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Exploring strategic management system through corporate governance, cash flow management, and strategic budgeting

Francis Banaag,
Rizal Technological University, Philippines

ABSTRACT: In today's practices relevant to strategic management, companies transform themselves anchored on the landscape of the competition and based on financial interest. Enabling companies to track financial results while simultaneously monitoring progress in building the capabilities makes organizations future ready for the growth. The purpose of the study is to uncover direct and indirect effects on strategic management system from the lens of corporate governance, strategic budgeting and cash flow management in the perspective of selected finance professionals. The researcher selected 97 participants for the sample size through purposive sampling. Using the partial least squares structural equation modeling (PLS-SEM 4.0) to test the hypothesis and model, the findings indicated that both corporate governance and strategic budgeting has significant direct effects towards strategic management system. Additionally, the study discovered a full serial mediation effect of corporate governance and strategic budgeting on cash flow management towards strategic management system. The researcher firmly believes a need of additional financial measures to complement the four perspective of strategic management system. The researcher recommended to further validate structural relationship with conditional mediation and consider moderating variables, comply with the parametric sampling requirements, and consider mixed method design for a more compound investigation for future research.

KEYWORDS: Strategic management system, corporate governance, cash flow management, strategic budgeting

I. INTRODUCTION

Companies move beyond in addressing a serious deficiency while performing traditional approaches in managing strategy such as: their inability to link a company's long-term strategy with its short-term actions and financial strategies. Sound implementation of strategic management system is a corners stone of balance scorecard to achieve organizational objectives (Sartor, Marco 2019; Rafiq, Muhammad, et al). A recent study of stated that the balanced scorecard enables the company to align its management processes (He, Jinjing 2021; Quesado, Patrícia, et al 2022), focuses the entire organization on implementing short term actions and long-term strategy (Banaag 2024). Every company wants to have the best approaches in managing strategy (Andreeva, Tatyana , et al 2024; Ortega 2024; Banaag 2023). A company's holistic approaches on important factors from its people, processes, customer perspective leading to financials are quite critical on ensuring effective strategic management system (Barbosa, Marileide, et al 2020; Banaag 2024). Adequate mechanism for transparency and accountability leads to attention on corporate governance which is highly relevant on most of strategic management practices. While corporate governance is implemented to avoid market manipulation(Khan, Sattar et al 2023), organizational ownership (Muhammad Arsalan Hashmi, et al 2024) and protection among minority shareholders (Zhang, Ruigang, et al 2024). The study of Fernandez, Mercedes (2016) elaborated that corporate governance was considered as well in a crucial role to overcoming the current multidimensional crises, which require extensive funds (Bhagat, Sanjai et al 2019) and, at the same time, require those funds to be implemented quickly yet responsibly (Liang, Deron, et al 2016). Transparent, legally sound and development-oriented financial management is fundamental to successful long-term development (Stafford, Anne et al 2017). Effective, accountable financial administration, functional supreme audit institutions, and politically and socially established control mechanisms is a requirement (Lagasio, Valentina et al 2019). Corporate governance comes in and puts a stronger position to achieve sustainable development that is anchored with the Sustainable Development Goals of the 2030 Agenda (Haan, Jakob et al 2015).

On the other hand, strategic budgeting is considered as one the key to driving expansion while maintaining a core focus on organizational objectives. While it involves number-crunching, estimates, attention to detail (Homauni et al 2023), the application of forecasting and achieving best output consistently supports informed decisions about fund allocation (Ravitilova et al 2024). Budgeting is not only limited allocating and spending activities; it's also about determining how much revenue is needed to reach company goals (Azhar et al 2024).

Planning financials and non-financial resources in advance helps businesses to determine which organizational initiatives require more investment in resources and areas where decision makers can cut back. Prudent cash flow management is considered as a primary function that contributes to financial stability. Bari et al (2019) revealed that effective cash flow management ensures that a business cover its financial obligations, it also avoids excessive debt, and strategically use its cash resources for growth and stability (Eton et al 2019). It involves practices like forecasting cash flow from various streams (Salamah 2023), managing receivables and payables, and using tools and strategies (Dirman 2020) to optimize the handling of cash inflows and outflows.
This study addresses the crucial gap where traditional approach of managers using the balanced scorecard and relying solely on short-term financial measures as the single indicator of the company's performance. The scorecard introduce four management processes separately and in combination, contribute to linking long-term strategic management system anchored on financial objectives and short-term financial actions. In the following section, researcher presented the theoretical foundation, operational conceptual framework, hypothesis development, methodology, analysis and results, followed by discussions and conclusions. The researcher also discuss limitations of the study and directions for future research.

