

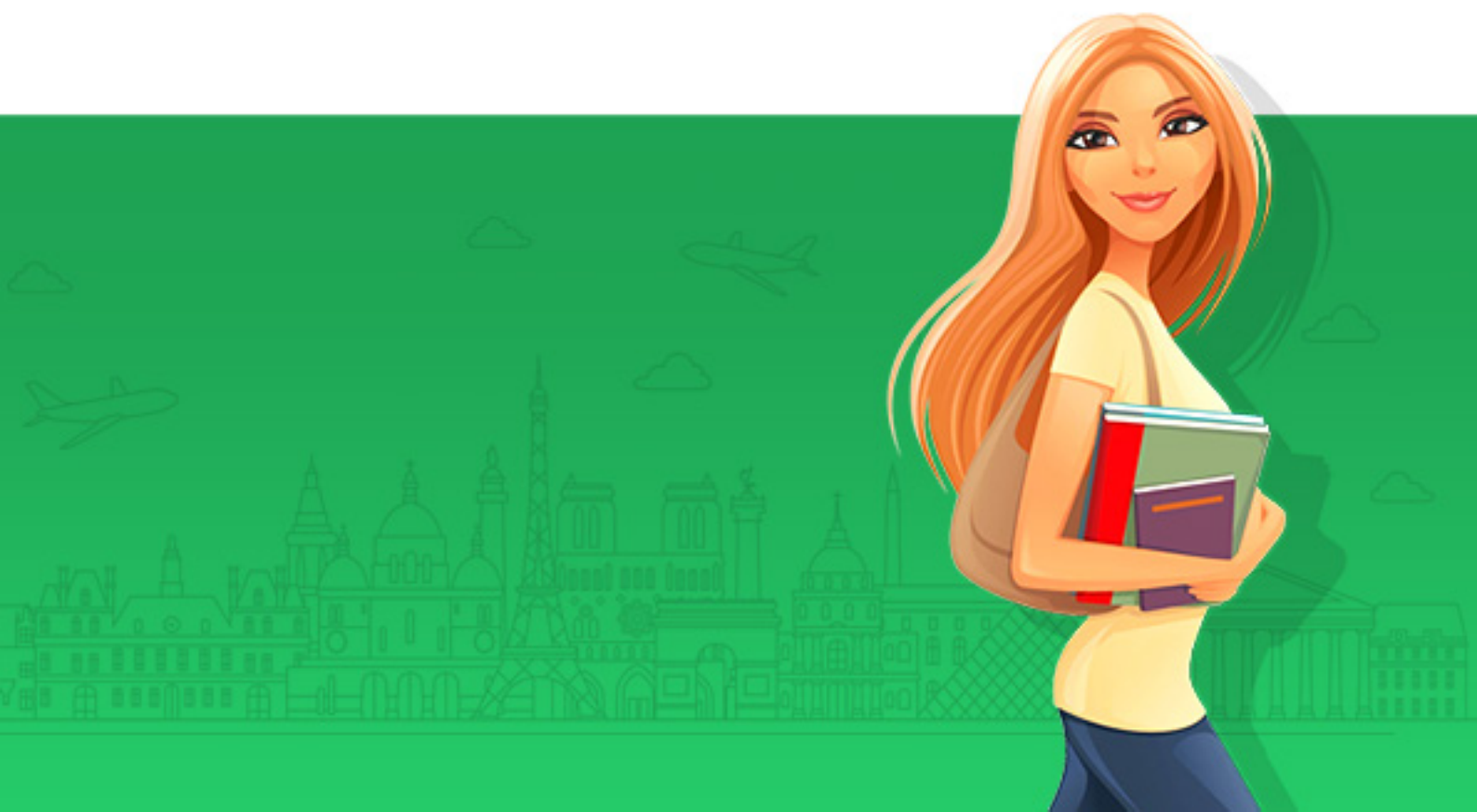


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# Corporate Governance: A Panacea for Corporate Failure?

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## — Abstract

Many studies have evaluated the relationship between corporate financial development and corporate governance. On the contrary, not many researchers have explored the relationship between corporate failure and corporate governance. It is amazing to find out that not much has been discovered in assessing the relationship between governance and failure since we often see only the equivocal findings of literature concerning governance and performance. Based on these facts, corporate failure can be said to offer a more effective evaluation of the ultimate performance of a company. By having a closer look at business organizations at two different extremes; those surviving in the market and those failing, a lot of insight can be derived, if any, variables of governance are very significant in preventing corporate failure. Adding more insight into the correlation between corporate failure and corporate governance is the main idea to be addressed in this thesis paper. The paper reviews literature pertinent to corporate governance; it also concerns corporate failure. Again, further review will be carried out on sources describing other corporate failure causes. The literature review will be useful in developing several hypothetical situations to be tested in the study. In this section, the paper will analyze the sample used and the methodology in general. There will also be a presentation of the variables of interest, as well as explanation of their operation. There will also be a chapter dedicated to results and findings, followed by a discussion section. The last chapter of the proposed paper will present the conclusions for the paper.



## — Introduction

Corporate governance is an effort carried out by business organizations taking into account market and regulatory mechanisms, as well as the relationships and roles between the management of a company, the shareholders, and the board. It also includes other stakeholders not forgetting the goals and objectives for which the organization is governed. There has been a great research on how this relates to corporate financial development. However, the question of corporate failure seems to be well addressed through corporate governance although not enough research has been conducted on how these matters relate. This paper therefore proposes to engage in a study finding the correlation between corporate failures as addressed through corporate governance.

## — Literature Review/Study Gaps

Stock backdating is an issue of concern and mechanisms of corporate governance, which are aimed at dealing with such problems. Ethical measures are considered to be a positive enablement strategy in helping the boards of corporations to protect the interests of the shareholders. A study on UK companies and their methods to set pay for the executive was conducted making a review of the impact of best practice in corporate governance and evaluating suchlike conflicts with stakeholders in general to find out what good behaviors and working procedures could be.

