www.americanosp.com/index.php/AJBSP ISSN online: 3064-7568

American Journal of Business Science Philosophy

Examining Factors Influencing Governance Effectiveness in Non-Profit Organizations in Saudi Arabia

Ziyad Ibraheem Alzaidan[1]*, Othman Saleh Albulayhl[2], Fahad Alqusumi[3], Faisal Mohammed AlRashidi[4], Faris Mohammed Almazyad[5], Abdulaziz Mohammad ALajlan[6], Ibrahim Abdulrahman Alghurayr[7], Waleed Abdulmohsan Alsawee[8], Mohammed Saleh Aldahash[9] and Khalid Almubark[10]

[1]*College of Humanities and Administrative Studies, Onaizah Colleges, Buraydah, Saudi Arabia. Email: ziyadxp@gmail.com*
[2]*Department of Law, Islamic University of Madinah, Saudi Arabia. Email: othman.7286@gmail.com*
[3]*Department of Strategic Planning & Transformation, Qassim University Medical City, Saudi Arabia. ORCID: 0009-0008-6840-1202, Email: fahad.alqusumi@gmail.com*
[4]*Majmaah University, Saudi Arabia. Email: faisalalalqaboobi@gmail.com*
[5]*Management and Science University (MSU), East Lansing, Malaysia. Email: 012025020459@gsm.msu.edu.my*
[6]*College of Humanities and Administrative Studies, Onaizah Colleges, Buraydah, Saudi Arabia. Email: abdulaziz14z10@gmail.com*
[7]*College of Humanities and Administrative Studies, Onaizah Colleges, UNAYZAH, Saudi Arabia. Email: ibrahim.alghurayr@gmail.com*
[8]*College of Humanities and Administrative Studies, Onaizah Colleges, Riyadh, Saudi Arabia. Email: Walaed33@gmail.com*
[9]*College of Business Administration, Majmaah University, Al-Majmaah 11952, Saudi Arabia. Email: mooh-3@hotmail.com*
[10]*Department of Tourism and Archaeology, University of Hail, Saudi Arabia. Email: K.ABDULAZIZ@uoh.edu.sa*
**Corresponding author: ziyadxp@gmail.com*

Paper type: Article

Received: 07 October 2025
Revised: 19 October 2025
Accepted: 27 October 2025
Published: 01 November 2025

Citation: Alzaidan, Z. I., Albulayhl, O. S., Alqusumi, F., AlRashidi, F. M., Almazyad, F. M., Alajlan, A. M., Alghurayr, I. A., Alsawee, W. A., Aldahash, M. S., & Almubark, K. (2025). Examining factors influencing governance effectiveness in non-profit organizations in Saudi Arabia. American Journal of Business Science Philosophy, 2(2), 336–348. https://doi.org/10.70122/ajbsp.v2i2.45

Abstract

This study investigates the determinants of governance effectiveness in non-profit organizations in Saudi Arabia, with a focus on board competency, transparency, stakeholder engagement, compliance, and leadership quality. Adopting a quantitative research design, data were collected from 266 employees working in Saudi non-profits. Data were analyzed using Structural Equation Modeling (SEM) with SmartPLS. Structural model results revealed that all five predictors had a significant positive effect on governance effectiveness, with stakeholder engagement (β = 0.565) and leadership quality (β = 0.565) emerging as the most influential factors. The model explained 60.4% of the variance in governance effectiveness, indicating substantial explanatory power. The findings highlight that governance effectiveness is multi-dimensional, requiring the integration of stakeholder participation, transparent practices, compliance with regulations, competent boards, and ethical leadership. In the Saudi context, these results align closely with the objectives of Vision 2030, which emphasizes accountability, transparency, and capacity-building in the non-profit sector. It also offers practical recommendations for policymakers and practitioners to strengthen governance through leadership development, stakeholder inclusion, transparency mechanisms, compliance frameworks, and board training.

Keywords: governance; non-profit; engagement; leadership; compliance

1. Introduction

Organizations that practice good governance achieve superior performance levels in both business operations and non-profit organizations (Ortega-Rodríguez et al., 2024). The framework of governance in non-profit organizations consists of established structures and operational processes which direct organizational management and guide decision-making and maintain transparency and accountability (Petrovits & Yetman, 2023; Baihaqi & Ulfa, 2022). Non-profit organizations function in distinct settings because they pursue social objectives instead of profits and depend on public trust and institutional backing to maintain their activities.

The proper management of resources and transparent decision-making and stakeholder accountability depend on effective governance systems for non-profit organizations (Blevins et al., 2022).

The non-profit sector in Saudi Arabia has expanded rapidly because of Vision 2030 reforms which the government launched to transform the economy (Al-Nahari & Mofawaz, 2023). The Vision 2030 strategy focuses on economic diversification and civic participation and positions non-profits as essential development partners for national growth. The Saudi government plans to boost non-profit sector contributions to national GDP and enhance its social and educational and cultural impact by 2030. The ambitious goals of the non-profit sector demand organizations to adopt professional standards and maintain high levels of accountability and governance performance (Sritharan et al., 2024). Research about governance practices in Saudi Arabian non-profits faces significant gaps exist because the field lacks sufficient studies about governance effectiveness in this specific context.

Multiple research studies have established essential elements which determine non-profit governance success. The board of directors holds essential responsibility for strategic oversight and compliance and mission fulfillment through their competency. Organizations achieve better direction when their board members demonstrate appropriate skills and knowledge (Kugel & Mercado, 2024). The practice of transparency builds trust with staff members and donors and community members through clear financial reporting and open organizational communication (Dethier et al., 2023). The practice of stakeholder engagement has gained prominence as a governance effectiveness driver because it enables organizations to include staff and beneficiary and donor voices during decision-making processes (Fu et al., 2024). Organizations maintain their legitimacy and minimize risks through strict adherence to laws and regulations and internal policies. Leadership quality stands as a fundamental element because leaders establish ethical standards and drive staff motivation while providing strategic guidance to the organization (Sessler Bernstein & Fredette, 2024). The Saudi Arabian non-profit sector faces an information gap regarding how these governance elements affect its operations because they have been studied in different international settings.