Research Questions: This study seeks to delve into the intricate dynamics of strategic management system within the context of corporate governance, cash flow management and strategic budgeting with a specific focus on the mediating effects. The overarching purpose is to comprehensively explore how predictors namely corporate governance, strategic budgeting and cash flow management collectively impact the overall strategic management system from the perspective of finance professionals. The primary purpose of this study is to explore the structural relationship of strategic management system, corporate governance, cash flow management and strategic budgeting. The researcher seeks to answer the following research questions:

1. What is the nature of the relationship between strategic budgeting, cash flow management and corporate governance for strategic management system?
2. What is the mediating role of corporate governance on strategic budgeting and cash flow management and their subsequent indirect effect on strategic management system?
3. What is the effect of strategic budgeting and cash flow management towards corporate governance?
4. What practical insights and evidence-based recommendations can be derived to enhance the strategic management system?

Elements in a balanced scorecard was considered and highly relevant in the context of strategic management system which helps identify and improve their internal operations to help their external outcomes (Kaplan & Norton 1993; Benkova et al 2020). The balance scorecard is considered as an important tool for businesses to analyse how effective management is at achieving objectives and goals. Also, the balance scorecard is highly relevant to measure the strategic management system to understand whether the organization is achieving its goals in relevant to a well-known key performance indicators (KPIs) from the four perspective such as financial growth, customer perspective, internal business process and learning & growth. The structural relationship of the cash flow management strategies (Chang 2022), strategic budgeting (Homauni, Markazi et al 2023), corporate governance (Jensen 1986; Jo, Hsu et al 2021) and strategic management system (Andreeva, Tatyana , et al 2024) are illustrated in Figure 1.

Theoretical Foundation and Operational Framework : According to the operational conceptual framework, as shown below in Figure 1, strategic budgeting and corporate governance has significant relationship with strategic management system. Considering corporate governance as mediating variable revealed significant indirect effect from cash flow management to strategic management system. Also, strategic budgeting links significantly with corporate governance.

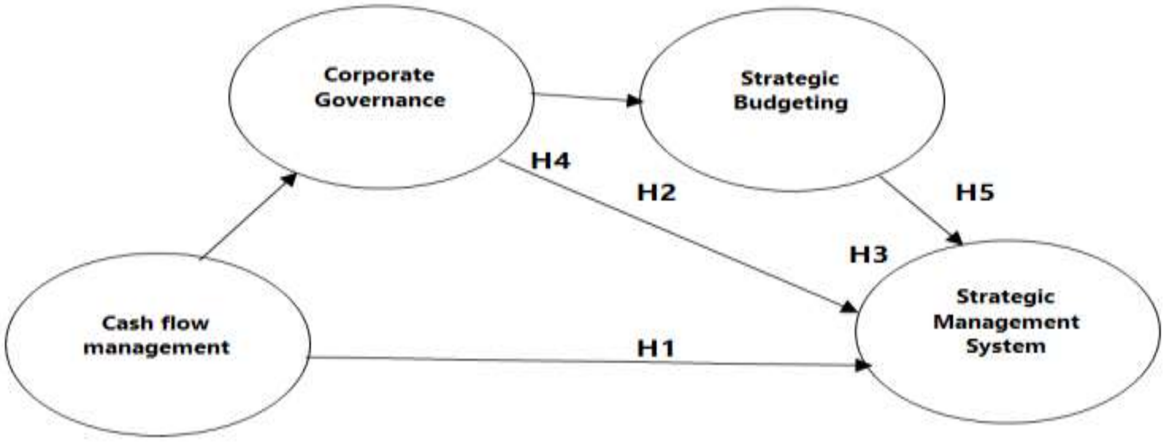

Figure 1. Operational conceptual framework on strategic management system, corporate governance, cash flow management and strategic budgeting
Source: PLS-Path Coefficients, ***= p<.01, n=97

The structural model in figure 1 suggests that corporate governance is a critical mediator of the indirect effect on strategic management system. Both corporate governance and strategic budgeting is highly correlated to strategic management system, governing financial reporting, transactions, guarantee that a business performs strategically and expands successfully (Fernandez, Mercedes 2016; Paniagua, Jordi, et al 2018; Fada (2023). Grounded in the elements of Balanced Scorecard that is considered a good representation of strategic management system, it has been proven in measuring and representing strategic management system. It identify obstacles and setbacks that impact the organization's success. Several studies highlighted the ability of a firm and company, together with the departments involve to achieve its objectives, goals and expected results (Kaplan and Norton 1993; Rafiq, Muhammad, et al 2020; Banaag 2024). Organizational leaders needs to be fully equipped on understanding the nature of the business and in which it operates, the economic context, the seasonality or the strength of the competition in the market explain the variation directly linked relevant on managing the strategy (He, Jinjing 2021; Quesado, Patrícia, et al 2022).