New ways of corporate governance, such as the enlightened corporate governance, have been proposed taking the particular employee



investment into account. The composition of the board, the practices of director compensation and compensation committees have been pointed out as factors that can lead to the conflict of interests between shareholders and the directors. Corporate governance should therefore be studied to see how it affects the whole process in addressing failures that loom.

The financial management practices and methods applied in the private sector have been highly proposed for making reforms in Canada and in many other places for over 50 years now. This has been very useful in the improvement of accountability on financial matters. The Securities and Exchange Commission of the United States has also sought out means through which it can address its challenges by dint of corporate governance. Subsequently, does it help in dealing with corporate failure? Corporate social responsibility (CSR) is also being employed by organizations and companies in gaining a competitive advantage. The main objective in this corporate governance approach is to strengthen the potential of the board on creating value in the long term. The causal effects of corporate social responsibility and corporate governance have been evaluated through an empirical association between them. The study on this subject realized that the variables of corporate governance were not affected by a lag in CSR. On the contrary, the lag in the variables of corporate governance affected the CSR engagement of the organization after having control over certain organization characteristics.

In the UK, the pension fund trusteeship has experienced deficiencies in the systems due to tension realized in between philosophies that conflict. Such conflicts have also extended to CEOs in other organizations when it comes to their compensation. There are thus challenges in corporations and organizations that are hypothetically



believed to be solved through corporate governance. Again, through a study of companies in Mauritius, which is an emerging economy, corporate governance promotes greater diversity and cultural inclusion among other factors to the welfare of the organization. Good governance is important. The guidelines of corporate governance represent a strategy that an organization can implement to cut down agency costs and align the boards' interest along with the capital suppliers. Research highlighting the mechanisms of corporate governance in enhancing the performance of firms has been increasing gradually when it comes to discussion of policies.

## — Research Methodology

This study will be quantitative in nature. There will be two concepts applied in this research: corporate governance and corporate failure, as well as their interrelation. Corporate governance in this paper will be taken as an independent variable whereas its impact on corporate failure will be the dependent variable. In order to realize the study's objectives, it will take a non-experimental form of relationship, which is considered as the most suitable way of dealing with the issues of corporate governance and its contribution to addressing the issue of corporate failure. The questions of research will be related to the view of organizational staff concerning the role of corporate governance in determining the welfare of the corporation or organization. One of its major aims is to elucidate the staff's attitude and actions towards corporate failure. The intervention variables will include demographic factors like the age, education level, gender and personnel's experience with corporate governance. A very significant element in the study will be the fact that the prospective participants are taken as experts based





on their experiences with corporate governance and matters of corporate failure. The study will make use of a validated survey instrument in the data collection process. Using methods of quantitative nature will be suitable in ascertaining the direction and the level of relationship between the study variables.

A random sample consisting of 200 staff members in an organization will be targeted to voluntarily take part in the experiment. This co-relation research of description will identify the characteristics of corporate governance and examine the most probable connections that take place between corporate governance and the challenges like that of corporate failure. The study will include the generation of empirical data and determine any relationship existing between corporate failure and corporate governance. A quantitative method will be useful because the matter to be studied identifies a factor that affects a result, a utility of intervention and even attainment of knowledge about predictors of the concept's outcome. Deductive analysis in the testing of the study's hypotheses and an application of survey instruments will be useful as it has always been the case in quantitative research. This strategy is crucial and most appropriate for such kind of data that can be measured, observable and analyzed by way of a numerical approach. Corporate governance characteristics are perceptible and can as well be quantified. Thus, a standardized survey instrument will be used in collecting the data needed to make correct inferences about the topic in question. It reveals that the study hypothesis can match well with the study means.



## — Summary and Significance of the Study

Corporate governance is a business concept implementation of which has been of great significance, especially in corporate financial development. Despite its application in various forms, its full potential has barely been reached. Basically, this study seeks to investigate the processes and structures for the control and direction of companies and the way they contribute to become a panacea for corporate failure. This research seeks to address an area that has received little attention: the relationship between corporate failure and corporate governance. There has not been much emphasis in the way corporate governance relates to corporate failure as is the case with corporate performance development.

This investigation is important because corporate governance has realized many benefits to corporations, companies and organizations. There is a lot of communication needed to highlight how corporate governance relates with corporate failure. Corporate governance is concerned with the correlation between the board of directors, the management, and all shareholders along with other stakeholders as well. It is necessary to note that well managed corporate governance adds up to the economic welfare through the development of company's performance and boosting the company's success to capital outside it. A study of this kind cannot be over-emphasized because its value is worth promoting the welfare of companies through its findings and recommendations.



## — Conclusion

This study is aimed to establish whether corporate governance is a panacea to corporate failure. The success that has been realized with corporate governance is very useful in business development. Corporate governance has got everything to do with making good decisions by the right individual. It is not only the domain of small and big organizations, it also involves the small business. Organizations, business and corporations need to start up in a smooth way with little confusion concerning responsibility and ways of eliminating corporate failure in organizations. This investigation helps in avoiding any flows of the benefits anticipated in any business engagement. It aims to explain further why corporate governance could hypothetically be worthwhile in dealing with corporate failure. Corporate failure can be eliminated through established processes and systems to make businesses grow in a smooth manner carrying out significant decisions in a very short time. With procedures and policies in place, people in an organization can be more comfortable and accountable concerning the decisions they arrive at. Such elements are crucial and can include a reward scheme for employees as well as innovative system of discipline in order to boost their organizational concentration. All these factors are elements of corporate governance believed to address corporate failure.