The research investigates governance effectiveness determinants through empirical analysis of Saudi Arabian non-profit organizations. The study holds value because it investigates governance effectiveness determinants in Saudi Arabia's fast-evolving non-profit sector which requires such knowledge for academic and practical purposes. The research adds value to ongoing discussions about accountability and performance measurement in non-profit organizations. Non-profits under Vision 2030 must meet increasing demands from the government and donors and society to show results and operate efficiently while maintaining ethical standards. Governance effectiveness, therefore, becomes both a practical necessity and a strategic advantage. By examining constructs such as board competency, transparency, stakeholder engagement, compliance, and leadership quality, this study not only validates their importance but also identifies the strongest predictors of effective governance in the Saudi context. This research addresses a critical gap in the literature by exploring governance effectiveness in Saudi Arabian non-profits. It seeks to answer the question: What factors contribute most significantly to governance effectiveness in the Saudi non-profit sector? The findings provides both theoretical contributions to the field of non-profit governance and practical recommendations for organizations striving to meet the ambitious targets of Vision 2030.

2. Literature Review

2.1. Governance in Non-Profit Organizations

Non-profit organizations are unique entities that differ significantly from their for-profit counterparts. They exist not to maximize profits but to fulfill social, cultural, charitable, or developmental missions (Ortega-Rodríguez et al., 2024). Because they rely heavily on public trust, donor contributions, and government support, the governance of non-profits is a subject of growing importance worldwide. Governance in this context can be understood as the framework of rules, relationships, processes, and practices that guide organizational decision-making, accountability, and performance (Renz & Andersson, 2025). Non-profits use governance to create legitimacy while showing responsibility and maintaining their mission through daily operations (Lu et al., 2024). Non-profit organizations face unique accountability challenges because they need to answer to multiple stakeholders who include donors and beneficiaries and employees and volunteers and government agencies and the general public (Kugel & Mercado, 2024). The intricate nature of non-profit governance creates both greater obstacles and increased necessity for effective management. Non-profit organizations that have robust governance systems can preserve their reputation and handle resources effectively while securing their long-term survival (Yoon, 2025). Organizations that lack proper governance face financial problems and mission changes and public distrust and eventual collapse (Benito-Esteban et al., 2024).

The national transformation initiative Vision 2030 has brought Saudi Arabia to focus on improving non-profit governance throughout the country. The government seeks to develop the non-profit sector through expanded development responsibilities while boosting its economic value to the nation. The transition demands Saudi non-profits to improve their governance frameworks because they need to fulfill state requirements and gain public and international trust. The achievement of this vision depends on identifying Saudi non-profit governance effectiveness determinants and developing systems that enhance their internal operational capabilities. Research shows that non-profit effectiveness depends on five essential governance elements which include board competency and transparency and stakeholder involvement and compliance and leadership quality. The different governance elements function independently while creating a unified system that determines organizational performance. The following sections present detailed information about these constructs and establish research hypotheses for this study.

2.2. Board Competency and Governance Effectiveness

Non-profit organizations depend on their Boards of directors or trustees for their governance structure. The board members direct strategy while monitoring operations and maintaining legal compliance and protecting organizational mission (Kugel & Mercado, 2024). The ability of board members to fulfill their duties depends on their accumulated skills and knowledge and relevant experience (Roshayani et al., 2018). A competent board establishes precise policies while making strategic choices to guide management teams toward achieving organizational targets (Arshad et al., 2016). The level of board competency emerges from members who grasp organizational mission and possess sector expertise and financial acumen and legal compliance understanding (Mwenja & Lewis, 2009). Organizations with boards that possess advanced skills in these areas will better monitor management performance while reducing risks and optimizing resource utilization (Brown, 2005). Boards that lack competency fail to deliver proper oversight which results in poor governance and potential financial mismanagement (Balduck et al., 2010).

The fast development of the non-profit sector in Saudi Arabia makes board competency an essential factor for effective governance. The organizations face new challenges because they operate in multiple areas while managing various funding streams and complex regulatory frameworks. The board needs members who support the mission while possessing expertise in governance practices and sector knowledge and legal understanding. The effectiveness of governance depends heavily on the competency level of the board members.

H1: Board competency has a significant positive effect on non-profit governance effectiveness

2.3. Transparency and Governance Effectiveness

The principle of transparency stands as one of the most frequently discussed concepts in governance systems. Non-profit organizations base their accountability and trust development on transparency as their fundamental principle. An organization demonstrates transparency through its practice of disclosing all operational details to stakeholders including financial reports and decision-making processes and activity information (Dethier et al., 2023). The practice of transparency involves both information disclosure and making data accessible to various groups in ways they can understand (Benito-Esteban et al., 2024). Organizations that maintain transparency create trust between their donors and staff members and their beneficiaries. The responsible management of donor resources leads to increased donor contributions because donors feel assured about their resource allocation (Harris & Neely, 2021). The open disclosure of policies and services by organizations leads to stronger bonds between their beneficiaries. The practice of keeping staff and volunteers informed about organizational changes leads to higher levels of their engagement (Behn et al., 2010). The practice of transparency acts as a preventive measure against corruption and unethical practices and mismanagement (Striebing, 2017).

Non-profit organizations in Saudi Arabia need to maintain transparency because they operate with both public and private sector partners in the country. The Saudi government requires transparency from organizations because Vision 2030 emphasizes accountability and organizations without transparency will lose their funding and public trust. The practice of transparency serves both ethical and operational needs for organizations to achieve effective governance.

H2: Transparency has a significant positive effect on non-profit governance effectiveness

2.4. Stakeholder Engagement and Governance Effectiveness

Organizations determine their stakeholder involvement through the degree to which they involve essential stakeholders in their decision-making processes and operational activities (Ihm, 2015). Non-profit organizations must involve their stakeholders who include both their beneficiaries and donors and their staff members and volunteers and members of their community. The involvement of stakeholders leads to organizational policies and programs that respond to their needs and remain both inclusive and relevant (Fu et al., 2024). The practice of stakeholder engagement requires more than consultation because it involves stakeholders who actively participate in planning and implementation and evaluation processes (Woo et al., 2023). The participatory method of engagement creates stronger organizational legitimacy while building better relationships which results in improved outcomes. The involvement of beneficiaries during program design leads to more relevant services while strategic planning with donors supports long-term fundraising stability (Heikkinen et al., 2019).