II. HYPOTHESIS DEVELOPMENT

Cash flow management and strategic management system : The study of Dimitropoulos, Koronios (2019) reported that sufficient cash on hand is crucial for any business to keep running smoothly. Good cash flow ensures that there's always enough cash to keep the business moving forward without interruption (Chang 2019). Apparently, Bari et al (2019) revealed that efficient cash management reduces the need for a business to borrow money because it ensures that the business makes the most of the cash thus good cash management practices, as specified by Eshonqulov (2024), help on choosing the most favourable times and terms for borrowing, potentially securing lower interest rates (La Rocca & Cambrea 2018; Giarto & Fachrurrozie 2020). Reducing borrowing costs significantly improve a business's health in a financial and non-financial manner (Salamah 2023). Careful management of cash flow doesn't need to complicate internal business process and its efficiency (Flammer, Caroline et al 2020) but anchoring such practices on strategic initiatives is considered as absolutely key to achieved success on delivering quick support to operational needs (Salamah 2023). The recent study of Ivano (2023) reported good insights on cases of coping with disruptions on strategic initiatives where accelerating/decelerating cash conversion cycles favour shorter cycles. Basically, the final hypothesis is:

H1. Cash flow management system directly affects strategic management system

Corporate governance and strategic management system : Corporate governance ensures that an organisation complies with the various laws and regulations governing financial reporting and transactions (Paniagua, Jordi, et al 2018). In most cases for financial compliances, corporate governance does not only helps in avoiding legal exposure but also ensures transparency in operations. Corporate governance practices instil a culture of ethical decision-making within the organisation (Fernandez, Mercedes 2016). Most practices in multi-national companies, the presence of corporate governance helps in minimising risks associated with financial mismanagement, fraud, and corruption (Bhagat, Sanjai et al 2019). Strong corporate governance frameworks are often looked upon favourably by investors and stakeholders (Stafford, Anne et al 2017). It builds trust and confidence, making the organisation an attractive investment opportunity. Corporate governance goes beyond just conforming to minimum requirements (Liang, Deron, et al 2016). Leading organisations continuously assess the landscape and implement enhancements (Quesado, Patrícia, et al 2022; Shatem, Abou-Moghli 2024). The final hypothesis is:

H2. Corporate governance directly affects strategic management system

Strategic budgeting and strategic management system : A company's budgeting techniques and approaches on resource allocation has a big impact on how financially successful it is (Homauni et al 2023; Azhar et al 2024;). Fada (2023) revealed that given that the majority of businesses want to increase their profitability, a number of procedures and frameworks (Samsi 2024) are established to guarantee that a business performs strategically and expands successfully. Stratgeic budgeting ensures alignment and give people performing managerial approaches relevant data to assess comparatively, guides top management decision making from tactical, operational and strategic within an organization's capacity (Amir et al 2021; Kabore 2024). Strategic approaches in budgeting techniques forces businesses and organizations to map out respective goals, identify savings, keep track of the progress and variances (Bamidele et al 2024). The final hypothesis is:

H3. Strategic budgeting directly affects strategic management system

Mediating role of corporate governance : Governance, from many decades of studies, has been in the direction primarily on separation of organizational ownership and control. Financial compliance is something related to the way a company must fulfil specific rules, regulations, respect of law as well as guidelines referring to areas of finance or accountancy (Bhagat, Sanjai et al 2019). This does not only refer to the internal policies adopted by the business organisation itself (Tarmuji, Indarawati, et al 2016), but also external regulations set forth by regulatory bodies (Lagasio, Valentina 2016; Stafford, Anne et al 2017). Corporate governance are processes utilised by a finance group to manage their information in a compliant manner (Fernandez & Mercedes 2016). According to Liang, Deron, et al (2016) that tracking financial transactions, operations, compliance, and performing data control are all part of corporate governance (Paniagua, Jordi, et al 2018) and with strong corporate governance as a foundation, organisations gain resilience to meet strategic goals and build enduring value. The final hypothesis is:

H4. Cash flow management indirectly affects strategic management system through corporate governance

Serial mediation effects of strategic budgeting and corporate governance : The budgeting practices is mostly considered as a monetary function in the area of financing business operation and financial management (Khanh et al 2024). In a future state and period of business management, both with respect to revenues and expenditures, strategic budgeting adds value on achieving targets in relation to involved resources (Karimi & Munene 2024). All activities for strategic objectives in the budgeting plans needs a critical review, audit and feedback relevant to the resources allocated for implementing them (Abdelhadi & Mustapha 2022). Farooq, Muhammad, et al 2022 explored factors on free cash flow after dividend decision where managerial ownership contributes negative impact, the institutional ownership, aspects of foreign ownership, and so called individual ownership has supported firm specific characteristic such as liquidity and profitability. Appropriate cash management approaches often ends up with extra cash that isn't needed for immediate expenses that leads to surplus cash which can be invested in short-term, long-term investments, (Dirman 2020) and financial instruments, thus generates additional income for the business (Toumeh et al 2020). A business showing effective cash flow management is seen as a lower risk to lenders and investors and indicates that the business is likely to be able to repay its debts on time. The study of Jo, Hsu et al (2021), examined that depending on the industry, financial regulations strengthens corporate governance and limits the opportunity to commit fraud. Jiang, Yushi, et al (2023) has a different directions cash management approaches or cahs holdings level do not affect corporate governance particularly on the predictors of executive's compensation, CEO duality, board size, nor diversity. Budgeting is a critical specifically in the aspects of financial planning governance and management aspects (Shawe, Robb 2023; Shatem and Abou-Moghli 2024). The study of Azhar, Annus, et al (2024) elaborated that strategic budgeting stands out as a powerful tool for achieving long-term organizational and financial goals. The final hypothesis is:

