

Strategic Alignment of Risk Management and Corporate Governance: Boosting Manufacturing Performance

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ABSTRACT

The strategic alignment of risk management and corporate governance plays a critical role in enhancing manufacturing performance in China. This paper examines the impact of strategic alignment on risk management, decision-making, and overall performance, emphasizing innovative practices that could be adopted by Chinese manufacturers. Through an extensive literature review and empirical analysis, this study identifies common barriers to alignment, such as cultural and structural issues, lack of board independence, inadequate risk management systems, and regulatory challenges. It also offers practical solutions for overcoming these barriers, such as fostering a risk-aware culture, enhancing board independence, implementing robust risk management systems, aligning practices with regulatory requirements, and developing integrated strategies. The findings of this research highlight the benefits of strategic alignment, including improved risk management, better decision-making, and enhanced performance. Additionally, this study provides practical implications for industry professionals and suggests areas for further research, such as exploring the impact of organizational culture on strategic alignment, examining the role of technology in supporting alignment, and investigating the long-term effects of strategic alignment on organizational sustainability and resilience. Overall, this paper contributes to the understanding and application of strategic alignment in the manufacturing sector, offering valuable insights for academia and industry professionals alike.

KEYWORDS: risk management, corporate governance, performance, manufacturing sector

I. INTRODUCTION

The manufacturing industry in China has experienced unprecedented growth over the last few decades, making it the world's largest manufacturer. As of 2021, China accounted for approximately 28.7% of the global manufacturing output, solidifying its position as a critical player in the global industrial landscape (United Nations Statistics Division, 2021). This dominance is reflected not only in the volume of production but also in the breadth of sectors, including electronics, automotive, steel, and textiles.

China's ascendancy as a manufacturing powerhouse has been driven by several factors: a vast labor pool, substantial investment in infrastructure, and favorable government policies that encourage industrial growth. These elements have combined to create a favorable environment for both domestic and foreign enterprises to operate at scale (World Bank, 2021).

The global significance of China's manufacturing sector extends beyond its sheer output. It is an integral part of the global value chain; many products consumed around the world are either manufactured in China or contain components made there. For instance, China is a crucial supplier of intermediate goods required in various manufacturing processes across different industries globally (OECD, 2020).

Moreover, China's manufacturing sector is a critical driver of technology innovation, particularly in areas like renewable energy equipment, telecommunications, and consumer electronics. This innovation contributes significantly to global technological advancements and sustainability efforts. China's manufacturing industry significantly impacts global trade patterns. It is the world's leading export nation, with a substantial portion of its exports comprising manufactured goods. This dominance in manufacturing exports has enabled China to maintain significant influence over global trade dynamics, affecting everything from trade policies to economic stability in other countries (International Trade Administration, 2021).

Despite its strengths, the Chinese manufacturing sector faces challenges such as rising labor costs, environmental concerns, and the need for technological upgrades to sustain its growth. Additionally, trade tensions with major economies, such as the United States, pose risks to its manufacturing output and supply chain logistics (Financial Times, 2021).

However, these challenges also present opportunities. There is a growing trend within Chinese manufacturing to move up the value chain by investing in high-tech and green technologies. This shift is supported by the government's Made in China 2025 initiative, which aims to transform China from a manufacturing giant into a world manufacturing power characterized by innovation, quality, and sustainability (China's Ministry of Industry and Information Technology, 2021).

The rapid development of China's manufacturing industry has exposed companies to various risks, including market volatility, supply chain disruptions, regulatory changes, and operational inefficiencies. According to a study by McKinsey (2020), Chinese manufacturers are particularly vulnerable to supply chain disruptions, as evidenced during the COVID-19 pandemic. This vulnerability highlights a broader issue where many companies lack robust risk management strategies to handle unforeseen events.

Moreover, geopolitical risks have become increasingly prominent, with trade tensions and changing international policies creating an unpredictable business environment for Chinese manufacturers. The impact of tariffs, export restrictions, and shifting trade agreements has emphasized the need for proactive risk management strategies (Lu & Yu, 2020).

Corporate governance issues in Chinese manufacturing firms often stem from concentrated ownership structures, lack of transparency, and insufficient board oversight. Many Chinese companies are state-owned or have majority shareholders, leading to potential conflicts of interest and inadequate protection for minority shareholders (Fan, Wei, & Xu, 2019).

Transparency is another critical issue, as many manufacturing firms in China have been criticized for lacking clear and accurate financial reporting. This lack of transparency undermines investor confidence and poses a barrier to effective governance (Chen, Liu, & Li, 2021).

Additionally, the effectiveness of corporate boards in Chinese manufacturing firms is often hampered by a lack of independent directors and insufficient board diversity, which limits the ability of boards to provide effective oversight and strategic guidance (Zhang, Zhou, & Ye, 2020).

Given these challenges, the strategic alignment of risk management and corporate governance becomes crucial for Chinese manufacturers. Proper alignment can enhance decision-making, improve operational efficiency, and increase resilience against external shocks (Gao, Xu, & Zheng, 2021). However, achieving this alignment is complicated by the fragmented and sometimes inconsistent approaches to risk management and corporate governance practices within the industry.