The social development expansion of non-profits in Saudi Arabia requires stakeholder engagement as a fundamental practice. The process of community decision-making participation enables organizations to match their activities with local cultural values and social norms and donor involvement supports long-term financial stability. The process of stakeholder engagement builds trust which remains essential because Saudi Arabian society bases its organizational legitimacy on personal and community relationships.

H3: Stakeholder engagement has a significant positive effect on non-profit governance effectiveness

2.5. Compliance and Governance Effectiveness

The fundamental requirement of non-profit governance includes compliance with all applicable laws and regulations and ethical standards and internal policies (Verbruggen et al., 2011). Non-profit organizations face multiple regulatory challenges because non-compliance with established rules leads to financial penalties and damages their reputation and destroys public trust (Greiling & Stötzer, 2016). The compliance process requires organizations to follow government rules and maintain proper financial documentation and donor agreements and establish workplace conduct standards. The organization must create systems to track compliance and provide staff members with training about following established operational procedures (Greitemeyer & Sagioglou, 2018). The implementation of compliance standards leads to operational consistency and accountability and predictability which are vital for effective governance. The Saudi Arabian government has elevated compliance standards because it works to establish official rules for non-profit organizations. Organizations operating in Saudi Arabia need to follow established reporting standards and obtain necessary licenses and demonstrate financial transparency. The legal requirement of compliance serves as a direct factor which enhances governance effectiveness.

H4: Compliance has a significant positive effect on non-profit governance effectiveness

2.6. Leadership Quality and Governance Effectiveness

Leadership stands as the core element for organizational achievement in all sectors yet it becomes essential in non-profits because they operate based on mission-oriented targets and receive their funding from voluntary sources (McMurray et al., 2012). Leadership quality describes the capacity of leaders to motivate their teams and stakeholders and maintain organizational mission alignment (Woodroof et al., 2021). Effective leaders articulate clear visions, set ethical standards, and foster a culture of collaboration and accountability. They play a key role in motivating employees, resolving conflicts, and building strong relationships with stakeholders. Leadership also influences the functioning of boards, as leaders often act as bridges between governance and management (Ronquillo et al., 2012). High-quality leadership ensures that governance practices are embedded into the daily operations of the organization.

In the Saudi non-profit sector, leadership quality is particularly relevant because many organizations are transitioning from small, community-based initiatives to professionalized entities aligned with national development goals. Leaders must navigate these changes, manage growing staff teams, and adapt to stricter government oversight. Strong leadership is essential for ensuring governance effectiveness under these conditions.

H5: Leadership quality has a significant positive effect on non-profit governance effectiveness

Figure 1 presents the research model.

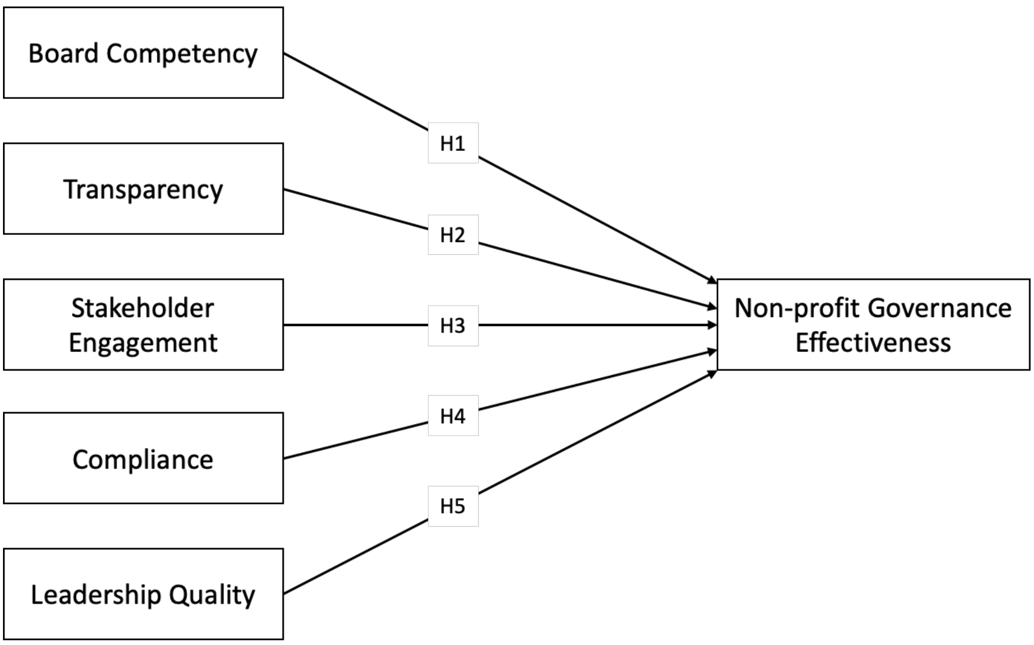

Figure 1. Research model.

3. Methodology

This study employed a quantitative research design to investigate the determinants of governance effectiveness in non-profit organizations in Saudi Arabia. The focus on quantitative methods allowed for statistical testing of hypothesized relationships between constructs and provided objective insights into governance practices.

Data were collected from employees working in Saudi non-profit organizations from June to August 2025. A structured questionnaire was developed for this purpose, using a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The questionnaire items were self-developed, specifically designed to capture the study constructs: governance effectiveness, board competency, transparency, stakeholder engagement, compliance, and leadership quality. To ensure accessibility, the questionnaire was administered in Arabic, and the English-to-Arabic translation was carefully checked by bilingual experts to confirm accuracy and conceptual equivalence. Before administering the final survey, a pilot test was conducted with a sample of 34 respondents. This step was crucial to ensure validity and reliability of the measurement items and to refine the questionnaire based on participant feedback. Following the pilot, the finalized instrument was distributed to the larger population. Based on pilot feedback, minor revisions were made to improve item wording and ensure consistency across the translated and original versions.