H5. Cash flow management indirectly affects strategic management system through serial mediation effects of corporate governance and strategic budgeting

III. METHODOLOGY

The researcher considered and performed a quantitative and explanatory. Purposive sampling method was used to select the participants for the cross-sectional research (Kock & Hadaya 2018) in Metro Manila. The researcher was able to gathered 97 participants to describe strategic management system, corporate governance, cash flow management and strategic budgeting. Due to time constraints, participants were simply identified using some screening standards such as: participants have not been involved with a Focus Group (FG) in the past six months involving related study and should be working as finance professional. The researcher believes that these methods or screening questions were necessary to avoid bias in the said study as well as in performing statistical analysis. Using the PLS SEM to determine the relationship of the variables as well being involved and studied (Hair et al. 2019). PLS-SEM is considered as the preferred approach on cases of formative constructs and concerns when including the structural model factors (Hair, Joseph F., et al 2019). After carefully considering the outliers, incomplete responses and disqualifications in the positions, participants were cut to nine seven (97) responses. Kaiser-Meyer-Olkin (KMO) and Bartlett's tests were performed by the researcher beforehand due to nature of sampling method. Result shows that the sampling adequacy, KMO score of 0.712 (significant at 0.001 level), fulfilling the conditions required by Hair, Black, Babin, and Anderson (2014).

Ethical approval was sought and obtained from the respective companies. Researcher carefully explain the informed consent prior of distribution and sought from the staff participants of this study. The right of participants to decline or to discontinue the participation was strictly emphasized by the researcher and respected throughout the study and data collection. Data and sensitive information has been and will continue to be treated with utmost/absolute confidentiality.

Profile of the Sample : Table below shows the demographic profile of the participants in terms of age, sex, professional working experience, and education.

Table 1 Sample characteristics of the sample (n=97)

Demographic Profile	Category	N	%
Tenure	1-2 Years	6	6.19%
	3-5 Years	88	90.72%
	6-7 Years	1	1.03%
	8 Years and Above	2	2.06%
Job Position	Assistant Manager	4	4.12%
	Manager	2	2.06%
	Supervisor	39	40.21%
	Senior Supervisor	52	53.61%
Finance professional experience	1-2 Years	14	14.43%
	3-5 Years	79	81.44%
	6-7 Years	3	3.09%
	8 Years and Above	1	1.03%

Ninety-nine (99) professionals participated in the survey. However, only 97 employees were analysed as a research sample due to disqualifications in positions and incomplete responses. As shown in Table 1, the participants under the category of 3-5 years of tenure (90.72%) got the biggest number of participants. Under the profile of job position, (93.81%) of the participants were dominated by senior supervisor that accounts for 53.61%, with a 40.21% were supervisor. While the finance professional experience was ruled by 3-5 years (81.44%).

Research Instruments : The researcher of this study developed a structured questionnaire with closed-ended and open-ended questions and a rating scale. These instruments were pre-tested on thirty (30) initial respondents to ensure their understandability and usability of the test questionnaire. To the best that the researcher has exhausted, the sample size was large enough to support the exploratory factor analysis. Personal interviews were used to validate the research instrument's content validity and appropriateness. Performing pre-testing is needed and beneficial for examining bias and evaluating if intended research instrument is anchored on the standard, resulting in few modifications to the developed items. All items were rated on a four-point Likert scale ranging from strongly disagree (1) to strongly agree (4) using a 16-item questionnaire. The researcher chose to set on a 4-Point Likert Scale as this is anchored on to collect the attitudes and opinions and considered on one dimensional ordinal scale to help understand the views and perspectives towards a particular account (Finstad 2010; Tanujaya, Benidiktus, et al 2022; Jelili, 2022) .

IV. RESULTS AND ANALYSIS

The current study employed a quantitative research design. Additionally, the researcher performed an exploratory approach to quantify the relationships between response variable: strategic management from the set of predictors: corporate governance, cash flow management and strategic budgeting. The parameters of the mediation model were estimated using partial least squares – structural equation modelling (PLS-SEM) with Smart PLS 4 statistical software. PLS-SEM is considered as a second generation statistics and a variance-based estimation technique used to uncover and determine the reliability and validity of constructs and estimate the relationships between determined measures (Hair et al. 2019). In PLS-SEM, the path model is specifically evaluated in two phases or stages. The first stage involved evaluation and examination of the measurement model. This stage assessed the independent variables and dependent variable' reliability test such as convergent validity and discriminant validity. The second stage examined the structural model, which includes analysis the hypothesized structural relationships between variables (Alrawad, Mahmaod, et al 2023).

