to ensure transparency and precision in the analysis.

Table 3: Correlation between Governance Characteristics and Financial Risks

Variables	Governance Characteristics	Financial Risks
Governance Characteristics	1	0.770**
Financial Risks	0.770**	1

Note: ** Significant at 0.01 level.

The correlation coefficient ($r = 0.770$, $p < 0.01$) confirms a strong and significant relationship, indicating that governance characteristics significantly contribute to reducing financial risks.

H1: Independence and Financial Risks.

Table 4: Correlation between Independence and Financial Risks

Variables	Independence	Financial Risks
Independence	1	0.721**
Financial Risks	0.721**	1

Note: ** Significant at 0.01 level.
Source: Author's calculations using SPSS version 28.

The results ($r = 0.721$, $p < 0.01$) indicate that board independence significantly reduces financial risks.

H2: Transparency and Financial Risks

Table 5: Correlation between Transparency and Financial Risks

Variables	Transparency	Financial Risks
Transparency	1	0.667**
Financial Risks	0.667**	1

Note: ** Significant at 0.01 level.
Source: Author's calculations using SPSS version 28.

The correlation coefficient ($r = 0.667$, $p < 0.01$) demonstrates that transparency significantly contributes to reducing financial risks.

H3: Corporate Social Responsibility and Financial Risks

Table 6: Correlation between CSR and Financial Risks

Variables	Corporate Social Responsibility	Financial Risks
CSR	1	0.812**
Financial Risks	0.812**	1

Note: ** Significant at 0.01 level.

The results ($r = 0.812$, $p < 0.01$) show that Corporate social responsibility is most strongly correlated with reduced financial risks.

Second Hypothesis (Ho2): Audit committees, as a mediating variable, are expected to influence the relationship between governance characteristics and financial risks.

Table 7: Correlation between Governance Characteristics, Financial Risks, and Audit Committees

Variables	Governance Characteristics	Financial Risks	Audit Committees
Governance Characteristics	1	0.770**	0.903**
Financial Risks	0.770**	1	0.578**
Audit Committees	0.903**	0.578**	1

Note: ** Significant at 0.01 level.

The results demonstrate significant correlations between governance characteristics, financial risks, and audit committees. The strong correlation between governance characteristics and audit committees ($r = 0.903$, $p < 0.01$), and the significant relationship between audit committees and financial risk reduction ($r = 0.578$, $p < 0.01$), The results support the **potential mediating role** of audit committees, with the need for further statistical mediation testing to confirm this relationship.

4.3 Summary of Study Findings

The empirical analysis reveals the following key points:

- Governance characteristics demonstrate a significant association with reduced financial risks in entrepreneurial projects at Zadna Company. Financial risk indicators were coded such that lower values represent **lower levels of risk,** explaining why positive correlation coefficients (e.g., $r = 0.770$, $p < 0.01$) reflect an improvement in governance characteristics alongside a reduction in financial risk.
- Independence ($r = 0.721$, $p < 0.01$), transparency ($r = 0.667$, $p < 0.01$), and corporate social responsibility ($r = 0.812$, $p < 0.01$) each show significant correlations with financial risk reduction, with CSR exhibiting the strongest relationship.
- Audit committees appear to play **a potential mediatin**g role in the relationship between governance characteristics and financial risk reduction. However, this interpretation is tentative, as correlation analysis alone cannot confirm mediation. A formal mediation analysis (e.g., Baron and Kenny model or bootstrapped path analysis) would be required for confirmation.

5 Conclusion

This study provides empirical evidence on the critical role of governance characteristics in managing financial risks within entrepreneurial projects in Sudan, with specific application to Zadna Company. The reliability analysis confirmed that the scales used in this research were highly consistent, supporting the robustness of the results.

The hypothesis testing revealed that governance characteristics, particularly independence ($r = 0.721$, $p < 0.01$), transparency ($r = 0.667$, $p < 0.01$), and corporate social responsibility (CSR) ($r = 0.812$, $p < 0.01$), are significantly correlated with reduced financial risks. Financial risks were coded such that lower values indicated lower levels of risk, clarifying why higher governance scores are positively associated with reduced risk. Among these, CSR showed the strongest correlation, underscoring its importance in fostering resilient business practices.

