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Determining Factors of Financial Performance and Firm Value: A Case Study of a Rice Company in Chengdu, China

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Abstract

Purpose: This study explores the factors affecting the financial performance and firm value of a rice company in Chengdu City, China. The research framework reveals the causal relationships among corporate social responsibility, risk management, corporate governance, firm Size, financial performance, and firm value. **Research Design, Data, and Methods:** This study employs a quantitative research method, conducting a questionnaire survey on 500 employees of a selected company in Chengdu City, China. Non-probability sampling techniques are judgmental, and quota sampling. To analyze the data, we used confirmatory factor analysis and structural equation modeling to examine the model's fit, reliability, and construct validity. **Results:** The research results indicate that corporate social responsibility, risk management, and corporate governance do not have a significant impact on financial performance, while corporate governance has a significant influence on firm value. In addition, firm size positively impacts financial performance and significantly affects firm value through financial performance as a mediating variable. Corporate governance has the most significant impact on the company, followed by firm size and financial performance. **Conclusion:** It is suggested that corporate governance be strengthened further and strategies for firm size expansion be explored to help a company formulate more accurate and effective business strategies, thereby improving financial performance and firm value.

Keywords : Corporate Social Responsibility, Corporate Governance, Firm Size, Financial Performance, Firm Value

JEL Classification Code: E44, F31, F37, G15

1. Introduction

According to data provided by NetEase (2023), approximately 735 million people worldwide face hunger. This number has increased by 122 million compared to 613 million people in 2019. This shocking trend indicates that the global hunger problem is gradually worsening.

The global food crisis is not a new issue. As early as 1972, a food crisis occurred worldwide due to abnormal weather and the Soviet Union's massive grain purchases World Food Crisis (2000). Subsequently, food crises erupted multiple times in 2007-2008, 2010-2012, and 2015-2016 (Mason et al., 2011; Nielsen & Vigh, 2012; Tittonell & Giller, 2017; Von Braun, 2008). The COVID-19 pandemic has recently severely impacted the global food supply chain (Swinnen & McDermott, 2020).

The food crisis involves multiple factors, such as price, land management, climate fluctuations, crop types, population changes, and global health events (De Schutter, 2014; Headey & Fan, 2008; Von Braun, 2008). These factors interact to cause volatility in the food supply and ongoing challenges.

Headey and Fan (2008) indicated that food price volatility is influenced by several factors, such as climate change, rising energy costs, agricultural support, and trade policies, which significantly impact food security. De Schutter (2014) emphasized that land concentration and improper resource allocation are key factors in the food crisis. Large-scale land investments lead to land centralization, affecting farmers' land rights and agricultural independence

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and jeopardizing food production and security. Improper resource allocation neglects farmers' interests and sustainable agriculture, leading to resource wastage and ecological destruction. Roberts et al. (2012) found that climate change affects crops, water resources, and ecosystems, further affecting global food production and increasing the likelihood of food crises. Ray et al. (2012) mentioned that although some crop yields have increased, others have slowed in recent years. Over-reliance on major staples like soy, corn, and wheat makes the food supply more vulnerable to climate, disasters, and diseases. Kummu et al. (2012) assessed the impact of food loss in the supply chain on water, land, and fertilizers. The study showed that massive food waste exacerbates the overconsumption of water and land resources, thereby intensifying the food crisis. Swinnen and McDermott (2020) pointed out that global trade, logistics, and labor interruptions caused by health events have exacerbated the food crisis and emphasized the urgency of enhancing the resilience and sustainability of global food systems.

Food, as a basic human need, is vital for the stability of countries. Food companies play a core role in the supply chain and bear significant social responsibility. According to research by Luo and Bhattacharya (2006), proactive corporate social responsibility positively correlates with customer satisfaction and market value. Companies can gain consumer approval and competitive advantage by actively participating in social responsibility initiatives and contributing to society. Lee and Baek (2019) noted that food companies that actively perform social responsibilities usually achieve better performance. Corporate social responsibility practices can improve stakeholder relationships, enhance reputation and credibility, and bring commercial benefits. Moreover, food companies adopting environmental protection measures positively impact impoverished populations and social welfare (Zilberman et al., 2008). Therefore, food companies should adopt various strategies to meet stakeholder expectations and needs, including supply chain management, environmental protection, food safety, and health promotion strategies (Cheng et al., 2021).