The final sample consisted of 266 respondents, drawn from employees across various non-profit organizations. This sample size is justified on both statistical and practical grounds. In "structural equation modeling" (SEM), sample adequacy is critical for reliable parameter estimation. According to established guidelines, a sample of more than 200 is considered sufficient for SEM and provides adequate statistical power for complex models with multiple latent constructs. Moreover, the sample size exceeds the minimum "10-times rule" recommended in SmartPLS literature (Westland, 2010), which suggests that the number of respondents should be at least ten times the maximum number of indicators used to measure a construct. Thus, a sample of 266 ensures robust analysis while maintaining generalizability within the non-profit sector of Saudi Arabia. Data analysis was conducted using SmartPLS software, applying SEM to evaluate both the measurement and structural models. This approach was selected for its suitability in handling latent constructs and testing interrelationships simultaneously.

4. Result

Table 1 presents the demographic characteristics of the 266 study participants. The sample was predominantly female, with women representing a large majority (86%), while men accounted for only 14%. In terms of age distribution, the largest groups fell within the 25–34 years (35%) and 35–44 years (37%) categories, indicating that most participants were in the early to mid-career stages of adulthood. Smaller proportions were younger than 25 (6%) or older than 55 (4%), with about 18% between 45–54 years, showing a relatively balanced mix across age brackets but a strong concentration in the 25–44 age range. Educationally, the participants were highly qualified. The majority (71%) held a bachelor's degree, while 15% reported having a master's degree and 8% held a doctorate. Only 5% had education limited to high school or below, suggesting that the workforce in this study was generally well-educated. Experience levels in the non-profit sector varied, but most participants were in the earlier stages of their careers. Around 37% had 1–3 years of experience, followed by 33% with 4–6 years. A smaller share had over a decade of experience (11%), while 12% reported 7–10 years, and 7% had less than a year. This reflects a participant pool with a strong presence of relatively early- to mid-career professionals. When considering job positions, mid-level staff made up the largest segment (38%), followed by senior staff (29%). Managers represented 16% of the group, while executives or directors and entry-level staff each comprised 8%. This distribution indicates that most participants held positions with substantial responsibilities, while fewer were at either the very top or bottom of the organizational hierarchy.

Table 2 presents the results of the measurement model, assessing the reliability and validity of the study constructs. Board competency showed high reliability, with a Cronbach's alpha of 0.863 and composite reliability of 0.832, both exceeding recommended thresholds. The average variance extracted (AVE) was 0.647, indicating sufficient convergent validity. All five items loaded well on the construct, with loadings ranging from 0.751 to 0.851. This suggests that the items consistently captured the intended aspects of board competency, including knowledge, decision-making, legal awareness, and continuous skill development. Transparency also reflected strong internal consistency, with Cronbach's alpha (0.879) and composite reliability (0.712) above acceptable levels. The AVE of 0.675 indicated good convergent validity. Item loadings were solid, ranging from 0.74 to 0.87, showing that openness in communication, financial clarity, and the regular sharing of updates were reliably represented. Stakeholder engagement demonstrated good reliability as well, with Cronbach's alpha of 0.775 and composite reliability of 0.809. The AVE was 0.666, supporting convergent validity. Factor loadings (0.795–0.841) confirmed that the items effectively measured the construct, highlighting organizational practices such as listening to stakeholders, encouraging staff input, and involving communities in planning. Compliance showed acceptable levels of reliability and validity, with Cronbach's alpha at 0.768 and composite reliability at 0.745. The AVE (0.657) met the standard threshold, while item loadings ranged from 0.736 to 0.891. This indicates that adherence to laws, rules, staff training, and reporting processes were well captured by the construct. Leadership quality had one of the highest reliability values, with Cronbach's alpha at 0.899 and composite reliability at 0.826, supported by an AVE of 0.714. Item loadings were consistently strong (0.826–0.881), suggesting that clear guidance, fairness, respect, and problem-solving were reliably represented. Finally, non-profit governance effectiveness also performed well, with Cronbach's alpha of 0.807 and composite reliability of 0.731. The AVE was the highest among constructs at 0.73, demonstrating strong convergent validity. Factor loadings (0.808–0.877) showed that effectiveness in governance was strongly linked to policies, procedures, transparency in decision-making, fairness, and the organization's ability to achieve its goals.

Table 1. Demographic profile of study participants (n=266).

	Frequency	Percent
Gender		
Male	38	14%
Female	228	86%
Age		
Below 25	16	6%
25–34	93	35%
35–44	98	37%
45–54	48	18%
55 and above	11	4%
Education		
High school or below	14	5%
Bachelor's degree	190	71%
Master's degree	41	15%
Doctorate (PhD)	21	8%
Experience in non-profit		
Less than 1 year	19	7%
1–3 years	98	37%
4–6 years	89	33%
7–10 years	32	12%
More than 10 years	28	11%
Job position		
Entry-level staff	22	8%
Mid-level staff	101	38%
Senior staff	78	29%
Manager	43	16%
Executive/Director	22	8%

Table 2. Measurement model.