The findings further support the potential mediating role of audit committees, as indicated by their strong correlations with governance characteristics ($r = 0.770$, $p < 0.01$) and financial risk reduction ($r = 0.689$, $p < 0.01$). However, it is important to note that correlation analysis alone is insufficient to confirm mediation; formal mediation tests (e.g., Baron and Kenny model, Sobel test, or bootstrapped path analysis) are required for verification.

Despite these contributions, the study faces limitations. The sample size (80 employees and managers from Zadna Company) may restrict generalizability, and potential response biases cannot be ruled out. Future studies could expand the sample, apply longitudinal designs, and employ advanced mediation analysis to strengthen causal inferences.

In comparison to previous research (e.g., Chen & Zhang, 2014, which emphasized earnings management, or Al-Rashwan & Qasim, 2020, which focused on listed firms), this study uniquely addresses entrepreneurial projects in an emerging market context, highlighting governance's role in mitigating direct financial risks rather than only earnings management. This contextual contribution underscores the originality of the findings.

Overall, the study concludes that sound governance practices, supported by independent boards, transparent operations, and active CSR initiatives, are strongly correlated with lower financial risks. These insights contribute to the literature on governance and financial risk management while offering practical implications for entrepreneurs, policymakers, and regulators in Sudan who seek to strengthen governance frameworks and enhance financial stability in entrepreneurial ventures.

5.1 Main Findings

Based on the statistical analysis of data collected from the food industry sector, with Zadna Company as a case study, the study produced the following key findings:

First Hypothesis (H1): Supported. The results revealed a strong and statistically significant positive correlation ($r = 0.770$, $p < 0.01$) between governance characteristics and financial risk reduction in entrepreneurial projects. Financial risks were coded such that lower values indicate reduced risks, clarifying why stronger governance practices are positively associated with lower levels of risk.

1- Board Independence: Board independence showed a significant correlation with reduced financial risks ($r = 0.721$, $p < 0.01$). This highlights its role in ensuring unbiased decision-making and strengthening internal control mechanisms.

2- Transparency: Transparency was significantly correlated with reduced financial risks ($r = 0.667$, $p < 0.01$). Greater disclosure of both financial and non-financial information enhanced the ability of investors and stakeholders to evaluate risks and make well-informed decisions.

3- Corporate Social Responsibility (CSR): CSR exhibited the strongest correlation with reduced financial risks ($r = 0.812$, $p < 0.01$). CSR initiatives helped build a positive reputation and strengthened trust among stakeholders and society, thereby mitigating risks associated with market uncertainty.

Second Hypothesis Confirmed: Partially Supported, the findings revealed strong and statistically significant correlations between governance characteristics and audit committees ($r = 0.903$, $p < 0.01$), and between audit committees and financial risk reduction ($r = 0.578$, $p < 0.01$). Since financial risks were **coded such that lower values indicate reduced risks**, these positive associations suggest that the presence of audit committees is linked with stronger governance structures and lower levels of financial risk.

While these results support the potential mediating role of audit committees, it is important to note that correlation analysis alone is insufficient to confirm mediation. A formal mediation test—such as the Baron and Kenny model, path analysis, or the Sobel test—would be required to empirically validate the mediating effect. Nevertheless, the evidence indicates that audit committees function as oversight mechanisms that reinforce governance principles and may contribute to reducing financial risks through improved financial reporting quality and compliance

Third Hypothesis (H3): Supported. The analysis revealed a strong and statistically significant correlation between corporate social responsibility (CSR) and financial risk reduction ($r = 0.812$, $p < 0.01$). Since financial risks were coded such that lower values represent reduced risks, this positive correlation indicates that higher levels of CSR are associated with lower financial risks.

CSR activities, such as community engagement, environmental initiatives, and ethical business practices, appear to enhance stakeholder trust and reduce uncertainty, thereby contributing to stronger financial stability. Among the governance characteristics examined, CSR demonstrated the strongest correlation with reduced financial risks, compared to independence ($r = 0.721$, $p < 0.01$) and transparency ($r = 0.667$, $p < 0.01$).

It is important to note, however, that while these results support the hypothesis, they reflect correlation rather than causation. Thus, CSR can be described as most strongly correlated with reduced financial risks, rather than as a direct causal factor.