As global food security issues become increasingly prominent, ensuring the stability and sustainable development of the food supply chain becomes crucial. As a key part of the supply chain, food companies must ensure food safety, promote sustainable development, and fulfill social responsibilities. Companies need to ensure financial health and business continuity (Velte, 2021). Financial health, cash flow, and internal stability are all crucial. Fulfilling social responsibility must be built upon these foundations. Excellent financial performance is a symbol of success and a basis for sustainable development (Hou, 2018).

Some food companies face financial losses, requiring them to focus more on fulfilling social responsibilities. When facing economic issues, companies should persist in fulfilling their social responsibilities to ensure economic and financial stability (Rotter et al., 2013). For example, X Company in Chengdu faces reduced operating revenue and continuous financial losses, with cumulative losses reaching 460 million RMB. This indicates that the company needs to improve its financial performance, making it difficult to fulfill its social responsibilities. Improving the company's financial performance and added value is key (Vermeulen et al., 2012).

Therefore, this study uses Company X as a case to deeply explore the effects of social responsibility, risk management, corporate governance, and the company's size on the two key indicators of financial performance and firm Value. Our research aims to extend the existing theory and provide useful guidance for practical operations, especially to deepen understanding of the relationships between these factors and to provide practical suggestions for corporate decision-makers (Spolsky, 2018).

2. Literature Review

2.1 Corporate Social Responsibility

Research shows that disclosure of corporate social responsibility positively impacts a company's financial performance (Murwaningsari, 2010). Margolis and Walsh (2003) found a positive relationship between corporate social responsibility and financial performance in most studies after assessing 106 studies on the relationship between both variables. Furthermore, the study of Luo and Bhattacharya (2009) showed that corporate social responsibility closely cooperated with the company's core business strategy, which is conducive to improving financial performance. Other studies have also found that practicing corporate social responsibility helps companies achieve sustainable development economically, socially, and environmentally, establish a good corporate image, enhance competitiveness, and generate positive impacts on society and stakeholders (Laili et al., 2019; McGuire et al., 1988). Based on the above, we come to the following research hypothesis:

H1: Corporate social responsibility has a significant effect on financial performance.

2.2 Risk Management

Research has pointed out that businesses capable of effectively controlling financial risk can lower financial costs, reduce financial investment, and improve financial performance (Tran et al., 2019). Cumming and Dai (2010)'s

research indicates that sound corporate risk management can enhance financial performance and company value. Moreover, companies adopting comprehensive risk management practices perform better financially, especially during a financial crisis (Koumbiadis & Maben, 2020). Brewer et al. (2017) found a significant positive correlation between effective enterprise risk management and better financial performance, especially in profitability and stock price return. Therefore, we propose the following research hypothesis:

H2: Risk management has a significant effect on financial performance.

2.3 Corporate Governance

The application of corporate governance has a significant impact on a company's financial performance (Laili et al., 2019). Studies have found a positive relationship between the reduction in the size of the company's board of directors and higher market valuation (Yermack, 1996). Leaner board sizes enable more efficient decision-making processes and closer oversight, improving financial performance. Additionally, a higher proportion of female directors is positively associated with better financial performance (Adams & Ferreira, 2009). The involvement of female directors can increase diversity and different viewpoints, promoting better decision-making and governance. More efficient mechanisms, such as high-quality board supervision and incentive contracts, can alleviate agency problems and promote better financial performance (Agrawal & Knoeber, 1997). Based on these studies, we propose the following research hypothesis:

H3: Corporate governance has a significant effect on financial performance.

H4: Corporate governance has a significant effect on firm value.

2.4 Firm Size

Studies show that larger companies typically display better financial performance (Demsetz & Villalonga, 2001). This is due to the economies of scale allowing these companies to use their scale advantages for business expansion and resource allocation optimization. Furthermore, Simpson and Yu (2017) found that large companies gain cost advantages through scale effects and improve efficiency and resource utilization through a well-structured organization and management system. Moreover, large companies further enhance their profitability by expanding market share and fully capitalizing on brand premiums (Laili et al., 2019). Based on these supporting studies, we propose the following research hypothesis:

H5: Firm size has a significant effect on financial performance.

H6: Firm size has a significant effect on firm value.