Items with Constructs	Loadings	Cronbach's alpha	Composite reliability	Average variance extracted
Board Competency		0.863	0.832	0.647
BC1: The board members know how to guide the organization	0.751			
BC2: The board understands our work and challenges	0.826			
BC3: The board takes part in important decisions	0.851			
BC4: The board knows about laws and rules for non-profits	0.804			
BC5: The board members improve their skills through training	0.786			
Transparency		0.879	0.712	0.675
TR1: The organization shares information openly	0.87			
TR2: I know how the organization uses its money	0.839			
TR3: Staff are told about important changes or decisions	0.825			
TR4: Reports and updates are shared regularly	0.828			
TR5: We can speak openly without fear	0.74			
Stakeholder Engagement		0.775	0.809	0.666
SE1: We listen to the people we serve and our donors	0.795			
SE2: Staff ideas are welcomed and considered	0.799			
SE3: The organization asks for feedback before big decisions	0.841			
SE4: We work together with community members	0.834			
SE5: Stakeholders are part of our planning process	0.811			
Compliance		0.768	0.745	0.657
CM1: We follow all the rules and laws in our work	0.891			
CM2: Staff are taught the correct ways to do their jobs	0.818			

CM3: The organization checks that we are doing things right	0.736			
CM4: We report to the government or authorities when needed	0.849			
CM5: There are clear rules for how we should behave at work	0.749			
Leadership Quality		0.899	0.826	0.714
LQ1: Our leaders explain what needs to be done clearly	0.881			
LQ2: Leaders support staff and treat them with respect	0.843			
LQ3: Leaders act in a fair and honest way	0.83			
LQ4: Our leaders help us solve problems	0.826			
LQ5: The leaders guide the organization in the right direction	0.843			
Non-profit Governance Effectiveness		0.807	0.731	0.73
GE1: My organization has clear policies and procedures	0.808			
GE2: The board makes sure the organization is working well	0.871			
GE3: I understand how decisions are made in this organization	0.872			
GE4: The organization works in an honest and fair way	0.841			
GE5: Governance helps us reach our goals	0.877			

Table 3 presents the results of discriminant validity testing using the Fornell–Larcker criterion. According to this method, the square root of the Average Variance Extracted (AVE) for each construct (shown on the diagonal) should be higher than its correlations with other constructs. This ensures that each construct is conceptually distinct and not overly overlapping with others. The Fornell–Larcker criterion supports that the study's measurement model demonstrates adequate discriminant validity. All constructs—board competency, compliance, leadership quality, governance effectiveness, stakeholder engagement, and transparency—are sufficiently distinct from each other, strengthening confidence in the structural model.

Table 3. Discriminant validity (Fornell-larcker criterion).

	Board Competency	**Compliance**	**Leadership Quality**	**Non-profit Governance Effectiveness**	**Stakeholder Engagement**	**Transparency**
Board Competency	0.854					
Compliance	0.749	0.811				
Leadership Quality	0.768	0.727	0.845			
Non-profit Governance Effectiveness	0.794	0.647	0.734	0.854		
Stakeholder Engagement	0.649	0.711	0.657	0.751	0.816	
Transparency	0.713	0.751	0.643	0.744	0.734	0.821

Table 4 presents the structural model results, showing the path coefficients between the independent variables and non-profit governance effectiveness. All hypothesized paths (H1–H5) were found to be statistically significant, with p-values at 0.00, well below the conventional threshold of 0.05. This confirms that each construct contributes meaningfully to explaining governance effectiveness in non-profit organizations. Board competency demonstrated a positive and significant effect on governance effectiveness (β = 0.389, t = 4.241), supporting H1. This indicates that when board members possess the necessary knowledge, decision-making skills, and legal awareness, governance outcomes improve. Transparency also had a significant positive effect (β = 0.413, t = 6.259), supporting H2. This suggests that open communication, information sharing, and financial clarity play an important role in strengthening governance effectiveness. Stakeholder engagement showed the strongest influence, with a path coefficient of β = 0.565 and a very high t-value of 7.777, confirming H3. This underscores that involving staff, donors, and community members in decision-making and planning greatly enhances governance outcomes. Compliance was also a significant predictor (β = 0.438, t = 6.403), supporting H4. Adherence to laws, internal rules, and proper reporting practices thus contributes substantially to governance effectiveness. Finally, Leadership quality had an equally strong effect (β = 0.565, t = 7.731), confirming H5. This finding highlights that clear, supportive, and ethical leadership is central to guiding organizations in the right direction and ensuring effective governance.

The R-square value in Figure 2 for non-profit governance effectiveness is 0.604, which indicates that the independent variables in the model (board competency, transparency, stakeholder engagement, compliance, and leadership quality) collectively explain about 60.4% of the variance in governance effectiveness. This represents a substantial level of explanatory power, suggesting that the model provides a strong account of the factors influencing governance outcomes in non-profit organizations.

Table 4. Path coefficients.

Paths	Beta	Standard deviation	T statistics	P values	Results
Board Competency -> Non-profit Governance Effectiveness	0.389	0.089	4.241	0.00	H1 accepted
Transparency -> Non-profit Governance Effectiveness	0.413	0.09	6.259	0.00	H2 accepted
Stakeholder Engagement -> Non-profit Governance Effectiveness	0.565	0.083	7.777	0.00	H3 accepted
Compliance -> Non-profit Governance Effectiveness	0.438	0.094	6.403	0.00	H4 accepted
Leadership Quality -> Non-profit Governance Effectiveness	0.565	0.119	7.731	0.00	H5 accepted

