MOdERATING EFFECT OF PROFITABILITY BETWEEN THE RELATIONSHIP OF CORPORATE GOVERNANCE AND OPERATIONAL EFFICIENCY: AN EMPIRICAL FROM IRAQ TEXTILE SECTOR

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empowering stakeholders with access to a monitoring and control system increases management's transparency to scrutiny. Therefore, the purpose of this study is to analyze the impact of corporate governance on the operational efficiency of textile enterprises in Iraq, with the moderating effect of profitability. The research adopted a quantitative positivist methodology and a cross-sectional design. The self-administered questionnaire was used to collect data through a strategy of easy sampling. 500 research questionnaires were given in the survey, but only 400 were returned. The Partial Least Square (PLS)-Structural Equation Modeling (SEM) technique was applied for data analysis from both measurement and structural model standpoints. The regression analysis results indicate that corporate governance has a positive and statistically significant effect on operation efficiency and that profitability likewise has a positive and statistically significant impact on operational efficiency. The indirect effect implies that profitability has a positive and considerable moderating influence on the link between corporate governance and operational efficiency. These data indicate that the study's most significant contribution is its emphasis on moderating profitability. The study's findings contribute to the emerging corporatization governance literature. The research may also aid business owners and entrepreneurs in comprehending the significance of corporate governance and profitability to enhance their businesses' operational efficiency.

Keywords: operational efficiency, profitability, corporate governance, Iraq.

1. INTRODUCTION

The Public, regulators, and the firm's management have all paid particular attention to fundamental corporate governance issues (COG). COG will ensure that the organization's management system is efficient and of high quality. In addition, it mandates that all businesses produce standard performance and transparent information to increase productivity, competitiveness, and economic value (Tunpornchai et al., 2018). This will satisfy all parties involved. Additionally, COG is essential for enhancing the firm's efficiency (Chatchawanchanchanakij et al., 2019). The board of directors, shareholders, and all other interested parties are incorporated into the governance structure. The committee's role as an intermediate is spelled out; it is tasked with transparently administering, controlling, and monitoring the company's long-term success (Puangyanee, 2018). An agency connection exists between a principal and an agent (Jensen et al., 2019) who seek the highest profit for the business and an employee or agent (Jensen et al., 2019). Therefore, the Stock Exchange of Iraq has emphasized the significance of adhering to COG ideals to increase businesses' efficiency. Good COG could be attained with a systematic approach that facilitates effective management. Therefore, if the company wishes to attract investors that are extremely interested in investing with it, it must have an exceptional COG. It can be an example of how future
rising profitability-building competition will impact a company's bottom line. It also affects the long-term prosperity of the company and its stockholders (Handayani, 2019) and operating efficiency (OPE) (Prasanjaya, 2013).

Several empirical studies have proven that COG has a positive and significant influence on OPE (Brown et al., 2009), while other studies have demonstrated that COG has a positive and significant impact on a company's profitability (Narwal et al., 2015).

According to the findings of numerous previous studies, profitability has a significant and favorable influence on OPE (Azim et al., 2015; Christaria et al., 2016).

Other studies have shown that profitability mediates the relationship between OPE and COG (Hill et al., 1988). According to another study, COG and business profitability have a substantial favorable effect on operational efficiency (Claessens et al., 2002). In addition, previous research has primarily concentrated on two or three COG markers. For example, used board meeting, board committees, and audit committees (Danoshana et al., 2019), whereas other studies used board size, board independence, board composition, and board concentration in further research (Almoneef et al., 2019; Arayssi et al., 2019; Mohan et al., 2018), with the majority of these studies focusing on other sectors and secondary data. In contrast, various empirical approaches and data collection bases have been employed to study the relationships between COG, profitability, and OPE.

He et al. (2011) used informal hierarchy to their advantage by proving a positive association with company outcomes. According to Byron et al. (2016)'s examination of the correlation between the composition of the board of directors and financial performance, the presence of women on the board is associated with improved profitability. Conyon (2014) and (Seneviratne et al., 2012) focus on CEO compensation, whereas Bear et al. (2010) and Webb (2004) emphasize diversity and board size. Based on the gaps, the current study comprises "board size, board independence, board meetings, board committee, and board diversity" in the model.