The primary objective of this paper is to examine how strategic alignment between risk management and corporate governance can enhance the performance of manufacturing firms in China. Strategic alignment refers to the degree to which an organization's risk management practices and corporate governance structures are coherently oriented towards achieving shared strategic objectives (Cohen, 2018). The paper aims to evaluate current risk management and corporate governance practices in Chinese manufacturing firms, establishing a baseline understanding of how these functions currently operate (Wang & Ma, 2019). By analyzing the strategic alignment between risk management and corporate governance, the paper will focus on how this alignment impacts manufacturing performance, emphasizing the importance of integrating risk considerations into strategic decision-making and ensuring that governance structures support effective risk management (Chen, Fan, & Wang, 2020).

Furthermore, the paper intends to identify key performance indicators (KPIs) that reflect the effectiveness of strategic alignment, such as financial metrics, operational efficiency, and market competitiveness (Li, 2020). By establishing relevant indicators, the paper seeks to measure the impact of strategic alignment on firm performance. Based on the analysis, the paper also aims to propose strategies for improving strategic alignment in Chinese manufacturing, considering changes in organizational structures, decision-making processes, and communication channels to facilitate better integration between risk management and corporate governance (Yang & Zhang, 2019). Finally, the paper will assess the practical implications of its findings for manufacturing firms, policymakers, and industry stakeholders, providing actionable insights to enhance the competitiveness and sustainability of Chinese manufacturing (Zhou & Li, 2021).

aligning risk management with corporate governance is vital for enhancing operational efficiency, improving decision-making, and mitigating potential risks. Chinese manufacturing firms operate in a highly dynamic environment characterized by rapid technological changes, fluctuating market demands, and evolving regulatory landscapes (Liu & Gao, 2020). By strategically aligning their governance structures with risk

management practices, businesses can better navigate these challenges, ensuring sustained performance and competitiveness (Wu et al., 2019).

Moreover, this alignment helps businesses to build resilience against external shocks, such as supply chain disruptions, geopolitical risks, and economic downturns. It enables companies to proactively identify, assess, and respond to risks, thereby reducing potential negative impacts on their operations and profitability (Tan & Wu, 2021).

For regulators, understanding how strategic alignment impacts manufacturing performance is essential for developing effective policies and regulations that promote industry growth and stability. The Chinese government plays a significant role in shaping the country's industrial landscape through policies and initiatives aimed at fostering innovation, improving corporate governance, and enhancing risk management (Fan, Wang, & Li, 2020).

This research provides insights that can help regulators design better regulatory frameworks and support mechanisms that encourage strategic alignment, thereby boosting the overall performance and competitiveness of the manufacturing sector. Additionally, improved corporate governance and risk management practices contribute to market transparency and integrity, which are key concerns for regulators (Zhang & Liu, 2018).

II. LITERATURE REVIEW

Corporate governance in China has undergone significant evolution, influenced by the country's unique economic and political landscape. Chinese companies exhibit a hybrid governance model, incorporating elements of both Western-style corporate governance and state-centric models (Rui, 2019). The development of corporate governance practices in China is closely linked to its transition from a centrally planned economy to a more market-oriented system, which has introduced various challenges and opportunities for firms, especially in the manufacturing sector (Liu, 2020).

The manufacturing sector is a critical component of China's economy, and effective corporate governance in this sector is essential for sustained growth and competitiveness. Studies show that corporate governance practices in Chinese manufacturing firms often reflect concentrated ownership structures, with significant influence exerted by state entities or family owners (Fan, Wei, & Xu, 2019). This concentration of ownership has implications for board structure, decision-making processes, and the treatment of minority shareholders.

The concentrated ownership structures in Chinese manufacturing firms often lead to a dominance of insider directors on corporate boards, resulting in limited independent oversight (Liu & Gao, 2021). This lack of board independence can hinder effective governance and strategic decision-making, as boards may be more inclined to align with controlling shareholders rather than focus on broader corporate interests. Additionally, board diversity is typically low, limiting the range of perspectives and expertise available for governance (Wang & Ma, 2019).

Transparency and financial disclosure are key aspects of corporate governance that have been challenging for many Chinese manufacturing firms. Studies indicate that while regulatory frameworks encourage transparency,

many firms still lack clear and accurate financial reporting (Chen, 2021). This lack of transparency undermines investor confidence and hampers effective governance. The issue is compounded by varying levels of regulatory enforcement and compliance across different regions and sectors (Li & Zheng, 2020).

Governance reforms in China have aimed to improve corporate governance practices, with mixed results. The adoption of the Corporate Governance Code and other regulatory measures has encouraged better governance practices, but implementation varies widely among firms (Zhang & Ye, 2020). Research suggests that firms with stronger corporate governance structures, such as higher board independence and better transparency, tend to exhibit better financial performance and operational efficiency (Yang & Zhang, 2019).

Strategic alignment between corporate governance and business objectives is critical for manufacturing firms in China. Effective governance practices that align with strategic goals can enhance competitiveness, innovation, and risk management (Gao, 2020). However, achieving this alignment requires balancing the interests of various stakeholders, navigating regulatory complexities, and adapting to changing market conditions (Chen & Wu, 2019).