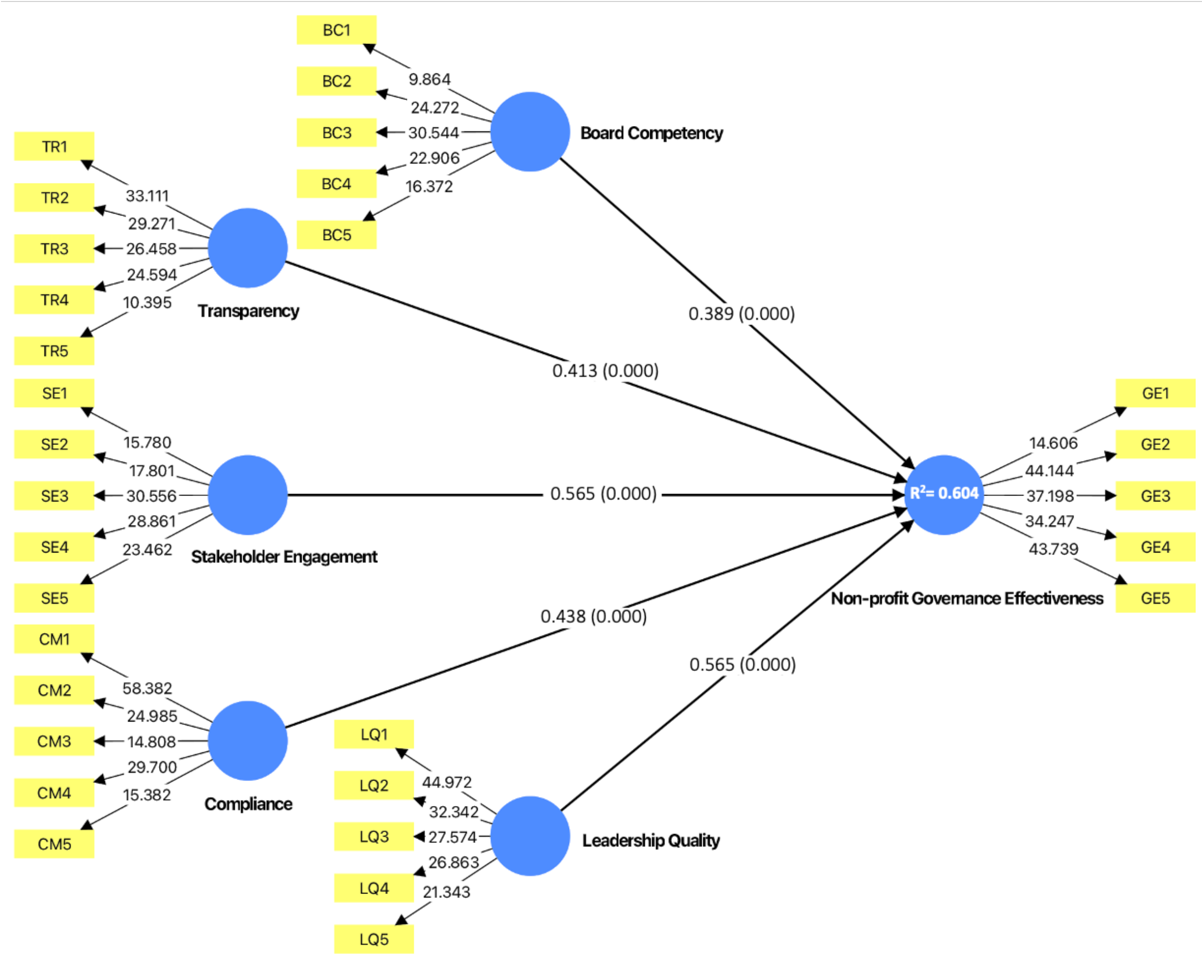

Figure 2. Structural model.

5. Discussion

The research results establish essential knowledge about what makes non-profit organizations in Saudi Arabia achieve effective governance. The structural model validated all proposed relationships which showed that board competency together with transparency and stakeholder involvement and compliance and leadership quality independently influence governance practices. The model variables together explained 60.4% of non-profit governance effectiveness which demonstrates strong explanatory power and confirms the model's robustness.

The study shows that stakeholder engagement and leadership quality function as the most influential factors among all predictors. The research demonstrates that non-profit organizations need both participatory methods and skilled leadership to achieve their goals. Staff involvement with donors and community members in organizational processes leads to governance systems that become more inclusive and responsive (Ronquillo et al., 2012). Organizations achieve their governance targets better when leaders demonstrate fairness and provide clear direction while offering support to their teams. The study shows that transparency and compliance practices produce positive effects in governance systems. Organizations that maintain open information sharing and financial disclosure practices build stronger internal trust and gain external legitimacy (Dethier et al., 2023). Governance processes maintain their credibility and accountability to regulators and stakeholders through strict adherence to legal frameworks and organizational rules (Greiling & Stötzer, 2016). The Saudi non-profit sector faces increased scrutiny regarding accountability because of regulatory changes and stakeholder expectations which makes transparency and compliance essential.

The research established that board competency functions as a vital element which drives effective governance practices. Organizations benefit from boards that possess both knowledge and skills because these boards can provide strategic direction and monitor compliance and optimize resource utilization. The results support the ongoing need for Saudi non-profits to focus on developing their boards through training programs. The research shows that effective governance depends on five essential elements which include strong leadership and active stakeholder involvement and transparent operations and rule compliance and skilled board members. The research findings offer useful guidance to policymakers and practitioners who want to enhance non-profit governance systems in Saudi Arabia and worldwide. The study adds to non-profit governance research through empirical evidence which shows how leadership and transparency and compliance and board competency and stakeholder engagement work together to determine governance effectiveness. The research supports the complex nature of governance while introducing Saudi non-profit governance theories to a field that lacks sufficient empirical data. The study validates these constructs which strengthens theoretical frameworks that demonstrate participatory and ethical governance as essential elements for organizational success.

The research provides essential operational recommendations for Saudi non-profit organizations to enhance their governance practices according to Vision 2030's objectives for developing an accountable non-profit sector. The research indicates that Saudi non-profits need to establish systems which enable staff and donors and community members to participate in organizational decision-making processes. The empowerment of citizens and communities to participate in national development aligns with Vision 2030's objectives. Non-profits can build public trust and deliver services that meet community needs by establishing feedback systems and advisory boards and participatory planning processes (Renz et al., 2023).

The research demonstrates that leadership quality stands as a vital factor which enables organizations to achieve effective governance. Non-profits can support Vision 2030's leadership development initiative by funding training programs which teach leaders to make ethical choices and maintain fairness and deliver clear messages. Leaders who demonstrate strength create internal confidence while building external trust with partners and regulatory bodies. The study established transparency as a fundamental element for successful governance. The Saudi government supports Vision 2030 through transparency because it builds institutional trust and accountability. Non-profits need to implement public disclosure practices and maintain open stakeholder dialogue and financial transparency (Dicke and Ott, 2023). These measures will improve organizational legitimacy while drawing more donors and maintaining compliance with regulatory standards. The effectiveness of governance depends on organizations following all relevant laws and regulations and maintaining compliance with their established standards. Non-profits need to enhance their internal compliance systems through ongoing staff education and well-defined reporting systems and Saudi regulatory adaptation (Lacruz et al., 2023). A compliance-oriented culture helps organizations maintain stability while following Vision 2030's goal to establish dependable institutions.