In contrast, previous studies focused more on the effect of COG on financial performance and less on OPE. Therefore, this study has explored these indicators in relation to operational efficiency. On the other hand, prior studies concentrated mostly on other established economies while ignoring developing economies, particularly Iraqi textile companies. The textile industries in Iraq contributed significantly to the country's social and economic growth. Consequently, this area could not be neglected. The current study's purpose is to explore the influence of COG on OPE with a moderating effect on the profitability of the textile business in Iraq.

2. THEORETICAL AND EMPIRICAL REVIEW

The literature review discussed both theoretical and empirical performance.
2.1 Theoretical Review

The current research paradigm is based on two theories from a theoretical standpoint: agency theory and resource dependency theory. Agency theory in the context of business is a subfield of corporate governance. It relates to the divergent interests of a company's directors and shareholders. In the past, there was fear that board members might not prioritize investor interests. In contrast, according to the resource dependency theory, firms and other organizations obtain the resources they require to function through exchanges with other actors and institutions in their ecosystems. Such partnerships may be advantageous, but they carry the danger of fostering unwanted dependence (Bryant et al., 2012; Mudambi et al., 2007).

2.2 Operational Efficiency

Companies that practice operational efficiency (OPE) keep expenses, income, and output in a healthy balance. Effective businesses can retain consumers and prosper in heavy competition, but inefficient businesses will fail in the long run (Peppard, 2000). Numerous research has examined the correlation between OPE and business success. If we want to know where we stand globally, we can examine a variety of global indices (Abdalla Alfaki et al., 2013). These indicators utilize standardized, globally accepted measurement sets. Guru et al. (2003) examined the industry to determine why some businesses are more successful than others and the extent to which the disparities in profitability can be attributed to differences in administration of internal elements as opposed to external conditions.

They argued that efficient expense management was one of the most important factors in explaining the operations of successful businesses 2002. Their research demonstrated that corporations could improve their performance by focusing on proper cost controls and operational efficiency, indicating that expense-management efficiency is crucial to a bank's ability to generate profits. Similar findings were also published by Safiullah (2010), demonstrating that organizations with higher OPE productivity had a significant competitive advantage. An increased association between operating profit margin (OPE) and performance was established after analyzing businesses from various transitioning nations. Sensarma (2006) arrived at an identical conclusion. Williams et al. (2005) investigated profit efficiency and bank governance in South and Southeast Asia and observed a significant association between the two. This demonstrates that OPE is a significant indicator that could assist in enhancing the competitive advantage of the companies.

2.3 Corporate Governance

The term "corporate governance" (COG) refers to the system in place to direct a company toward its objectives through its members' approaches, such as the drafting of mission statements and strategic plans (Bhagat et al., 2008). Strategies, policies,
monitoring, and supervision of operating outcomes are all elements of COG that can help a business's long-term success (Agrawal et al., 2012). The Board of Directors is responsible for ensuring that the company is managed in a way that inspires investor confidence and generates a profit (Governance Outcome) while also avoiding or eliminating all negative environmental impacts and adhering to high standards of ethics, responsibility, and social responsibility (Wuttichindanon, 2017). Vo et al. (2014) argue that COG emphasizes the framework and procedures that support strategic and operational business management. Due to COG, shareholders, stakeholders, the controlling system, and the board of directors interact. Brown et al. (2004) COG should be directed through the board of directors for maximum influence on the company and the owners' interests (Brown et al., 2004).

In recent years, academics have shown interest in COG. Despite the enormous number of studies on corporate governance, additional research is required to determine the relationship between CG and profitability at various firms. Khrawish et al. (2011), for instance, employed bank-level data and regression analysis to investigate the numerous factors that contribute to a company's overall success. This study demonstrated that despite the firm's profit-and-loss-sharing procedures for investments, the company has the potential to remain dynamic. In addition, the author of the study determined that various prudential rules are necessary for the company's financial services and products due to their distinct risk profiles (Abdullah et al., 2011). This discussion has demonstrated that COG is a crucial indicator for organizations to manage their regulatory challenges.