Table 2 Descriptive Statistics (n=97)

Constructs	Scale	Mean	Mode	Median	Interpretation
Strategic Management System	Ordinal Data	3.34	4	4	Agree
Corporate Governance	Ordinal Data	3.25	4	3	Agree
Cash flow Management	Ordinal Data	3.51	4	4	Strongly Agree
Strategic Budgeting	Ordinal Data	3.26	4	3	Agree

The mean score for all 97 responses was in the range of agree to strongly agree. Based on the results shown in Table 2, cash flow management responses accounts at "strongly agree" while the rest of the variables namely, corporate governance, strategic budgeting and strategic management system achieved a level of “agree” based on the ordinal responses. After factor analysis and suppressing all factor loadings or inter-correlations between measurement items=below 0.70, the measurement items were efficiently reduced to 9 for strategic management system, 2 for corporate governance, 3 for cash flow management and 2 for strategic budgeting.

Reliability and Validity Measurements : The reliability test such as convergent and discriminant validity tests were analysed to examine the measurement model meeting the standards. Performing assessment of construct reliability enables evaluating a reflective as well as formative item and set of items about the construct, thus it is intended to measure (Hair et al. 2016). Composite reliability (CR_a) and Cronbach's alpha (CA) are typically used to determine convergence for the reliability (Hair et al. 2019). To uncover high reliability, the composite reliability (CR_a) and Cronbach's alpha (CA) values must be .07 or greater than 0.7 (Nunnally & Bernstein 1994). The variables of strategic management system, corporate governance, cash flow management and strategic budgeting has successfully met the needed criterion for construct reliability. The researcher examined the acceptable level of convergent validity and to be able to achieve said levels, the p-values for each item should be less than or equal to .05, and the loadings reported in PLS SEM should be greater than or equal to .5. (Hair et al. 2019). Additionally, the correlation between the questionnaire item and a construct is so-called item loading (Hair et al. 2019). In Table 2 below , all indicators along with the item loadings were statistically significant and achieved the thresholds greater than the .5.

Table 3. item Loading, AVE, and Reliability of the Constructs/Variables

Item	Variables/Constructs	Mean	SD	Loading	AVE	CR_a	CR_c	CA
	Strategic Management System							
SMS1	Improvements has been noticed from product and service innovation came from competencies of the workforce.	3.300	0.596	0.74				
SMS5	The growth journey of the employees contributes to the ability of the company to launch new products, create more value for customers, and improve operating efficiencies.	3.433	0.504	0.83				
SMS8	Respective team deliberates about the choice of metric to clearly communicate the importance of building relationships within.	3.367	0.490	0.75				
SMS10	The company's top management moves toward integrated key business processes resulting to a development of a comprehensive and timely index of performance effectiveness.	3.267	0.583	0.75				
SMS13	The company recognizes distinction between its customers to add wanted a high value-added relationship.	3.300	0.596	0.78				
SMS14	Respective managers spends quality time with key customers to draw possible improvements, thus a good prerequisite to uncover influencing results.	3.200	0.551	0.82				
SMS16	The company has its ad hoc activities to consistently review monthly satisfaction and performance ratings leading direct tie to the customers.	3.300	0.651	0.86				
SMS20	The company's market share by its key accounts provided objective evidence and improvements, thus translated into financial and non-benefits.	3.400	0.675	0.74				
SMS21	The company considers the forecast reliability to reduce the historical uncertainty caused by unexpected variations in performance.	3.500	0.630	0.71	0.721	0.905	0.885	0.814
	Corporate Governance							
CG4	Comprehensive financial policies and procedures to provide guidelines on managing cash flow, investments, auditing and processes to balance control and efficiency.	3.167	0.592	0.80				
CG5	The organization has strong internal controls by segregating duties and approvals to prevent and detect errors and irregularities.	3.333	0.479	0.80	0.642	0.860	0.782	0.742
	Cash Flow Management							

CFM2	Keep sufficient liquid assets to meet short-term obligations, avoiding over-investment in non-liquid assets.	3.367	0.556	0.87				
CFM4	Continuously review and adjust finance practices in response to changes in the business environment and financial performance.	3.300	0.535	0.75				
CFM7	Regularly predict future cash flows and analyze past tends to anticipate and plan for surpluses or shortages.	3.500	0.509	0.92	0.828	0.930	0.906	0.803
	Strategic Budgeting							
SB3	Prior of rolling out financial and non-financial targets, the company identifies the activities needed along with uncovering the costs of carrying such activities.	3.300	0.466	0.87				
SB5	Determines that allocation of resources that delivers value to avoid unnecessary expenditures.	3.233	0.430	0.95	0.772	0.890	0.887	0.855

SD = Standard Deviation; AVE = Average Variance Extracted; CR_a = Composite Reliability rho_a; CR_c = Composite Reliability rho_c; CA = Cronbach's alpha

Moreover, the average variance extracted (AVE) shows quantified variance for each of construct which derived from the items specified and compared to the variance due to measurement error. The researcher examined the each of the latent variable and all has an average variance extracted (AVE) greater than .5, which shows that the recommended value was achieved for acceptable validity (Fornell & Larcker 1981). Additionally, the coefficients of average variance extracted (AVE) were valid. The reliability and validity tests composing of convergent and discriminant validity were analyzed to examine the measurement model. The researcher performed the assessment of each construct and its reliability which enables evaluating a reflective item and set of items about the construct it is intended to measure (Hair et al. 2019). Apparently, composite reliability (CR) and Cronbach's alpha (CA) were considered first hand to determine the construct reliability both convergent and discriminant validity. To uncover high reliability, the researcher matched the result of composite reliability (CR) and Cronbach's alpha.