2.5 Financial Performance

According to Laili et al. (2019), better financial performance is usually associated with a higher firm Value. It indicates that a company demonstrating excellent financial performance also possesses a high market value. Wernerfelt (1984) study states that a company's value lies in its ability to satisfy all stakeholders. Meeting stakeholders' needs and interests effectively helps build a long-term, stable platform for benefit sharing and collaboration, promoting sustainable growth and success for the company (Vongurai, 2022). Furthermore, Farrell et al. (2008) analyzed the relationship between market value and financial performance, concluding that financial performance positively impacts an enterprise's value. They believe that excellent financial performance conveys information about the company's value to investors, thereby improving its market value. Based on these studies, we propose the following research hypothesis:

H7: Financial performance has a significant impact on firm value.

2.6 Firm Value

Research by Laili et al. (2019) indicates that firm size significantly affects firm value. Large companies have higher firm Value due to economies of scale and increased market share. In addition, research by Berger and Humphrey (1997) points out that larger financial institutions exhibit higher efficiency and market value. Research by Hitt et al. (1997) finds that larger companies are more likely to pursue international diversification. By expanding markets and reducing risk, companies can enhance their value. In addition, research by Rajan and Zingales (1996) finds that larger companies may rely more on external funding by expanding their scale and improving their production capacity and market share to increase their Value.

3. Research Methods and Materials

3.1 Research Framework

This study uses three theoretical frameworks from previous research. The first theoretical framework is Murwaningsari (2010) Stakeholder Theory, which emphasizes that a company's operational activities should consider stakeholders' needs and assert the positive effect of fulfilling social responsibility on financial performance. The

second theoretical framework is Tran et al. (2019) Agency Theory, focusing on the agency problems of enterprises, i.e., conflicts of interest between agents and principals, and exploring how to enhance financial performance through effective risk management measures. The third theoretical framework is Laili et al. (2019) Shareholder Value Maximization Theory, which emphasizes the importance of maximizing firm Value with shareholders' interests as the guide and recognizing the significant impact of corporate governance and size on financial performance and firm Value. This study aims to create a comprehensive conceptual framework by integrating stakeholder elements, agency problems, and shareholder value aspects, analyzing their impact on financial performance and firm Value. By investigating the interaction of these variables, we reveal their relationship on financial performance and firm Value. Figure 1 shows the conceptual framework proposed in this study:

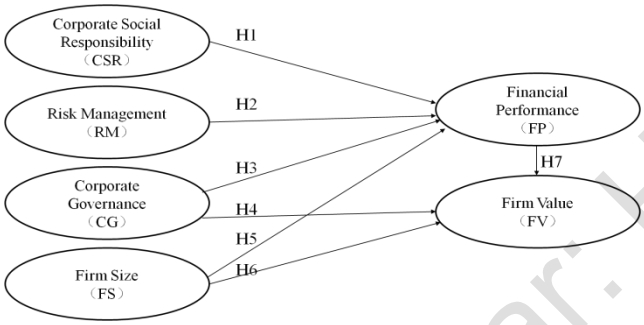

Figure 1: Conceptual Framework

H1: Corporate social responsibility has a significant effect on financial performance.
H2: Risk management has a significant effect on financial performance.
H3: Corporate governance has a significant effect on financial performance.
H4: Corporate governance has a significant effect on firm value.
H5: Firm size has a significant effect on financial performance
H6: Firm size has a significant effect on firm value.
H7: Financial performance has a significant impact on firm value.

3.2 Research Methodology

To thoroughly investigate the problem, this study adopts a combined empirical analysis and quantitative research method. Firstly, we autonomously design a questionnaire as the primary tool and collect sample data from the target group. The questionnaire for this study includes screening questions, 5-point Likert scales, and demographic questions. Before conducting large-scale data collection, we verified the questionnaire's content validity and reliability. The researcher distributed the questionnaire online to the current employees of X company in Chengdu City, including ordinary employees, grassroots managers, mid-level managers, and senior managers.

Before full-scale implementation, assessments were undertaken to measure the item-objective congruence (IOC) index through expert ratings, along with a pilot test gathering 50 responses. The IOC results met the passing threshold of 0.6. Furthermore, the validity and reliability of the questionnaire were assessed using the Cronbach's Alpha approach, resulting in a score of 0.7 or higher (Nunnally & Bernstein, 1994).