With prior discussion, past literature has primarily concentrated on two or three COG indicators. For example, used board meeting, board committees, and audit committees (Danoshana et al., 2019), whereas other studies used board size, board independence, board composition, and board concentration in further research (Almoneef et al., 2019; Arayssi et al., 2019; Mohan et al., 2018), with the majority of these studies focusing on other sectors and secondary data. In contrast, several empirical approaches and data collection bases were employed to investigate the relationships between COG, profitability, and OPE. He et al. (2011) used informal hierarchy to their advantage by proving a positive association with company outcomes. According to Byron et al. (2016)'s investigation of the correlation between the composition of the board of directors (COG) and financial performance, the presence of women on the board is associated with improved profitability. Conyon (2014) and (Seneviratne et al., 2012) both focus their study on executive compensation, whereas Bear et al. (2010) and Webb (2004) emphasize diversity and board size. Based on the gaps, the current study comprises "board size, board independence, board meetings, board committee, and board diversity" in the model. In contrast, previous studies focused more on the effect of COG on financial performance and less on OPE. Therefore, these indicators have been shared with OPE regarding this study.
2.4 Profitability

Numerous metrics may be used to analyze the success of a business, but the performance element is one of the most important (Molina-Azorín et al., 2009). Productivity, cycle time, waste reduction, and compliance with regulations are all markers of a company's effectiveness and environmental responsibility (Hawrysz et al., 2015). Multiple meanings allow us to perceive organizational performance as a means to an end (Bartuševičienė et al., 2013). The organization's performance is crucial in evaluating enterprises, operations, and environments. In other terms, the profitability of a business can be defined as the ratio of its profit to its total operating expenses. Profit as a proportion of expenses is greater for more efficient businesses than for less efficient organizations, which must incur greater expenses to reach the same level of profitability (Geroski et al., 1993). Another author defined Gapenski et al. (1993) as stating that Enterprise resource planning (ERP) involves profitability analysis, which assists company leaders in determining strategies to optimize revenues from various initiatives, programs, or products. This phrase systematically analyzes a company's financial gains from different income streams. This discussion revealed that previous studies' definitions were inconsistent. With this discrepancy, past research has primarily compared traditional banks to Islamic financial intermediaries. This article will examine profitability and OPE for textile manufacturing enterprises.

2.5 Empirical Review

Considering the above explanation, empirical study has demonstrated that COG is a significant indicator for OPE and that profitability is also important for COG and OPE. (Alarussi et al., 2018) It examines the numerous factors that contribute to the performance of Malaysian-listed companies. From their annual reports, 120 Bursa Malaysia-listed companies provided 2012-2014 statistics. Methods of data analysis mix random and fixed effects. The results indicate that the greater the size of the board, the greater its efficiency and profitability. Almaqtari et al. (2022) studied the effect of COG on bank profitability using data from a sample of 61 Indian banks and concluded that COG harms the profitability of Indian banks. Buchory (2015) explored the elements that influence the OPE of financial organizations. The researcher collected the data through a survey of 26 regional development banks in Indonesia. This study uses multiple regression econometrics to analyze data gathered from 26 regional development banks in Indonesia. OPE is discovered to have a negative association with profitability. In their analysis of Ethiopia's economy, Abate et al. (2019) investigate the impact of the country's macroeconomics, industrial composition, and banking system on its profitability. Using a random effect model, we discover that OPE and interest rate significantly negatively affect profitability at nine distinct commercial banks. These results align with other studies (Alemu, 2015; Restiyana et al., 2011). Nonetheless, further studies (Astutik et al., 2014; Sinha et al., 2016) indicate that profitability positively impacts OPE.
In an analysis of the financial performance of Thailand's publicly traded companies, the effect of corporate governance on board members’ skills served as a proxy for operational efficiency (Laoworapong et al., 2015). The structural equation model analyzed information from both primary and secondary sources. The data shows a strong positive correlation between OPE and COG and the company's future success. Detthamrong et al. (2017) examine a panel sample of 493 non-financial firms in Thailand from 2001 to 2014 to investigate the relationship between COG and financial success. No association existed between COG and OPE. The influence of OPE on COG and profitability was examined for 254 Thailand Stock Exchange companies (Puangyanee, 2018). The MIMIC model demonstrates that OPE has a considerable and positive impact on COG and profitability on the Thai stock exchange.