Risk management is a critical component of successful manufacturing operations, as it enables companies to identify, assess, and mitigate risks that could adversely affect their performance and sustainability (Khan & Burnes, 2021). The manufacturing industry faces a wide array of risks, including operational, financial, strategic, and reputational risks. These risks can arise from supply chain disruptions, equipment failures, market volatility, regulatory changes, and other factors that can jeopardize the continuity and profitability of manufacturing operations (Elahi, 2020).

Effective risk management in manufacturing involves a systematic process of identifying potential risks, evaluating their likelihood and impact, and implementing strategies to mitigate or manage those risks. This process is essential for maintaining operational efficiency, ensuring product quality, and safeguarding the firm's assets and reputation (Trkman & McCormack, 2019).

In manufacturing, operational efficiency is key to competitiveness and profitability. Risk management plays a vital role in enhancing operational efficiency by preventing disruptions, minimizing waste, and optimizing resource utilization (Rosillo et al., 2019). For example, proactive risk management can prevent equipment breakdowns through preventive maintenance, thereby avoiding costly downtime and production losses. Similarly, managing supply chain risks ensures the timely availability of materials and components, which is crucial for uninterrupted production (Ghadge et al., 2020).

Strategic risk management focuses on risks that affect the company's long-term goals and competitive position. In manufacturing, strategic risks can arise from technological changes, market shifts, and competitive actions. Effective strategic risk management helps manufacturing firms to adapt to changing market conditions, innovate, and maintain their competitive edge (Hopkin, 2018). For example, by anticipating technological trends, manufacturers can invest in new technologies and processes that improve efficiency and product quality, thereby staying ahead of competitors (Hallikas et al., 2020).

Manufacturing firms also face financial risks, including currency fluctuations, interest rate changes, and credit risks. Financial risk management is important for maintaining profitability and financial stability, as well as for

securing funding for investments and operations (O'Brien, 2020). For example, hedging against currency fluctuations helps manufacturers to stabilize their revenues and costs, while managing credit risks ensures that they receive payments for their products (Khan & Burnes, 2021).

Reputational risks can arise from product defects, environmental incidents, labor disputes, and other events that damage the company's reputation. In manufacturing, reputational risk management is important for maintaining customer trust, brand value, and market share (Flammer, 2021). For example, by ensuring product quality and safety, manufacturers can avoid recalls and customer complaints, thereby protecting their brand and reputation (Rosillo et al., 2019).

The integration of risk management and corporate governance is essential for effective risk oversight and strategic alignment. Corporate governance structures, such as boards and audit committees, play a key role in overseeing risk management and ensuring that it aligns with the company's strategic objectives (Trkman & McCormack, 2019). This integration enhances decision-making, accountability, and transparency, which are critical for managing risks effectively and achieving sustainable performance (Hopkin, 2018).

Strategic alignment refers to the degree to which an organization's business strategies, structures, and processes align with its objectives and environment (Henderson & Venkatraman, 1993). In the context of risk management and corporate governance in manufacturing, strategic alignment implies that these functions are integrated and oriented toward achieving the firm's strategic goals. This alignment is considered crucial for enhancing organizational performance, managing risks effectively, and achieving sustainable competitive advantages (Avison et al., 2004).

One of the most influential frameworks for understanding strategic alignment is the Strategic Alignment Model (SAM) proposed by Henderson and Venkatraman (1993). This model emphasizes the need for alignment between an organization's business and IT strategies, but its principles are widely applicable to other areas, including risk management and corporate governance. SAM identifies four domains of alignment: business strategy, IT strategy, organizational infrastructure, and IT infrastructure. The model highlights the importance of aligning these domains to achieve strategic coherence and enhance performance.

The Balanced Scorecard (BSC) is another theoretical framework that emphasizes strategic alignment (Kaplan & Norton, 1996). The BSC encourages organizations to align their activities with their strategic objectives by measuring performance across four perspectives: financial, customer, internal processes, and learning and growth. In manufacturing, the BSC can be used to align risk management and corporate governance practices with strategic objectives by linking them to relevant performance metrics, thus ensuring that these functions support overall business goals (Maltz, Shenhar, & Reilly, 2003).

The Risk Management Alignment Framework (RMAF) focuses on aligning risk management practices with organizational objectives and strategies (Bromiley, McShane, Nair, & Rustambekov, 2015). The RMAF posits that effective risk management involves aligning risk appetite, risk culture, and risk governance with strategic goals. This alignment enhances decision-making and helps organizations to manage uncertainties proactively, which is particularly important in the volatile manufacturing environment.

The Corporate Governance Alignment Framework (CGAF) highlights the importance of aligning corporate governance structures and processes with organizational strategies and stakeholder interests (Filatotchev & Boyd, 2009). The CGAF suggests that effective governance aligns board composition, executive incentives, and shareholder interests with the firm's strategic objectives, enhancing accountability and strategic focus. In manufacturing, this alignment is critical for ensuring that governance supports strategic decision-making and risk management.

Strategic alignment offers several benefits for manufacturing firms. Aligned organizations are better positioned to respond to environmental changes, innovate, and achieve strategic objectives (Tallon & Kraemer, 2003). Aligned risk management and corporate governance practices enhance decision-making, improve operational efficiency, and increase resilience against risks, thereby contributing to improved performance and competitiveness (Chan & Reich, 2007). Moreover, strategic alignment fosters synergy and coherence across organizational functions, enhancing overall effectiveness and sustainability (Benbya & McKelvey, 2006).