This study uses the Structured Equation Model (SEM) method to analyze the sample data to understand the complex relationships between variables and uncover potential causal relationships. The method consists of two steps (Hair et al., 2019). Firstly, we performed a confirmatory factor analysis using SPSS and AMOS software to test cross-validity between various constructs. We used confirmatory factor analysis to verify the structure of the measurement model and the relationships between factors. Secondly, we applied the Structured Equation Model (SEM) to explore the causal relationships between variables in the conceptual model and tested the proposed hypotheses and the significance of the impact.

3.3 Population and Sample Size

In this study, we used multi-stage sampling techniques, including judgment sampling, stratified random sampling, and convenience sampling, to determine the scope and choice of the sample. Firstly, we selected all current employees of X company in Chengdu, Hunan Province, as an initial sample pool using the judgment sampling method.

This step ensures that the study sample comes from the target population, i.e., all current employees of X company in Chengdu. Next, we used stratified random sampling to determine the sample capacity of each sample layer, ensuring sufficient representation of employees at different levels in the sample. Specific sampling schemes and sample sizes are detailed in Table 1.

3.4 Sampling Technique

The questionnaire survey was conducted via X company's online forum between May and August 2023 and was distributed virtually. We used convenience sampling, allowing anyone willing to complete the questionnaire to participate. This method is efficient and can attract a larger number of participants, enhancing the diversity and breadth

of the sample. Respondents must pass screening questions before filling out the questionnaire to ensure they fit the study's target subjects — current employees at X company with no less than a year of work experience. This screening process secures the accuracy and representation of the sample.

Table 1: Sample Units and Sample Size

Sampling unit	Population Size	Proportional Sample Size
The top managers of Company X	17	6
The middle managers of Company X	73	27
The bottom managers of Company X	321	120
The common employees of Company X	925	347
Total	**1336**	**500**

Source: Constructed by author

4. Results and Discussion

4.1 Demographic Information

In this study, in order to understand the demographic characteristics of the employees, the survey covered aspects such as gender, staff identity, and years of service. 500 questionnaires were distributed to selected employees, including 349 female respondents (69.8% of total respondents) and 151 male respondents (30.2%). There were 347 Common Employees (69.4% of total respondents), 120 Bottom Managers (24.0% of total respondents), 27 Middle Managers (5.4% of total respondents), and 6 Top Managers (1.2% of total respondents). Most participants have been working for 6-10 years, made up 30.8%. This distribution helps researchers understand the variation in responses and views among employees of different genders. Detailed demographic information is shown in Table 2.

Table 2: Demographic Profile

Demographic and General Data (N=500)		Frequency	Percentage
Gender	Male	151	30.2%
	Female	349	69.8%
	Common Employees	347	69.4%
Employee Status	Bottom Managers	120	24.0%
	Middle Managers	27	5.4%
	Top Managers	6	1.2%
Years of Service	1-3 years	151	30.2%
	4-5 years	125	25.0%
	6-10 years	154	30.8%
	11-20 years	58	11.6%
	Over 20 years	12	2.4%

4.2 Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) is a statistical analysis method and an application of the Structural Equation Model (SEM) used to evaluate and validate relationships between latent variables (Santos & Cirillo, 2021). In CFA, researchers initially construct an a priori hypothesis model, a relationship model between constructs. Then, they statistically estimate this hypothesis model with sample data and test model fit to evaluate the degree of fit between observed data and the hypothesis model (Hair et al., 2019). Convergence validity can be statistically measured through Cronbach's Alpha reliability, factor loading, average variance extracted (AVE), and composite reliability (CR).

Factor loadings above 0.50 are highly significant (Hair et al., 2019). In this study, all individual item's factor loads were greater than 0.50, with most item's factor loads above 0.70, reaching up to 0.940, as shown in Table 3. It is suggested that the CR is 0.70 or above, with AVE greater or equal to 0.4 (Hair et al., 2019). In Table 3, all estimates are significant since the lowest CR value is 0.907, already exceeding the suggested value of 0.7; similarly, the lowest AVE value reaches 0.724, surpassing the suggested value of 0.4.

Cronbach's alpha is a common measure of internal consistency ranging between 0 and 1 (Slim et al., 2003). A higher Cronbach's alpha value signifies higher consistency among items. Generally, a Cronbach's alpha value above 0.7 is considered to have good internal consistency (Hair et al., 2019). According to Table 3, the lowest Cronbach's Alpha value is 0.903, exceeding the suggested value of 0.7.