Table 4 Model Fit and Quality Indices

Fit Indices	Results	Criteria
SRMR	**0.072**	<.08
d_G	**0.462**	<UL of CI
NFI	**0.921**	close to 1
Tenehaus GoF	**0.492**	0.33

The first fit indices is the SRMR and as the difference between observed and involved correlation along with the model implied correlation result (McNeish 2023). Also, it allows researcher on assessing the average magnitude of the said discrepancies between observed and expected correlations and indicates an absolute measure of (model) fit criterion (Hair, Joseph F., et al 2019). A value less than 0.10 or of 0.08 (in a more conservative version (Hu and Bentler, 1999; McNeish 2023) are considered a good fit. The study of Henseler et al. (2014) introduced that the SRMR as a goodness of fit measure for PLS-SEM researches that avoids model misspecification.The second fit indices, and differently reports from SRMR, the discrepancy in PLS SEM which is not expressed in the form of residuals but in terms of distances (Gattone, Stefano, et al 2018), which are calculated in two forms – the Euclidean and geodesic distance (d_G). The study of Yuan and Hayashi (2003) identifies confidence intervals for the d_G and anchored on the sampling distribution. The upper bound which at the 95% or 99% point of the confidence interval should be larger than the original value of the d_G fit criteria to indicate that the model has a "good fit" (Gattone, Stefano, et al 2018; Yuan & Hayashi, 2003).

Visiting the NFI represents an incremental fit measure. Consequently, the NFI results in values between 0 and 1. According to Lohmöller (1989) cited by Shi, Dexin, et al. (2021) the closer the NFI to 1, the better the fit. NFI values above 0.9 usually represent acceptable fit. Tenenhaus goodness of fit (GoF), an index that measures the model's explanatory power (Tenenhaus, Amato et al 2004), the following thresholds are used: small if equal to or greater than .1, medium if equal to or greater than .25, and large if equal to or greater than .36 (Wetzels et al. 2009). This measurement index only explains how the survey data fits with the proposed model (Hair, Hult et al 2022; Henseler and Sarstedt 2023). Overall, the results showed that the structural equation modeling under partial least square approach (using the Smart PLS) estimates were not within the standard and acceptable range. While the p-values of the path coefficients, R-squared, as well as the adjusted R-squared must be equal to or less than .05 for the model to be acceptable, gathered responses failed to meet the criteria of SRMR.

Final Model

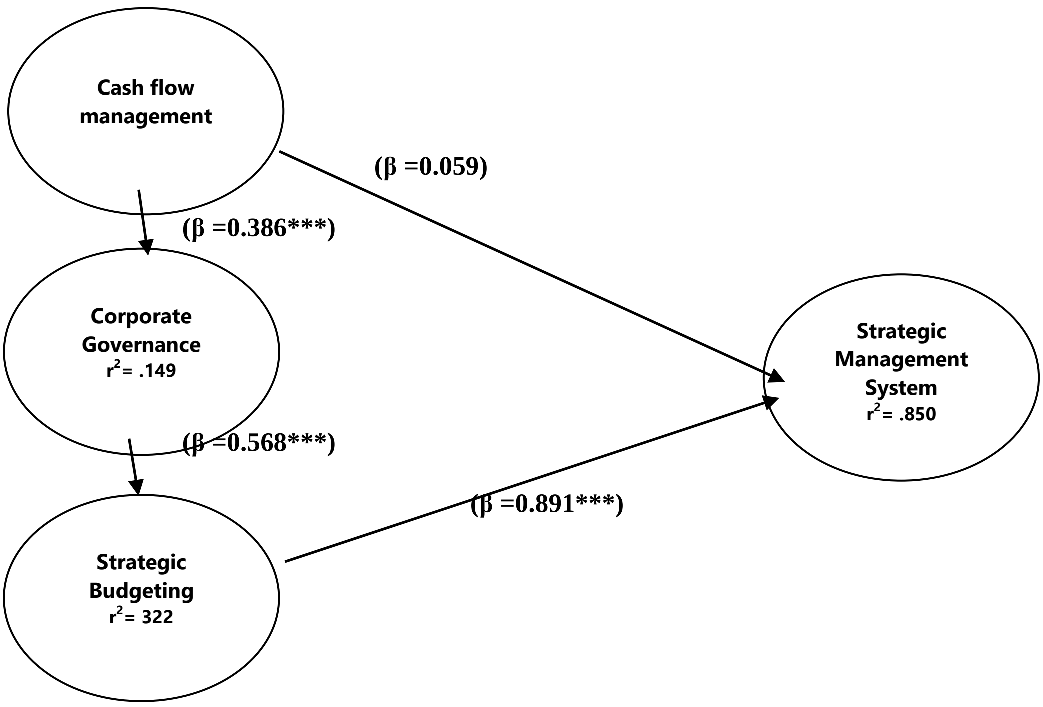

Figure 2. PLS-SEM Model Fit strategic management system, corporate governance, cash flow management and strategic budgeting