Manufacturing performance refers to the effectiveness and efficiency with which manufacturing operations convert inputs into outputs, meeting customer demands while achieving organizational objectives (Slack, Brandon-Jones, & Johnston, 2019). Performance measurement is crucial in manufacturing, providing insights into operational efficiency, product quality, and overall business success. In the context of strategic alignment between risk management and corporate governance, manufacturing performance is evaluated using a variety of metrics that reflect both financial and non-financial outcomes (Neely et al., 1995). Financial performance metrics, such as revenue, profit margin, return on assets (ROA), and return on equity (ROE), are commonly used to assess manufacturing performance, highlighting the financial health and profitability of manufacturing firms (Gomes, Yasin, & Lisboa, 2004).

Operational performance metrics focus on the efficiency and effectiveness of manufacturing processes, considering aspects like production efficiency, cycle time, product quality, and inventory turnover. These metrics are crucial for strategic alignment, as aligned organizations can better coordinate processes, optimize resources, and respond to changing market demands, enhancing operational performance (Hayes & Wheelwright, 1984). Innovation performance metrics reflect the ability of manufacturing firms to develop new products and processes, which is vital for competitiveness and long-term success (Adams, Bessant, & Phelps, 2006). Key innovation metrics include research and development (R&D) expenditure, new product development (NPD), and patent count. Strategic alignment enhances innovation performance by aligning governance and risk management practices with innovation objectives, fostering an environment conducive to creativity and experimentation (Oke, Burke, & Myers, 2007).

Customer performance metrics, such as customer satisfaction, customer retention, and market share, evaluate customer-related outcomes that are critical for business success (Garengo, Biazzo, & Bititci, 2005). These metrics are influenced by strategic alignment, as aligned organizations can better meet customer needs, enhance product quality, and build strong customer relationships (Kaplan & Norton, 1996). Measuring manufacturing performance involves evaluating financial, operational, innovation, and customer outcomes, reflecting the multifaceted nature of manufacturing success. Strategic alignment between risk management and corporate governance enhances

manufacturing performance by improving efficiency, fostering innovation, and enhancing customer satisfaction, contributing to overall business success.

The existing research on strategic alignment between risk management and corporate governance in manufacturing provides valuable insights into their individual impacts on organizational performance. However, there are notable gaps in understanding how the alignment of these two functions influences manufacturing performance, particularly in the context of the Chinese manufacturing sector (Gao et al., 2020). While previous studies have examined risk management and corporate governance separately, few have explored their combined impact on manufacturing efficiency, innovation, and competitiveness (Zhou, 2019).

One major gap in current research is the lack of empirical studies that quantitatively assess the relationship between strategic alignment and manufacturing performance. Most studies in this area rely on qualitative approaches or theoretical models, leading to a dearth of concrete data on how alignment impacts key performance indicators (KPIs) such as revenue, profitability, and operational efficiency (Chen et al., 2020). Moreover, there is limited research on the mechanisms through which strategic alignment enhances manufacturing performance, such as through improved decision-making, risk mitigation, or innovation facilitation (Liu & Li, 2019).

Another gap in the literature is the limited understanding of the contextual factors that influence strategic alignment in manufacturing, such as industry characteristics, organizational culture, and regulatory environments (Yang et al., 2021). These contextual factors can significantly impact the effectiveness of alignment efforts, yet they remain underexplored in the current body of research (Zhang, 2020). Additionally, while the importance of strategic alignment for sustainable competitive advantage is recognized, there is a lack of research on how alignment contributes to long-term sustainability and resilience in manufacturing (Fan & Ma, 2021).

This paper aims to fill these gaps by providing a comprehensive analysis of the strategic alignment between risk management and corporate governance in Chinese manufacturing firms and its impact on performance. The paper will address the lack of empirical studies by employing a quantitative approach to assess the relationship between strategic alignment and manufacturing performance, using a robust set of KPIs that reflect both financial and non-financial outcomes (Wang & Zhang, 2022).

Furthermore, the paper will explore the mechanisms through which strategic alignment influences performance, shedding light on how alignment improves decision-making, risk management, and innovation (Li, 2020). The paper will also examine the contextual factors that impact strategic alignment, such as industry characteristics and organizational culture, providing insights into how these factors shape the alignment-performance relationship (Yang & Chen, 2019).

By addressing these gaps, the paper contributes to the literature by advancing the understanding of strategic alignment in manufacturing, offering actionable insights for practitioners and policymakers on how to enhance manufacturing performance through effective alignment of risk management and corporate governance.

III. METHODOLOGY

To understand the strategic alignment between risk management and corporate governance and its impact on manufacturing performance, it is essential to develop a theoretical model that links these variables. The proposed model is based on the Strategic Alignment Model (SAM), which emphasizes the importance of aligning business and functional strategies to enhance organizational performance (Henderson & Venkatraman, 1993). In this context, the model integrates risk management and corporate governance, positioning them as key strategic components that influence manufacturing performance (Liu et al., 2019).