Table 3: Confirmatory Factor Analysis Result, Composite Reliability (CR) and Average Variance Extracted (AVE)

Variables	Source of Questionnaire (Measurement Indicator)	No. of Item	Cronbach's Alpha	Factors Loading	CR	AVE
Corporate Social Responsibility (CSR)	Murwaningsari (2010)	4	0.912	0.816-0.869	0.913	0.724
Risk Management (RM)	Tran et al. (2019)	3	0.927	0.877-0.927	0.927	0.808
Corporate Governance (CG)	Laili et al. (2019)	3	0.903	0.849-0.890	0.907	0.764
Firm Size (FS)	Laili et al. (2019)	4	0.936	0.808-0.940	0.938	0.791
Financial Performance (FP)	Murwaningsari (2010)	4	0.940	0.849-0.932	0.940	0.798
Firm Value (FV)	Laili et al. (2019)	3	0.910	0.846-0.919	0.912	0.775

The discriminant validity shows satisfaction in Table 4. All variables have significantly higher square roots of AVE than their correlations with other factors. Fit indices were measured in Table 4. The indices used include CMIN/DF, GFI, AGFI, NFI, CFI, TLI, and RMSEA. All indices from the CFA were within acceptable ranges, ensuring the model has a good

fit. The input values in the adaptive structured equation model also ensured convergence and distinctiveness (Santos & Cirillo, 2021). Overall, these results demonstrate a good fit for the measurement model.

Table 4: Goodness of Fit for Measurement Model

Fit Index	Acceptable Criteria	Statistical Values
CMIN/DF	< 5.00 (Al-Mamary & Shamsuddin, 2015; Awang, 2012)	1.616
GFI	≥ 0.85 (Sica & Ghisi, 2007)	0.949
AGFI	≥ 0.80 (Sica & Ghisi, 2007)	0.933
NFI	≥ 0.80 (Wu & Wang, 2006)	0.969
CFI	≥ 0.80 (Bentler, 1990)	0.988
TLI	≥ 0.80 (Sharma et al., 2005)	0.985
RMSEA	< 0.08 (Pedroso et al., 2016)	0.035
Model Summary		**Acceptable Model Fit**

Remark: CMIN/DF = The ratio of the chi-square value to degree of freedom, GFI = goodness-of-fit index, AGFI = adjusted goodness-of-fit index, NFI = normalized fit index, CFI = comparative fit index, TLI = Tucker Lewis index, and RMSEA = root mean square error of approximation

The outcomes of this study, as outlined in Table 5, indicate that both convergent and discriminant validity surpass the acceptable thresholds. Consequently, the study successfully establishes both convergent and discriminant validity. Moreover, these measurement results not only affirm discriminant validity but also validate the estimation of subsequent structural models.

Table 5: Discriminant Validity

	CSR	RM	CG	FS	FP	FV
CSR	**0.851**					
RM	0.685	**0.899**				
CG	0.379	0.518	**0.874**			
FS	0.086	0.110	-0.013	**0.889**		
FP	0.078	0.030	-0.034	0.133	**0.893**	
FV	0.294	0.320	0.388	-0.020	0.085	**0.880**

Note: The diagonally listed value is the AVE square roots of the variables
Source: Created by the author.

4.3 Structural Equation Model (SEM)

In this study, we used the Structural Equation Model (SEM) to evaluate the suitability of the structural model and explore causal relationships between variables (Santos & Cirillo, 2021). Compared to traditional regression analysis and path analysis, SEM provides clear benefits (Bagozzi & Yi, 1988; Hair et al., 2019): it analyzes relationships between multiple variables simultaneously— including direct and indirect effects; assesses the fit of the model with observed data; evaluates model reliability and validity by examining relationships between observed and latent variables; and determines variable causality via activated paths, maxims direct and indirect effects. SEM also considers measurement errors, thereby enhancing model accuracy. Lastly, SEM is adaptable to various data types, including continuous, binary, and ordered categorical variables.

Table 6 measures and presents the structural model's good fitness degree. The statistics are: CMIN/DF = 3.961, GFI = 0.889, AGFI = 0.853, NFI = 0.923, CFI = 0.941, TLI = 0.930, and RMSEA = 0.077. The values of all fitting indices are within an acceptable range and meet a good fit threshold, confirming the model's adaptability.