Hermalin et al. (1988) claimed further that shareholders would seek to replace internal directors with outsiders for better scrutiny. Ssekiziyivu et al. (2018) argued that a company's board composition is influenced by declines in financial performance because, in response to such declines, businesses seek to strengthen oversight by recruiting new, independent members who aren't afraid to make difficult decisions, such as replacing the CEO. After a decline in performance, some businesses promote outsiders to critical positions to gain new insights, extend their pool of experience, or convince their stakeholders that everything is under control (Pearce et al., 1992). According to Davis et al. (1994), legal action may also motivate hiring outside directors to exert greater control over management. Evidence also suggests that larger boards are favored for smaller businesses (Dalton et al., 1999). Still, the effect of board size on performance, in general, is the subject of contention (Alexander et al., 2007).

Companies with a lengthy history of great performance may find it easier to recruit suitable outside directors. A director's external prestige can stem from various sources, including the director's title and position (Daily et al., 1995). Highly qualified outside directors are those whose expertise and credentials make them great candidates for overseeing management and/or participating in the organization's strategic decision-making (Hillman et al., 2003). They may also be able to send signals to investors on the company's value or influence third-party resource providers such as banks. Literature suggests that non-executive directors protect their reputations (Fama et al., 1983). One way they may do so is by identifying themselves with reputable businesses and avoiding those that could damage their reputation.

Businesses might profit from the prestige that board members carry. As an illustration, Bell et al. (2008) found that the presence of famous directors in IPO businesses communicates the company's legitimacy and growth potential. To alleviate the concerns of skeptic investors, adding a prominent director to a startup's board serves as a "seal of approval" (Vasoo, 2013). On the other hand, individuals will avoid serving as directors of poorly performing corporations to protect their reputations from any potential harm that may arise from being affiliated with such a company (Ryan et al., 2010). Therefore,
it is stated that a firm's profitability is a significant signal that could boost the board of directors' confidence, thereby increasing the company's OPE.

Previous research has demonstrated the relationship between corporate governance, profitability, and operating profit margin (OPE). Still, none has examined the influence of COG on OPE with the moderating role of profitability using PLS-SEM. Consequently, the following study hypothesis is stated:

**Hypothesis 1:** Corporate governance has a positive and significant effect on operational efficiency.

**Hypothesis 2:** Profitability has a significant and positive effect on operational efficiency.

**Hypothesis 3:** Profitability significantly moderates between corporate governance and operational efficiency.

3. METHODOLOGY

The study's findings clarify the present research methodologies utilized in the critical analysis. Quantitative "positivist" research strategies were used in the current investigation. According to academic research (Queirós et al., 2017), quantitative research yields more effective outcomes than qualitative research. Moreover, in the present study, cross-sectional research methods are also employed. Using survey questions, first-hand data is gathered (Bowling, 1999), so preliminary information is collected. We have therefore utilized the "self-administrative survey questionnaire" to collect data. This survey served as the major means of data collection.