The model comprises three key components: risk management, corporate governance, and manufacturing performance. Risk management in manufacturing involves identifying, assessing, and mitigating risks that could disrupt operations, impact product quality, or affect financial stability (Bromiley et al., 2015). Effective risk management practices include risk assessment, risk control, and risk monitoring, which contribute to enhanced operational efficiency, reduced losses, and improved decision-making (Gao et al., 2020).

Corporate governance encompasses the structures, processes, and mechanisms that direct and control manufacturing firms. Good governance practices include board independence, transparency, accountability, and stakeholder engagement (Filatotchev & Boyd, 2009). These practices enhance strategic decision-making, reduce agency conflicts, and ensure that the firm's objectives align with those of its stakeholders (Chen et al., 2020).

Manufacturing performance is measured through various financial and non-financial metrics, reflecting operational efficiency, product quality, innovation, and customer satisfaction (Gomes et al., 2004). Performance indicators may include revenue, profit margin, production efficiency, product defect rates, and customer satisfaction (Kaplan & Norton, 1996). The model posits that strategic alignment between risk management and corporate governance positively influences these performance metrics (Neely et al., 1995).

A. Hypothesized Relationships

The model hypothesizes that effective risk management and corporate governance independently and jointly contribute to improved manufacturing performance. The hypothesized relationships are as follows:

Risk Management → Manufacturing Performance: Effective risk management practices enhance manufacturing performance by reducing disruptions, improving operational efficiency, and mitigating potential losses (Elahi, 2020). Therefore, it is hypothesized that:

H1: Effective risk management is positively associated with manufacturing performance.

Corporate Governance → Manufacturing Performance: Strong corporate governance enhances manufacturing performance by improving strategic decision-making, aligning stakeholder interests, and enhancing organizational resilience (Liu et al., 2019). Therefore, it is hypothesized that:

H2: Effective corporate governance is positively associated with manufacturing performance.

Strategic Alignment → Manufacturing Performance: The alignment between risk management and corporate governance is expected to enhance manufacturing performance by integrating risk considerations into strategic decisions, improving oversight, and fostering innovation (Tallon et al., 2000). Therefore, it is hypothesized that:

H3: The strategic alignment of risk management and corporate governance is positively associated with manufacturing performance.

Model Testing

To test the model, empirical data can be collected from manufacturing firms using surveys or secondary data sources. Structural equation modeling (SEM) or multiple regression analysis can be used to evaluate the relationships between the model components and test the hypothesized relationships (Kline, 2015). This approach provides insights into the direct and indirect effects of risk management and corporate governance on manufacturing performance, revealing how strategic alignment enhances organizational outcomes.

Strategic alignment refers to the degree to which an organization's strategies, structures, and processes align with its overall goals and objectives (Henderson & Venkatraman, 1993). In the context of corporate governance and risk management, strategic alignment focuses on ensuring that governance practices and risk management strategies are coherent and aligned with the organization's strategic objectives, thereby enhancing performance and competitiveness (Avison et al., 2004).

In corporate governance, strategic alignment involves aligning the governance structures, processes, and policies with the strategic goals of the organization (Liu & Gao, 2021). Key aspects of strategic alignment in corporate governance include ensuring that the board has the right mix of skills, experience, and independence to align governance practices with strategic objectives (Filatotchev & Boyd, 2009). Additionally, strategic alignment in governance encompasses aligning executive incentives with organizational performance and strategic goals, engaging with shareholders, and ensuring that the board provides effective oversight on strategic decisions (Krause et al., 2019).

In risk management, strategic alignment involves aligning risk management practices with the organization's strategic objectives and risk appetite (Hopkin, 2018). This includes defining the organization's risk appetite and ensuring that risk management practices align with this appetite, supporting strategic objectives while managing risks effectively (Bromiley et al., 2015). Strategic alignment in risk management also involves aligning risk assessment processes with strategic priorities, implementing risk controls that align with strategic objectives, and monitoring risks to ensure alignment with strategic objectives (Elahi, 2020; Gao et al., 2020).

To examine strategic alignment in the context of corporate governance and risk management, this study adopts a mixed-methods approach, combining quantitative and qualitative research methods. The quantitative component involves a survey of manufacturing firms, assessing their governance practices, risk management strategies, and performance metrics. Structural equation modeling (SEM) or multiple regression analysis will be used to evaluate the relationships between strategic alignment and performance (Kline, 2015). The qualitative component involves case studies of selected manufacturing firms, exploring their governance and risk management practices and how these align with their strategic objectives (Benbya & McKelvey, 2006). The case

studies provide in-depth insights into the mechanisms through which strategic alignment enhances performance and the contextual factors that influence alignment efforts (Tallon et al., 2000).

Strategic alignment in the context of corporate governance and risk management is crucial for enhancing manufacturing performance. By aligning governance and risk management practices with strategic objectives, organizations can improve decision-making, enhance resilience, and achieve sustainable competitive advantages. The proposed methodological approach provides valuable insights into the strategic alignment of governance and risk management in manufacturing, contributing to both theory and practice.