Table 5. Summary of Hypothesis Testing (alpha = 0.05) and serial mediation results

Hypothesis	**Coefficients β**	**t-value**	**p-value**	**Cohen's f2**	**Interpretation**
(H1) Cash flow management directly affects strategic management system (CFM →*SMS*)	0.045	0.853	0.394	0.01	**Not Supported**
(H2) Corporate governance directly affects strategic management system (CG →*SMS*)	0.206	3.504	0.000	0.21	**Supported**
(H3) Strategic budgeting directly affects strategic management system (SB →*SMS*)	0.776	13.360	0.000	0.69	**Supported**
(H4) Cash flow management indirectly affects strategic management system through corporate governance (CFM →*CG* →*SMS*)	0.080	2.173	0.030	0.17	**Supported**

(H5) Cash flow management indirectly affects strategic management system through serial mediation of corporate governance and strategic budgeting (CFM →*CG* →*SB* →*SMS*)	0.170	3.309	0.001	0.47	**Supported**

f2 is Cohen's (1988) effect size: .02=small, .15=medium, .35=large; β=standardized path coefficient.

According to the research results shown in Table 5, the H1 cash flow management (CFM →*SMS*) shows no direct effects on strategic management system. Findings (β =0.045, t=.853) are sufficient to reject the alternative hypothesis, thus H1 is not supported. For the H2, corporate governance (CG →*SMS*) towards strategic management system shows statistical significance (β =0.206***, t=3.504) and results as sufficient evidence to accept. The positive path coefficient signifies that the selected finance professional were convince that corporate governance stands independently as a predictor for strategic management system. The coefficient of determination indicates that 20.6 percent of the variation in strategic management system is accounted for by direct effects of corporate governance. The effect size of the path from corporate governance to strategic management system is medium (Cohen's f^2=.21). Thus, H2 is totally supported.The H3 (SB →*SMS*)representing strategic budgeting and strategic management system achieved statistical significance (β =0.776***, t=13.360) and an evidence as well to sufficiently accept H3. The positive path coefficient indicates that the participants were convince that strategic budgeting is also a predictor for strategic management system. Results shows that the coefficient of determination indicates that 77.6 percent of the variation in strategic management system is accounted for by direct effects of strategic budgeting system. The effect size of the path from strategic budgeting system is considered large enough (Cohen's f^2=.69). Thus, H3 is totally supported.

Visiting the indirect effects, H4 (CFM →CG →*SMS*) pertaining to mediation effects of corporate governance in cash flow management to strategic management system uncovered statistical significant results (β =0.080**, t=2.173). Full mediation effects of corporate governance is supported and signifies that H4 is accepted. The positive path coefficient indicates that the finance professionals were persuaded that cash flow management indirectly affects strategic management system through corporate governance. The coefficient of determination indicates that 8 percent of the variation in strategic management system is accounted for by indirect effects of cash flow management. The effect size is also medium (Cohen's f^2=.17). Lastly, the H5 showing structural relationship (CFM →CG →SB →*SMS*) of cash flow management towards strategic management system through serial mediation effects of corporate governance and strategic budgeting. Reports shows (β =0.170***, t=3.309) is sufficient enough to accept and support the H5. Apparently, positive path coefficient signifies full serial mediation role both corporate governance and strategic budgeting. The coefficient of determination is an indicative that 17 percent of the variation in strategic management system is accounted for by indirect effects of cash flow management with large effect size (Cohen's f^2=.47).

V. DISCUSSION

According to the research results, predictors namely corporate governance and strategic budgeting achieved direct significant relationship on strategic management system This means that the company's approaches to strategically aligned not only managing a company's financial aspects but managing them with the intention to go beyond with the realistic objectives while attaining the company's long-term goals and maximizing shareholder value over time. The presence of corporate governance creates a system of rules (Fernandez, Mercedes 2016; Bhagat, Sanjai et al 2018) and relevant practices that determines how a company operates (Stafford, Pamela 2017; Hoje, Hsu 2021) and most importantly aligns with the interest of all its stakeholders (Liang, Deron, et al 2016; Lagasio, Valentina et al 2019). This is particularly similar on the study of Paniagua, Jordi, et al (2018) good corporate governance fosters ethical business practices, which lead to financial viability (Shatem, Abou-Moghli 2024). A significant relationship between strategic budgeting and strategic management system was uncovered as well. Financial management practices has developed in ways that the need of competing companies achieve appropriate resources. Strategic budgeting has contributed on processes that combines budgeting with strategic planning (Homauni, Moghaddam et al2023; Shavindya, Nisali 2022), aligning an organization's financial resources with its long-term objectives (Fada 2023; Bamidele, Adebanjo et al 2024). The study of Shawe, Robb (2023) revealed that focuses on allocating resources effectively along with prioritizing investments (Azhar, Annus, et al 2024; Kabore 2024) ensures financial stability while pursuing growth and innovation (Samsi 2024; Amir, Ridwan et al 2021). Considering the indirect effects of cash flow management and this study showed that corporate governance plays a full mediation effects towards strategic management system. While most of the company's directed to deal with liquidity challenges, cash flow management efficiently works on tracking the money coming into business operations (Eshonqulov 2024) and monitor against outgoings (Dirman 2020; Chang 2022). The study of Abedini, Mohaddese, et al (2021) specified that cash flow management gives complete picture of various business cost versus stream of revenue, thus ensures enough funds whilst also making a profit (Muturi, Mohamed 2019; Toumeh, Yahya et al 2020). While both mediators played yield statistically significant results, specifically the serial mediation role of corporate governance and strategic budgeting is relevant in today's approaches on strategic management system. Appropriate managerial considerations for budgeting enables the organization to manage financial resources (Boateng, Frank, et al 2019), thus supporting critical business activities such as implementation of formulated plans to achieve common goals of the organization (Abdelhadi, Mustapha 2022). The study of explored that Wardhani, Susi, et al (2018) through strategic budgeting, organizations can prioritize factors that are crucial for operations. A recent study of Choiriah, Siti (2019) echoed the same direction where strategic budgeting adds value on putting into action the programs and policies within the constraints of corporate governance and its financial capability as dictated on a given economic conditions.