Table 6: Goodness of Fit for Structural Model

Fit Index	Acceptable Criteria	Statistical Values After Adjustment
CMIN/DF	< 5.00 (Al-Mamary & Shamsuddin, 2015; Awang, 2012)	3.961
GFI	≥ 0.85 (Sica & Ghisi, 2007)	0.889
AGFI	≥ 0.80 (Sica & Ghisi, 2007)	0.853
NFI	≥ 0.80 (Wu & Wang, 2006)	0.923
CFI	≥ 0.80 (Bentler, 1990)	0.941
TLI	≥ 0.80 (Sharma et al., 2005)	0.930
RMSEA	< 0.08 (Pedroso et al., 2016)	0.077
Model Summary		**Acceptable Model Fit**

Remark: CMIN/DF = The ratio of the chi-square value to degree of freedom, GFI = goodness-of-fit index, AGFI = adjusted goodness-of-fit index, NFI = normalized fit index, CFI = comparative fit index, TLI = Tucker Lewis index, and RMSEA = root mean square error of approximation

4.4 Research Hypothesis Testing Result

This study can measure the correlation between independent and dependent variables through regression coefficients or standardized path coefficients in the research hypotheses. These coefficients can be used to evaluate the degree of association between variables. Table 7 shows the computed outcomes, indicating support for all hypotheses.

Table 7: Hypothesis Results of the Structural Equation Modeling

Hypothesis	(β)	t-value	Result
H1: CSR → FP	0.107	1.634	Not Supported
H2: RM → FP	-0.015	-0.321	Not Supported
H3: CG → FP	-0.057	-1.200	Not Supported
H4: CG → FV	0.425	8.926*	Supported
H5: FS → FP	0.123	2.639*	Supported
H6: FS → FV	-0.036	-0.819	Not Supported
H7: FP → FV	0.114	2.556*	Supported

Note: * $p<0.05$
Source: Created by the author

According to the results in Table 7, out of the seven proposed hypotheses, three are supported, and four are not:

H1 posits that "corporate social responsibility" does not significantly impact "financial performance" in its structural path. The standardized path coefficient for hypothesis H1 is 0.107, with a corresponding t-value of 1.634. These values are based on the standards proposed in previous studies (Friedman, 2007; Godfrey, 2005; Margolis et al., 2007).

H2 posits that "risk management" also has no significant impact on "financial performance" in its structural path. The standardized path coefficient for hypothesis H2 is -0.015, with a corresponding t-value of -0.321. These values are based on the standards proposed in previous studies (Kwok & Reeb, 2000; Wang, 2014; Yuan et al., 2014).

H3 posits that "corporate governance" does not significantly impact "financial performance" in its structural path. The standardized path coefficient for hypothesis H3 is -0.057, with a corresponding t-value of -1.200. These values are based on the standards proposed in previous studies (Bhagat & Bolton, 2008; Pound, 1988; Wintoki et al., 2012b).

H4 posits that "corporate governance" significantly impacts "firm Value" in its structural path. The standardized path coefficient for hypothesis H4 is 0.425, with a corresponding t-value of 8.926. The higher standardized path coefficient and significant t-value indicate that a corporate governance structure plays a crucial role in ensuring transparency, responsibility, and oversight, thus enhancing the company's operational performance and competitiveness in the market, ultimately increasing firm Value. These values are based on the standards proposed in previous studies (Bebchuk et al., 2008; Gompers & Metrick, 2003; Laili et al., 2019).

H5 posits that "firm Size" significantly impacts "financial performance" in its structural path. The standardized path coefficient for hypothesis H5 is 0.123, with a corresponding t-value of 2.639. A significant t-value indicates that firm Size positively impacts a company's financial performance, i.e., larger companies often have better financial performance. These values are based on the standards proposed in previous studies (Demsetz & Villalonga, 2001; Laili et al., 2019; Mehran, 1995).

H6 posits that "firm Size" does not significantly impact "firm Value" in its structural path. The standardized path coefficient for hypothesis H6 is -0.036, with a corresponding t-value of -0.819. These values are based on the standards proposed in previous studies (Berger & Humphrey, 1997; Fama & French, 1992; García-Sánchez et al., 2013).