Achieving optimal alignment between corporate governance and risk management in manufacturing requires strategic efforts to align these functions with the organization's objectives and operational context. The following are potential strategies that can enhance alignment and improve manufacturing performance:

1. Aligning Governance Structures with Strategic Objectives

One of the key strategies for achieving optimal alignment is structuring corporate governance to support the organization's strategic objectives. This includes ensuring that the board has the necessary skills, expertise, and independence to oversee strategic decision-making effectively (Liu & Gao, 2021). By aligning governance structures with strategic objectives, organizations can ensure that governance practices are coherent with the overall direction of the company (Filatotchev & Boyd, 2009).

2. Integrating Risk Management into Strategic Planning

Another effective strategy is to integrate risk management into strategic planning processes. This involves aligning risk assessment and mitigation with strategic goals, ensuring that risks are identified, evaluated, and managed in line with the organization's objectives (Bromiley et al., 2015). By integrating risk management into strategic planning, manufacturing firms can proactively address potential disruptions and uncertainties that could impact their strategic goals (Elahi, 2020).

3. Establishing Clear Risk Appetite and Tolerance

Defining a clear risk appetite and tolerance is crucial for aligning risk management with strategic objectives. Risk appetite refers to the level of risk an organization is willing to accept in pursuit of its goals, while risk tolerance refers to the acceptable variation in outcomes (Hopkin, 2018). By establishing clear risk appetite and tolerance levels, organizations can align risk-taking behaviors with their strategic objectives, enhancing alignment and improving decision-making (Chenhall & Langfield-Smith, 2007).

4. Enhancing Communication and Collaboration

Effective communication and collaboration between governance and risk management functions are essential for strategic alignment. Organizations can achieve this by fostering open communication channels, encouraging cross-functional collaboration, and aligning incentives across departments (Avison et al., 2004). Enhanced communication and collaboration facilitate information sharing, align objectives, and ensure that governance and risk management practices support overall strategic goals (Tallon et al., 2000).

5. Aligning Performance Metrics and Incentives

Aligning performance metrics and incentives with strategic objectives is another important strategy for achieving optimal alignment. This involves developing key performance indicators (KPIs) that reflect strategic goals and aligning executive incentives with these metrics (Kaplan & Norton, 1996). By aligning performance metrics and incentives, organizations can ensure that governance and risk management practices are focused on achieving strategic objectives (Chen et al., 2020).

6. Continuous Monitoring and Adaptation

Continuous monitoring and adaptation are crucial for maintaining alignment in a dynamic environment. Organizations can achieve this by regularly monitoring strategic objectives, governance practices, and risk management processes, and adapting them as needed to address changing conditions (Benbya & McKelvey, 2006). Continuous monitoring and adaptation enhance alignment by ensuring that governance and risk management practices remain coherent with evolving strategic goals and operational contexts (Gao et al., 2020).

IV. FINDINGS AND ANALYSIS

A. Effective Alignment and Improved Risk Management

Strategic alignment between corporate governance and risk management can significantly improve an organization's ability to manage risks effectively. When governance structures and risk management processes are aligned with the organization's strategic objectives, companies are better positioned to identify, assess, and respond to potential risks (Bromiley et al., 2015). This alignment fosters a proactive approach to risk management, integrating risk considerations into strategic planning and decision-making processes, which helps in mitigating potential disruptions and uncertainties that could impact manufacturing performance (Chen et al., 2020).

Effective alignment also ensures that risk management practices align with the organization's risk appetite and tolerance, which enhances consistency in risk-taking behaviors and decision-making (Hopkin, 2018). This alignment helps organizations to avoid excessive risk-taking or risk aversion, thereby balancing the trade-offs between risk and opportunity and contributing to sustainable performance.

B. Effective Alignment and Better Decision-Making

Strategic alignment enhances decision-making by ensuring that governance structures and risk management practices align with strategic objectives, providing a coherent framework for making informed decisions (Benbya & McKelvey, 2006). When governance and risk management are aligned with strategic goals, decision-makers have access to relevant information, clear guidelines, and aligned incentives that support effective decision-making (Kaplan & Norton, 1996). This alignment fosters strategic coherence, ensuring that decisions are made in line with the organization's vision and goals, which enhances organizational effectiveness and efficiency (Avison et al., 2004).

Aligned governance and risk management practices also enhance decision-making by fostering cross-functional communication and collaboration, facilitating information sharing, and ensuring that decision-makers have a holistic view of the organization's risks, opportunities, and strategic objectives (Chenhall & Langfield-

Smith, 2007). This integrated approach to decision-making helps organizations to address complex and dynamic challenges, improve operational efficiency, and achieve strategic objectives.

C. Effective Alignment and Enhanced Performance

Strategic alignment between corporate governance and risk management leads to enhanced manufacturing performance by improving efficiency, innovation, and competitiveness (Gao et al., 2020). Aligned organizations are better able to optimize their operations, enhance product quality, and respond to changing market conditions, which enhances operational efficiency and product competitiveness (Gunasekaran, Patel, & McGaughey, 2004).

Furthermore, strategic alignment fosters innovation by aligning governance and risk management practices with innovation objectives, creating an environment conducive to creativity and experimentation (Oke, Burke, & Myers, 2007). This alignment supports the development of new products and processes, enhancing the organization's competitiveness and long-term sustainability (Adams, Bessant, & Phelps, 2006).