The operationalization of corporate governance included five indicators: board size, which comprised five items; board independence, which contained three items; and board diversity, which comprised six pieces. Board meetings, which occurred four times, and board committees, which included four items. The corporate governance metrics were selected based on the findings of (Honghui, 2017). Moreover, operational efficiency was comprised of seven items adapted from the research of (Mulla et al., 2019), and profitability was included of seven items adapted from the study of (Mulla et al., 2019). Mulla et al. (2019). The data were measured using a five-point Likert scale ranging from 1 for strongly disagree to 5 for strongly agree. The research questionnaires were issued to 500 managers in the textile industry, but only 400 were returned. The survey instrument was distributed using convenient sampling, employed when the population size is uncertain (Sekaran et al., 2016). Since the study's population is unknown, this methodology is deemed appropriate for the investigation.
4. DESCRIPTIVE ANALYSIS

In addition, descriptive statistics findings are anticipated utilizing the SPSS-22. By assessing central tendency and dispersion, this measurement provides information regarding the trends in each model item. The most prevalent approach for calculating the central tendency is the mean score of the responses. Moreover, they certify there is no issue with data dissemination. The outcomes of the descriptive analysis are presented in Table 1 below.

![Conceptual Framework](image)

**Figure 1:** Conceptual Framework

**Table 1. Descriptive Statistics**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
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<td>5.00</td>
<td>3.5923</td>
<td>.60194</td>
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<tr>
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<td>5.00</td>
<td>3.3703</td>
<td>.61537</td>
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<tr>
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</tr>
<tr>
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</tr>
<tr>
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<td>5.00</td>
<td>3.9045</td>
<td>.90543</td>
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<tr>
<td>PRO</td>
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<td>1.00</td>
<td>5.00</td>
<td>3.1234</td>
<td>.59034</td>
</tr>
</tbody>
</table>

4.1 Contract Validity and Reliability Model

In this section of the study, the data's dependability is evaluated and shown in Table 2. The measuring model was tested using two validity criteria derived from two models: convergent and discriminant validity. Convergent validity is the extent to which all measures of the same construct concur (Hult et al., 2018). Convergent validity can be established with measurements that include composite reliability (CR), factor loading, and extracted average variance (AVE). The intelligent PLS was applied to load each
questionnaire item. A minimum load value of 0.50 or greater is required for the factor to accept the item (J. F. Hair et al., 2019). Additionally, the CR that defines the division must be at least 0.70. (Hult et al., 2018). The AVE must be equal to or greater than 0.50. (J. J. F. Hair et al., 2016). The projected findings described previously are shown in Table 2.

Table 2. Reliability and Validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Loadings</th>
<th>Alpha</th>
<th>CR</th>
<th>AVE</th>
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<td><strong>Operational Efficiency</strong></td>
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<td>0.792</td>
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<tr>
<td></td>
<td>OPE2</td>
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<td>OPE3</td>
<td>0.660</td>
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<tr>
<td></td>
<td>OPE4</td>
<td>0.782</td>
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<td>OPE5</td>
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<td>OPE6</td>
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<td>OPE7</td>
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<td>0.807</td>
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<td>0.662</td>
</tr>
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<td></td>
<td>BOS2</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BOS3</td>
<td>0.820</td>
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<td></td>
<td>BOS4</td>
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<td><strong>Board independence</strong></td>
<td>BOI1</td>
<td>0.730</td>
<td>0.798</td>
<td>0.866</td>
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<td></td>
<td>BOI2</td>
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<td></td>
<td>BOI3</td>
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<td>0.897</td>
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<td></td>
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<td></td>
<td>BOD4</td>
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<td></td>
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<td></td>
<td>BOC4</td>
<td>0.790</td>
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<tr>
<td><strong>Board meetings</strong></td>
<td>BOM2</td>
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</table>
4.2 Discriminant Validity

In this study, discriminant validity is also important and recommended validity test. It consists of two criteria: Fornell & Larcker and Hetero Trait Mono Trait (Fornell et al., 1981). J. J. F. Hair et al. (2016) also proposed two more ways the concept may be discriminately true. Heterotrait-Monotrait Correlation Ratio (HTMT) is the third method, while the first two are "former and larker systems" and "cross-loading" (Henseler et al., 2015). According to the first way, indicators create greater variation than any other structure.