The study identified board competency as a fundamental element which drives effective governance practices. The professionalization initiative of Vision 2030 requires all sectors to develop professional boards including non-profit organizations. The boards need proper training and expertise to perform their duties of strategic guidance and long-term planning effectively. The investment in board development will enable non-profits to achieve their goals better while supporting the national strategy for sustainable development and accountability.

6. Conclusion

The research investigated which elements determine the effectiveness of non-profit organization governance in Saudi Arabia through an analysis of board competency and transparency and stakeholder involvement and compliance and leadership quality. The research established that governance effectiveness depends on all five studied factors. The study revealed that stakeholder engagement and leadership quality proved to be the most influential factors for improving organizational governance because they support active community involvement and moral leadership. The research shows that effective governance in non-profit organizations requires multiple elements to function properly. The combination of transparent operations with regulatory compliance establishes accountability while board competency delivers strategic direction and monitoring functions. These governance elements work together to establish an environment which supports organizational performance and public trust and maintains integrity. The research outcomes from this research hold special value for the Saudi Arabian context. The non-profit sector can become a vital force for social and economic development through Vision 2030 because of its enhanced governance structure. Saudi non-profits can improve their national development impact through stakeholder inclusion and leadership development and board training and regulatory compliance and transparency practices. Non-profit organizations achieve effective governance through the combination of competent leadership and stakeholder engagement and transparent operations and regulatory compliance and skilled board members. The research results help both academic studies about non-profit governance and organizations that want to build better structures. Research should investigate mediating or moderating factors and perform cross-country comparisons and evaluate how governance practices affect long-term organizational sustainability.

Author Contributions:

Conceptualization: Ziyad Ibraheem Alzaidan, Othman Saleh Albulayhl, Fahad Alqusumi, Faisal Mohammed AlRashidi, Faris Mohammed Almazyad.
Data curation: Abdulaziz Mohammad ALajlan, Ibrahim Abdulrahman Alghurayr.
Formal analysis: Waleed Abdulmohsan Alsawee, Mohammed Saleh Aldahash, Khalid Almubark.
Funding acquisition: Ziyad Ibraheem Alzaidan, Othman Saleh Albulayhl, Fahad Alqusumi, Faisal Mohammed AlRashidi.
Investigation: Faris Mohammed Almazyad, Abdulaziz Mohammad ALajlan.
Methodology: Ibrahim Abdulrahman Alghurayr, Waleed Abdulmohsan Alsawee, Mohammed Saleh Aldahash.
Project administration: Waleed Abdulmohsan Alsawee, Mohammed Saleh Aldahash, Khalid Almubark.
Resources: Ziyad Ibraheem Alzaidan, Othman Saleh Albulayhl.
Software: Abdulaziz Mohammad ALajlan, Ibrahim Abdulrahman Alghurayr, Waleed Abdulmohsan Alsawee.
Visualization: Faisal Mohammed AlRashidi, Faris Mohammed Almazyad, Abdulaziz Mohammad ALajlan.
Writing – original draft: Ziyad Ibraheem Alzaidan, Othman Saleh Albulayhl.
Writing – review & editing: Mohammed Saleh Aldahash, Khalid Almubark.

Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Not applicable.

Data Availability Statement: Data is available upon request from the authors.

Conflicts of Interest: The author(s) declares no conflicts of interest.

References

Al-Nahari, E. G. A., & Mofawaz, M. (2023). Philanthropy in Saudi Arabia. In Philanthropy in the Muslim World (pp. 133-155). Edward Elgar Publishing. https://doi.org/10.4337/9781035306572.00016

Arshad, R., Bakar, N. A., & Othman, F. (2016). Board competencies, network ties and risk management disclosure practices in non-profit organizations. Journal of Applied Business Research, 32(5), 1319. https://doi.org/10.19030/jabr.v32i5.9761

Baihaqi, J., & Ulfa, S. (2022). Implementation of Good Governance for Zakat Management (Case Study at Baznas Kudus Regency). Wiga: Jurnal Penelitian Ilmu Ekonomi, 12(4), 352-359. https://doi.org/10.30741/wiga.v12i4.870

Balduck, A. L., Van Rossem, A., & Buelens, M. (2010). Identifying competencies of volunteer board members of community sports clubs. Nonprofit and Voluntary Sector Quarterly, 39(2), 213-235. https://doi.org/10.1177/0899764009334306

Behn, B. K., DeVries, D. D., & Lin, J. (2010). The determinants of transparency in nonprofit organizations: An exploratory study. Advances in Accounting, 26(1), 6-12. https://doi.org/10.1016/j.adiac.2009.12.001

Benito-Esteban, C. I., Elvira-Lorilla, T., Garcia-Rodriguez, I., & Romero-Merino, M. E. (2024). The complex relationship between the board and web transparency in nonprofit organizations. Voluntas: International Journal of Voluntary and Nonprofit Organizations, 35(1), 48-60. https://doi.org/10.1007/s11266-023-00566-y

Blevins, D. P., Ragozzino, R., & Eckardt, R. (2022). "Corporate governance" and performance in nonprofit organizations. Strategic organization, 20(2), 293-317. https://doi.org/10.1177/1476127020921253

Brown, W. A. (2005). Exploring the association between board and organizational performance in nonprofit organizations. Nonprofit management and leadership, 15(3), 317-339. https://doi.org/10.1002/nml.71

Dethier, F., Delcourt, C., & Willems, J. (2023). Transparency of nonprofit organizations: An integrative framework and research agenda. Journal of Philanthropy and Marketing, 28(4), e1725.

Dicke, L. A., & Ott, J. S. (Eds.). (2023). Understanding nonprofit organizations: Governance, leadership, and management. Taylor & Francis. https://doi.org/10.4324/9781003387800

Fu, J. S., Cooper, K. R., Woo, D., & Kwestel, M. (2024). Beyond stakeholder management: Organizational listening for nonprofit stakeholder engagement. Nonprofit and Voluntary Sector Quarterly, 53(4), 841-865.