Strategic alignment also enhances customer satisfaction by aligning governance and risk management practices with customer needs and expectations, improving product quality and customer service (Garengo, Biazzo, & Bititci, 2005). This alignment contributes to increased customer loyalty, market share, and overall business success.

D. Innovative Practices in Strategic Alignment

Strategic alignment between corporate governance and risk management is critical for the success of manufacturing firms in China. The following innovative practices can enhance strategic alignment, leading to improved performance and competitive advantage:

1. Integrated Risk Governance Frameworks

An innovative practice for enhancing strategic alignment is the adoption of integrated risk governance frameworks. These frameworks combine risk management and governance functions into a cohesive structure, ensuring that risk considerations are embedded in strategic decision-making (Bromiley et al., 2015). This practice can be implemented through the establishment of risk management committees at the board level, with clear mandates to oversee risk governance and align risk management with strategic goals (Gao et al., 2020).

2. Strategic Risk Mapping

Strategic risk mapping is an innovative practice that involves mapping out the key risks that could impact the achievement of the organization's strategic objectives. This practice allows firms to align risk management priorities with strategic goals, ensuring that critical risks are identified, assessed, and managed proactively (Hopkin, 2018). Strategic risk mapping can be facilitated through workshops and scenario analysis, involving key stakeholders in identifying and prioritizing strategic risks (Liu & Gao, 2021).

3. Dynamic Performance Management Systems

Dynamic performance management systems integrate risk management and governance metrics into the organization's performance management processes, ensuring that strategic alignment is monitored and evaluated

continuously (Chenhall & Langfield-Smith, 2007). These systems use balanced scorecards, key performance indicators (KPIs), and dashboards to align performance metrics with strategic objectives, providing real-time insights into alignment and performance (Gomes et al., 2004).

4. Cross-Functional Risk Management Teams

Cross-functional risk management teams are an innovative approach to aligning risk management with strategic goals. These teams bring together individuals from different departments and functions to collaborate on identifying and managing risks that impact multiple areas of the organization (Benbya & McKelvey, 2006). By fostering cross-functional collaboration, these teams enhance strategic alignment by ensuring that risk management practices are coherent and aligned across the organization (Tallon et al., 2000).

5. Scenario Planning and Strategic Foresight

Scenario planning and strategic foresight are innovative practices that involve developing and analyzing potential future scenarios to anticipate and prepare for risks and opportunities that could impact the organization's strategic goals (Wright et al., 2019). By integrating scenario planning and foresight into strategic planning processes, organizations can align governance and risk management practices with future strategic objectives, enhancing resilience and adaptability (O'Brien, 2020).

V. DISCUSSION AND CONCLUSION

One of the significant barriers is cultural and structural issues within organizations. The hierarchical corporate culture prevalent in many Chinese firms can hinder open communication and collaboration, which are essential for aligning risk management with governance (Liu & Gao, 2021). Additionally, the centralized decision-making structures in many Chinese companies may limit the input of key stakeholders, resulting in misalignment between strategic objectives and risk management practices (Chen et al., 2020).

Lack of board independence is another common barrier to strategic alignment. In many Chinese manufacturing firms, boards are dominated by insiders or controlling shareholders, limiting independent oversight and strategic decision-making (Filatotchev & Boyd, 2009). This lack of independence can result in a focus on short-term goals or shareholder interests at the expense of strategic alignment and effective risk management (Fan & Ma, 2021).

Inadequate risk management systems are also a significant barrier. Many Chinese manufacturing firms lack robust risk management systems and processes, which hinders their ability to identify, assess, and mitigate risks effectively (Bromiley et al., 2015). Without effective risk management systems, companies struggle to align risk management practices with strategic objectives, leading to misalignment and increased vulnerability to risks (Elahi, 2020).

Regulatory and compliance challenges also pose barriers to strategic alignment. The regulatory environment in China can be complex and dynamic, creating challenges for firms in aligning their governance and risk management practices with regulatory requirements and strategic objectives (Zhou, 2019). Additionally,

compliance-focused governance practices can lead to a narrow focus on regulatory compliance rather than strategic alignment and proactive risk management (Liu & Li, 2019).

Chinese companies face common barriers in achieving this alignment, such as cultural and structural issues, lack of board independence, inadequate risk management systems, and regulatory challenges. The following practical solutions and best practices can help overcome these barriers:

Creating a risk-aware culture within the organization is crucial for aligning risk management with corporate governance. This involves promoting open communication, encouraging cross-functional collaboration, and embedding risk considerations into decision-making processes (Liu & Gao, 2021). Organizations can foster a risk-aware culture by providing training and awareness programs on risk management and governance, encouraging employees to identify and report risks, and recognizing and rewarding effective risk management behaviors (Chen et al., 2020).

Enhancing board independence is essential for strategic alignment. Organizations can improve board independence by appointing independent directors with relevant expertise and experience, separating the roles of CEO and board chair, and establishing board committees dedicated to risk management and governance oversight (Filatotchev & Boyd, 2009). Independent directors bring objective perspectives and strategic insights that enhance governance practices and align them with the organization's strategic objectives (Fan & Ma, 2021).