H7 posits that "financial performance" significantly impacts "firm Value" in its structural path. The standardized path coefficient for hypothesis H7 is 0.114, with a corresponding t-value of 2.556. Previous research has proven that financial performance is one of the important drivers of firm Value and that a company's excellent financial performance usually correlates with a higher firm value. These values are based on the standards proposed in previous studies (Chen et al., 2008; Fama & French, 1992; Laili et al., 2019).

5. Conclusion and Recommendation

5.1 Conclusion

Seven hypotheses were proposed in this study through a conceptual framework, aiming to comprehensively analyze the key factors affecting financial performance and firm Value. After preparing the questionnaire and verifying its reliability, it was distributed through the company's online system to 500 in-service employees of X company in Chengdu City with over one year of work experience. The confirmatory factor analysis (CFA) method was used to measure and test the validity and reliability of the research conceptual model based on the collected data. Simultaneously, the structural equation model (SEM) was employed to analyze and discuss factors affecting financial performance and firm Value. The research results show that out of the seven hypotheses, three are supported while four are not supported, confirming the achievement of the research objectives of this study.

The main findings of this study are as follows:

1) Compared to other factors, corporate governance has the most significant impact on firm Value. According to the study by Laili et al. (2019), a sound and effective corporate governance mechanism can improve the performance of the enterprise, reduce risks, and enhance investor confidence and support for the enterprise. Therefore, in strategic planning and business operations, companies should focus on and strengthen good corporate governance practices because they play a crucial role in influencing firm Value.

2) Secondly, the firm's size has an impact on financial performance, and financial performance is directly related to the company's Value. According to the research by Laili et al. (2019), there is a close relationship between firm size and financial performance and firm Value. Larger companies can achieve advantages in economies of scale, financing ability, market share, and innovation ability, positively impacting financial performance and improving firm Value. Therefore, when making strategies and decisions, corporate management should fully consider the potential impact of firm size on financial performance and firm Value to achieve sustainable growth and value creation.

5.2 Recommendation

This study explores the factors that influence financial performance and the firm value of X company in Chengdu City. Based on the research results, we propose the following suggestions to promote further and optimize the current research and application:

First, a deep analysis of the relationship between corporate social responsibility, risk management, corporate governance, and financial performance is suggested. Although previous studies have not found a significant impact of these independent variables on financial performance, further refining of the different dimensions and indicators of these variables can facilitate a deeper exploration of their relationship with financial performance (Aebi et al., 2012; Choi et al., 2007; Orlitzky et al., 2003).

Second, the effect of different enterprise and industry characteristics on financial performance and firm Value should be considered. Each enterprise and industry face unique challenges and environmental factors, so expanding the sample and thoroughly considering a wider range of enterprises and industries can provide a more comprehensive understanding of the relationship between financial performance and firm Value(Denison et al., 1991).

Moreover, it is suggested that we compare the differences in effects between different countries and regions. Differences in business environments and regulatory systems may affect the relationship between financial performance and firm Value (Gugler et al., 2003). By comparing different countries and regions, we can gain a deeper understanding of these differences and explore the reasons behind them.

Finally, it is suggested that the impact of the time dimension be considered. The survey data and analysis results used in this study only represent the situation during a specific period. Future research could focus on the impact of the time dimension, tracking changes in financial performance and firm value over time and exploring trends and influencing factors (Hong et al., 2000).

5.3 Limitation and Further Study

In this study, some limitations were encountered. In further research, several aspects are worth noting and improving. First, expanding the sample, including more companies of different regions, industries, and sizes, is suggested to obtain more representative results (Creswell, 2014). Secondly, it is recommended that more reliable and comprehensive data sources such as survey questionnaires, interviews, and document analysis be used, and multiple data sources should be compared and verified (Field, 2017). Thirdly, it is recommended to use statistical methods such as multiple regression analysis to research more potential factors' degree of influence and relationship with financial performance and firm Value (Ployhart & Vandenberg, 2009). Fourthly, it is suggested to use a longitudinal tracking design, observe relevant data at different points, and study its long-term trends and influencing factors (Hong et al., 2000). Lastly, it is recommended to consider the impact mechanisms under macroeconomic environments, industry competition conditions, and different cultural backgrounds (Denison et al., 1991).

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