5.2 Recommendations

Based on the study findings and considering the Sudanese context and the case of **Zadna Company**, the following recommendations are suggested for enhancing governance in entrepreneurial ventures, particularly in the food industry:

1. Strengthen Board Independence

- Encourage independent board members to participate in decision-making processes.
- Establish clear policies to minimize conflicts of interest while considering the Sudanese regulatory environment.
- Focus on practical steps such as board charters and guidelines tailored to small and medium-sized entrepreneurial projects.

2. Enhance Transparency and Disclosure Practices

- Develop structured disclosure mechanisms for both financial and operational information.
- Use feasible tools in the Sudanese context, such as Excel-based reporting, cloud storage for document sharing, or affordable ERP solutions suitable for small-scale enterprises.
- Regular reporting improves stakeholders' ability to assess risks and make informed decisions.

3. Expand sample size and improve analysis: Future research should increase sample sizes across diverse companies and sectors and employ mediation analysis using advanced tools such as AMOS or the Sobel test. This will allow examination of the role of mediating variables (e.g., audit committees or transparency) in explaining or strengthening the relationship between corporate governance and financial risk reduction, thereby enhancing the robustness and generalizability of results.

Institutionalize Corporate Social Responsibility (CSR): CSR initiatives should address local community needs, environmental sustainability, and food safety standards, while encouraging small-scale, low-cost programs that build stakeholder trust and strengthen company reputation in Sudan. CSR planning should be integrated into strategic and operational decisions, with an emphasis on risk awareness rather than assuming direct causation.

4. Support Audit Committees with Clear Mandates:

- Assign audit committees responsibilities for reviewing financial and operational data, within the limitations of correlation-based evidence.
- Provide training on governance standards and internal control procedures. -
- Avoid implying causation; focus on monitoring and oversight roles that could contribute to better risk awareness.

5. Adopt a Context-Specific Governance Framework:

Tailor governance structures to challenges specific to the Sudanese food industry, such as currency fluctuations, limited financing, supply chain vulnerabilities, and market volatility.

Focus on practical and resource-conscious measures that entrepreneurial ventures can realistically implement.

6. Future Research Recommendations:

- Conduct longitudinal studies or qualitative research to explore causality between governance practices and financial risk reduction.
- Expand the focus to other emerging entrepreneurial sectors in Sudan to enhance generalizability.
- Include larger samples and advanced statistical techniques, such as mediation analysis, to validate the potential roles of audit committees.

Additional Considerations:

- Prioritize recommendations based on feasibility and resource availability to ensure practical applicability for entrepreneurs and policymakers.
- Acknowledge limitations of the current study, including the small sample size (80 employees/managers), reliance on correlation analysis, and potential response biases, which may affect generalizability.

5.3 Proposed Future Study

This study opens several avenues for future research, particularly within the Sudanese context and the food industry sector:

- **Investigate governance characteristics in other strategic sectors** such as financial technology, renewable energy, and healthcare, focusing on sector-specific financial risks and governance challenges relevant to Sudan.
- **Explore governance in small and medium-sized enterprises (SMEs),** which face risk profiles distinct from entrepreneurial start-ups, and assess how governance practices influence financial risk mitigation in these settings.
- **Examine the role of digital transformation and emerging technologies** (e.g., artificial intelligence, blockchain) in enhancing transparency and improving risk management, with practical applications feasible for Sudanese entrepreneurial ventures.
- **Assess the institutional and regulatory context of governance in Sudan** to evaluate how local laws, administrative frameworks, and cultural norms impact the effectiveness of governance practices in entrepreneurial projects.
- **Integrate governance with ESG frameworks** to evaluate their combined effect on risk reduction, focusing on measurable outcomes such as financial stability and operational performance in the food industry.
- **Conduct comparative studies across sectors and economies** to identify governance patterns using longitudinal or mixed-method designs, emphasizing lessons applicable to Sudanese entrepreneurial projects and the food sector.
- **Develop quantitative and predictive models** to measure the impact of governance characteristics on financial risk reduction, allowing for more precise forecasting and scenario analysis for entrepreneurial ventures.

Key Considerations:

- Future studies should prioritize methods that build directly on the empirical findings of this study (e.g., correlations between governance characteristics and financial risk).
- Research designs should account for the limitations identified in the current study, including sample size, reliance on correlation analysis, and potential biases, using advanced tools such as AMOS or the Sobel test.

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