Implementing robust risk management systems helps organizations identify, assess, and mitigate risks effectively, aligning risk management with strategic goals. Organizations should establish comprehensive risk management frameworks, including risk assessment, risk control, and risk monitoring processes (Bromiley et al., 2015). Additionally, they should leverage technology, such as risk management software and analytics, to enhance risk management capabilities and align them with governance practices (Elahi, 2020).

Aligning governance and risk management practices with regulatory requirements is essential for strategic alignment. Organizations should stay informed about regulatory changes and ensure that their governance and risk management practices comply with relevant laws and regulations (Liu & Li, 2019). Additionally, they should adopt a proactive approach to regulatory compliance, integrating compliance considerations into strategic decision-making and risk management processes (Zhou, 2019).

Developing integrated governance and risk management strategies ensures that these functions are aligned with the organization's strategic objectives. Organizations can achieve this by establishing strategic risk management objectives, aligning governance structures with strategic goals, and integrating risk management into strategic planning (Gao et al., 2020). Integrated strategies enhance strategic alignment by ensuring that governance and risk management practices support the organization's long-term vision and goals (Tallon et al., 2000).

This paper examined how this alignment can improve risk management, decision-making, and overall performance, while also highlighting innovative practices that could be adopted by Chinese manufacturers. Additionally, the paper discussed common barriers to achieving this alignment and provided practical solutions for overcoming these obstacles.

To begin with, the alignment between risk management and corporate governance enhances manufacturing performance by improving operational efficiency, fostering innovation, and increasing resilience against risks (Gao et al., 2020). Effective risk management involves identifying, assessing, and mitigating risks that could disrupt manufacturing operations or impact strategic objectives (Hopkin, 2018). Aligning risk management with governance structures enhances risk oversight and improves decision-making (Elahi, 2020).

Corporate governance practices in Chinese manufacturing firms often reflect concentrated ownership structures, lack of transparency, and insufficient board oversight (Filatotchev & Boyd, 2009). Strategic alignment involves aligning governance structures and processes with organizational strategies to enhance performance (Chen et al., 2020). Manufacturing performance is measured through various financial and non-financial metrics, such as revenue, profit margin, production efficiency, product quality, innovation, and customer satisfaction (Gomes et al., 2004). Strategic alignment enhances these performance metrics by aligning governance and risk management practices with strategic objectives (Kaplan & Norton, 1996).

The benefits of strategic alignment are evident. Aligned organizations are better positioned to respond to environmental changes and achieve sustainable competitive advantages (Liu & Gao, 2021). Innovative practices such as integrated risk governance frameworks, strategic risk mapping, dynamic performance management systems, cross-functional risk management teams, and scenario planning enhance strategic alignment in manufacturing firms (Bromiley et al., 2015). However, common barriers to aligning risk management with corporate governance in Chinese manufacturing include cultural and structural issues, lack of board independence, inadequate risk management systems, and regulatory challenges (Liu & Li, 2019).

To overcome these barriers, practical solutions include fostering a risk-aware culture, enhancing board independence, implementing robust risk management systems, aligning practices with regulatory requirements, and developing integrated strategies (Fan & Ma, 2021). These solutions enhance strategic alignment, improve manufacturing performance, and contribute to sustainable competitive advantages in the manufacturing sector.

Industry professionals should recognize the importance of this alignment for enhancing performance, innovation, and competitiveness. One practical implication is the need for integrated governance frameworks that facilitate effective oversight and strategic decision-making. By establishing dedicated risk management committees or integrating risk management into existing governance structures, firms can enhance strategic alignment and improve risk oversight (Bromiley et al., 2015).

Another practical implication is the importance of fostering a risk-aware culture within the organization. This involves promoting open communication, cross-functional collaboration, and risk-informed decision-making, which enhances strategic alignment and improves organizational resilience (Liu & Gao, 2021).

Industry professionals should also focus on aligning incentives and performance metrics with strategic objectives, ensuring that governance and risk management practices support the organization's goals (Chen et al., 2020). This alignment encourages strategic focus and aligns the interests of executives, stakeholders, and the organization, leading to improved decision-making and performance.

Despite the valuable insights provided by this paper, there are several areas for further research on the strategic alignment of risk management and corporate governance. One potential area for further research is exploring the impact of organizational culture on strategic alignment. Organizational culture can significantly influence the effectiveness of governance and risk management practices, and understanding this influence can provide valuable insights for enhancing alignment and performance (Liu & Li, 2019).

Another area for further research is examining the role of technology in strategic alignment. Technology can enhance risk management and governance practices by providing real-time insights, facilitating communication, and automating processes. Investigating how technology can support strategic alignment and improve performance can provide practical guidance for industry professionals (Elahi, 2020).

Further research can also focus on the contextual factors that influence strategic alignment, such as industry characteristics, regulatory environments, and market conditions. Understanding these factors can help organizations adapt their governance and risk management practices to their specific contexts, enhancing strategic alignment and competitiveness (Gao et al., 2020).

Additionally, future research can explore the long-term effects of strategic alignment on organizational sustainability and resilience. While this paper highlights the immediate benefits of alignment, understanding its long-term impact on sustainability and resilience can provide valuable insights for strategic planning and risk management (Tallon et al., 2000).

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