Along with these significant findings, cash flow management revealed no direct effect towards strategic management system. The study of Ivano (2023), seems relevant on cases of coping with disruptions on strategic initiatives where accelerating/decelerating cash conversion cycles favour shorter cycles. Specifically, payment adjustments on cash flows in supply chains. Additionally, strategic budgeting has no indirect effect to strategic management system through corporate governance (H5). The study of Tariq, Naseer (2023), examined that considering factors other than board size connection between corporate governance characteristic, such as organizational attributes exert a more substantial influence and should not limited on the board size as significant driver. Lastly, cash flow management has no significant relationship with corporate governance (H7). The view of Jiang, Yushi, et al 2023 discussed same concept where cash management or cash holding levels do not affect various parameters of corporate governance such as executive's compensation, duality on the area as CEO, board size nor diversity. In cases of free cash flow after dividend decisions, the finding of Farooq, Muhammad, et al 2022 reported that only managerial ownership contributes negative impact while institutional ownership, aspects of foreign ownership, and so called individual ownership has achieved significance along with firm specific characteristic such as liquidity and profitability.

Key Drivers of Strategic Management System : To add value to the context of strategic management system, the researcher asked open questions to examine and support the insights that was discussed above. The clustering of the responses coming from finance professional participants are based on the Q methodology evaluation (Kaplan & Norton 1993). According to the findings, five critical attributes that may contribute to the strategic management system: translating the vision (43.30%) which helps people in the different level of leadership build a consensus around the organization's strategy. Communicating and linking (20.62%) ranks second, where the need to integrate in departmental and individual objectives. Moreover, business planning (19.59) should not be taken for granted as it tackles change programs along with its financials. Lastly, feedback and learning (16.49%) plays a crucial role on monitoring short term and long term results, enabling organization to modify strategies to reflect learning on real-time manner.

VI. CONCLUSION

Staying on top of the competition, business interests and to consistently achieving targeted financial and non-performance is not one way straight strategy nor easy. The perspective of finance professionals, corporate governance and strategic budgeting, with its mediating role and direct effect is important to appreciate strategic management system. Indicators of corporate governance such as financial to balance and control and efficiency, internal controls to segregate approvals were relevant to cash flow management and its consistency for strategic management system. Building strategic approaches on budgeting by identifying crucial activities such cost associated and allocating resources that delivers value is the key to consistently achieves holistic approaches for strategic management system. The study is an eye opener for decision makers where organizations need to perform continuous make adjustments on the strategic plans in comparison to the current turbulent environment to stay relevant and competitive. However, several survey and researches revealed that most strategic change initiatives fail. Several organizations, over the years of operations have a fundamental disconnect between the formulation of their respective strategy, as well as the execution of that strategy into useful action. An important reason for this is that many organizations has not considered financial elements making ineffective strategy management system while realizing their strategic and operational objectives unrealistic. Ideally, the strategic management system allows managers and executives to establish control for their respective organizations by managing long term and short term planning and execution in an integrated way. Further study is needed to validate the mediation effects.

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Author's Bio

Francis Banaag (ORCiD 0009-0009-0525-2550) is a candidate for Doctor in Business Administration. The author has 14 years of progressive career in human capital management and in the development of strategies on best practices in human resources, finance and business operations. He accomplished trainings in Lean Six Sigma Green and Black Belt, ISO 9001 : 2015 Quality Management System Lead Auditor Course at SGS Philippines Inc., Paralegal from University of the Philippines, Diploma in Organization Development at Dela Salle St. Benilde, and financial management courses by Corporate Finance Institute (CFI). He is a member of Philippine Association of Researchers and Statistical Software Users, and of the international Society for Human Resources Management (SHRM).