Due to this, the structure is deemed to have discriminative validity, albeit with a larger AVE square root value than the structure with the highest correlation (Chin, 1998). Cross-loading permits each indication to be loaded more severely than the transverse loads of the other components (Henseler et al., 2015). "As a result, discriminant validity was higher for each structure in the sample when the AVE of each building exceeded the maximum square correlation with any other structure, and the loading of each indicator in each building exceeded the "cross-loading" in any other structure. The minimum value of AVE is at least 0.50." If the HTMT is less than 0.90, a discriminant between two constructs must be determined (Hult et al., 2018). The discriminant validity of the construct is presented in Table 3 by Fornell and Larcker.

Table 3. Fornell & Larcker

<table>
<thead>
<tr>
<th>Constructs</th>
<th>OPE</th>
<th>BOS</th>
<th>BOI</th>
<th>BOC</th>
<th>BOM</th>
<th>BOD</th>
<th>PRO</th>
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<td>BOI</td>
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<td>0.393</td>
<td>0.385</td>
<td>0.348</td>
<td>0.325</td>
<td>0.902</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOD</td>
<td>0.243</td>
<td>0.283</td>
<td>0.479</td>
<td>0.425</td>
<td>0.249</td>
<td>0.894</td>
<td></td>
</tr>
<tr>
<td>PRO</td>
<td>0.269</td>
<td>0.263</td>
<td>0.132</td>
<td>0.203</td>
<td>0.099</td>
<td>0.526</td>
<td>0.856</td>
</tr>
</tbody>
</table>

4.3 Regression Analysis

After assessing the measurement model, the next criterion is to check the hypothesis testing. The existence of multicollinearity affected the results of the regression model. The anticipated capacity for the dependent variable to control the different effects of explanatory variables is laden by multicollinearity (J. Hair et al., 2017a). The study by Joe F Hair Jr et al. (2017) revealed multicollinearity with the measuring of the "Variance of Inflation Factor (VIF)." Hence, It is quite essential to determine the collinearity value of VIF. A study by Joe F Hair Jr et al. (2017) exposed that the VIF cutoff value would be less than 5.0. All the values were less than 5, which shows that the construct has no multicollinearity.
In addition, predictive relevance is the ability to forecast the data facts of pointers in models of reflective measurement of endogenous constructs along with endogenous single-item constructs. It is based on the discrepancies between $Q^2$ results (J. Hair et al., 2017a). When PLS-SEM demonstrates predictive relevance, it exactly predicts the indicator data points. A $Q^2$ value greater than zero for a particular endogenous latent variable implies that the PLS path model has predictive power for this construct (Joe F Hair Jr et al., 2017). Moreover, effect size postulates the importance of the connection between variables or the difference among the groups. The greater effect dimension suggests a practical implication for a research decision, whereas a small effect size entitles restricted practical applicability of the study (Joseph F Hair Jr et al., 2016). Effect size values below 0.02 indicate the absence of an effect. Also, standardized route coefficients with absolute values less than 0.1 may suggest a small effect, values between 0.3 and 0.5 is a medium effect, and values larger than 0.5 is a larger effect in some instances (J. Hair et al., 2017b). The hypothesis test from the structural model, the 500 resampling technique, was used to check the research hypothesis. The results have shown that corporate governance (COG) positively and significantly influences (OPE). This shows that the effectiveness of a company's operations could be increased or decreased depending on its COG. As per findings, good COG significantly affects business effectiveness. Kusuma et al. (2016) also argued that companies with strong COG practices have better financial and promotional outcomes. This finding lends credibility to the idea that the agency's costs could be reduced by improved COG followed by better governance practices. Businesses in under-developed countries could benefit from improved productivity if they adopt good COG practices. Evidence shows that the company's high level of corporate governance has led to improved performance, and total efficiency has increased. Therefore, it was found that Iraq textile companies significantly improved their COG to increase their OPE during the study period.