Greiling, D., & Stötzer, S. (2016). Accountability Reporting in Austrian Nonprofit Organizations-More than a Compliance Instrument?. Public Administration Quarterly, 40(2), 256-287. https://doi.org/10.1177/073491491604000203

Greitemeyer, T., & Sagioglou, C. (2018). When positive ends tarnish the means: The morality of nonprofit more than of for-profit organizations is tainted by the use of compliance techniques. Journal of Experimental Social Psychology, 76, 67-75. https://doi.org/10.1016/j.jesp.2017.12.007

Harris, E. E., & Neely, D. (2021). Determinants and consequences of nonprofit transparency. Journal of Accounting, Auditing & Finance, 36(1), 195-220. https://doi.org/10.1177/0148558X18814134

Heikkinen, A., Kujala, J., & Inha, M. (2019). Stakeholder engagement in a non-profit organisation: an issue-based perspective. International Journal of Human Resources Development and Management, 19(1), 5-20. https://doi.org/10.1504/IJHRDM.2019.097060

Ihm, J. (2015). Network measures to evaluate stakeholder engagement with nonprofit organizations on social networking sites. Public Relations Review, 41(4), 501-503. https://doi.org/10.1016/j.pubrev.2015.06.018

Kugel, J., & Mercado, J. M. (2024). Good Governance in not-for-profit organizations: A review of the literature on boards of directors. Journal of Governmental & Nonprofit Accounting, 13(1), 56-82. https://doi.org/10.2308/JOGNA-2022-011

Lacruz, A. J., Rosa, A. R., & Oliveira, M. P. V. D. (2023). The effect of governance on donations: Evidence from Brazilian environmental nonprofit organizations. BBR. Brazilian Business Review, 20(1), 56-75. https://doi.org/10.15728/bbr.2023.20.1.4.en

Lu, Z., Zhang, Y., & Williamson, A. (2024). Governance and efficiency in Chinese foundations. Financial Accountability & Management, 40(4), 520-548. https://doi.org/10.1111/faam.12390

McMurray, A. J., Islam, M., Sarros, J. C., & Pirola-Merlo, A. (2012). The impact of leadership on workgroup climate and performance in a non-profit organization. Leadership & Organization Development Journal, 33(6), 522-549. https://doi.org/10.1108/01437731211253000

Mwenja, D., & Lewis, A. (2009). Exploring the impact of the board of directors on the performance of not-for-profit organizations. Business Strategy Series, 10(6), 359-365. https://doi.org/10.1108/17515630911005646

Ortega-Rodríguez, C., Martín-Montes, L., Licerán-Gutiérrez, A., & Moreno-Albarracín, A. L. (2024). Nonprofit good governance mechanisms: A systematic literature review. Nonprofit Management and Leadership, 34(4), 927-957. https://doi.org/10.1002/nml.21598

Petrovits, C., & Yetman, M. H. (2023). Governance of nonprofit organizations. In Research Handbook on Nonprofit Accounting (pp. 192-213). Edward Elgar Publishing. https://doi.org/10.4337/9781800888289.00019
Renz, D. O., & Andersson, F. O. (2025). Who really governs and how: Power, influence, and the role of dominant coalitions in the governance of nonprofit arts organizations. In The Routledge Companion to Governance in the Arts World (pp. 171-190). Routledge. https://doi.org/10.4324/9781003316121-14
Renz, D. O., Brown, W. A., & Andersson, F. O. (2023). The evolution of nonprofit governance research: Reflections, insights, and next steps. Nonprofit and Voluntary Sector Quarterly, 52(1_suppl), 241S-277S. https://doi.org/10.1177/08997640221111011
Ronquillo, J. C., Hein, W. E., & Carpenter, H. L. (2012). Reviewing the literature on leadership in nonprofit organizations. In Human resource management in the nonprofit sector (pp. 97-116). Edward Elgar Publishing. https://doi.org/10.4337/9780857937308.00011
Roshayani, A., Hisham, M. M., Ezan, R. N., Ruhaini, M., & Ramesh, N. (2018). Desired board capabilities for good governance in non-profit organizations. Administratie si Management Public, (30), 127-140. https://doi.org/10.24818/amp/2018.30-09
Sessler Bernstein, R., & Fredette, C. (2024). Decomposing the impact of leadership diversity among nonprofit organizations. Nonprofit and Voluntary Sector Quarterly, 53(1), 79-106. https://doi.org/10.1177/08997640221145119
Sritharan, N., Malik, A. A., & Sami, A. (2024). Continuity and change in Saudi Arabia's development and humanitarian aid. Third World Quarterly, 45(15-16), 2208-2227. https://doi.org/10.1080/01436597.2023.2288852
Striebing, C. (2017). Professionalization and voluntary transparency practices in nonprofit organizations. Nonprofit Management and Leadership, 28(1), 65-83. https://doi.org/10.1002/nml.21263
Verbruggen, S., Christiaens, J., & Milis, K. (2011). Can resource dependence and coercive isomorphism explain nonprofit organizations' compliance with reporting standards?. Nonprofit and voluntary sector quarterly, 40(1), 5-32. https://doi.org/10.1177/0899764009355061
Westland, J. C. (2010). Lower bounds on sample size in structural equation modeling. Electronic commerce research and applications, 9(6), 476-487. https://doi.org/10.1016/j.elerap.2010.07.003
Woo, D., Actis, K., & Fu, J. S. (2023). Nonprofits' external stakeholder engagement and collaboration for innovation: A typology and comparative analysis. Nonprofit Management and Leadership, 33(4), 711-733. https://doi.org/10.1002/nml.21547
Woodroof, P. J., Howie, K. M., & Peasley, M. C. (2021). Nonprofit quality: What is it and why should nonprofits care?. Journal of Philanthropy and Marketing, 26(1), e1682. https://doi.org/10.1002/nvsm.1682
Yoon, N. (2025). How much does nonprofit board governance matter? Role of interlocking directorates, executive power, and women on boards in executive compensation. Review of Public Personnel Administration, 45(3), 447-470. https://doi.org/10.1177/0734371X231221505