### Table 4. Hypothesis Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Loadings</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 COG -&gt; OPE</td>
<td>0.042</td>
<td>4.613</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H2 PRO -&gt; OPE</td>
<td>0.305</td>
<td>4.488</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H3 COG*PRO -&gt; OPE</td>
<td>0.048</td>
<td>4.834</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

The key findings further show that profitability (PRO) also has a positive and significant effect on OPE, which shows that when PRO is increased, the OPE of the companies also increases. The efficiency with which a business operates is directly related to its profitability. This is further supported by working capital management is a causal factor in profitability (Al-Slehat et al., 2020). That fits well with what we see in the real world. Profitability increases with the company's access to capital.

Additionally, management allows for only temporary cash flow. In addition, it is further argued in the extant literature that the better the OPE, the highly profitable a corporation...
or investment is. The reason is that entity can provide better income or profits for the same or at a minimum cost than its alternative. In the financial markets, OPE arises when transaction costs and fees are minimized (Al-Slehat et al., 2020). In addition, it is further found that COG has positive and significant moderating with the moderating effect of PRO, which shows that when the PRO is increased, it helps the COG to decide broader way, which helps to increase the OPE because companies with an extended run of exceptional performance may have an easier time attracting qualified outside directors. On the other side, people will avoid being directors of poorly performing companies to protect their reputations from any damage that may result from being associated with such a company (Ryan et al., 2010). Therefore, it could be claimed that PRO is an important indicator that could attract the board of directors and investors, increasing the OPE. All of the results are predicted in the following Table 4 above and Figure 2 below.

![Figure 2: Bootstrap Results](image)

5. CONTRIBUTIONS AND RECOMMENDATIONS

Based on the relevance of the study's findings, the current investigation is regarded as a pioneering study with both theoretical and practical consequences. Prior research has mostly focused on the direct impact of corporate governance on operational efficiency and the immediate impact on profitability. Second, earlier research on the relationship between corporate governance and operational efficiency and profitability relied primarily on secondary data, with minimal emphasis on primary data, particularly PLS-SEM. Thirdly, the moderating effect of profitability on the link between corporate governance and operational efficiency has received little attention in prior research. This
approach has added profitability as a moderating variable between corporate governance and operational effectiveness.

Consequently, the present study supplied the best findings for the expanded framework. Therefore, this research is regarded as a pioneering effort. In addition to its theoretical contributions, this study has practical ramifications. First, the current study may assist regulatory authorities and other policymakers in recognizing corporate governance's significance and enhancing operational efficiency. The regulatory agencies should also emphasize profitability, which could lead to corporate governance members contributing to increased operating efficiency. Thirdly, based on the study results, investors may now assess the company's genuine value, allowing them to make informed judgments regarding whether or not to purchase shares or assets by estimating their potential returns. This transition has resulted in increased competitiveness and higher financial pressures, particularly in acquiring additional foreign investors with ownership interests.

The contributions encourage companies dealing with the Iraq stock exchange to evaluate these research findings. This paper is intended to act as a roadmap for the company to increase its earnings and operational efficiency by evolving operational processes centered on corporate governance concerns. Listed companies place a premium on solid corporate governance standards that help them attract and retain top people, develop their leaders, and assure the company's long-term success. According to the findings, focusing on these three criteria should improve the company's operations. This characteristic was shown to have the strongest correlation with productive operations in the study.

6. LIMITATIONS AND FUTURE DIRECTIONS

Despite its substantial practical and theoretical contributions, the study contains several valuable limitations that could enable future scholars to do additional research. First, this study was limited to textile enterprises in Iraq, a single manufacturing sector industry, indicating a low degree of generalizability for other sectors; consequently, a future study could include other manufacturing sectors to boost the generalizability of the research. Second, this research was limited to only three selected corporate governance indicators. Still, several other corporate governance indicators could affect operational efficiency, including ownership concentration and board nationality, among others. Consequently, a future research framework would be expanded by including these two suggested variables. Third, the research was limited to a "cross-sectional research design" in which data was collected simultaneously. Still, other research designs, such as longitudinal research design, could have contributed to developing superior research findings.

REFERENCES


133


