SELINUS UNIVERSITY
OF SCIENCES AND LITERATURE

Corporate Governance and Legal Framework to Prevent Business Failure

By Fahid Ali Zeeshan

A DISSERTATION

Presented to the Department of
Business Administration
program at Selinus University

Faculty of Business & Media
in fulfillment of the requirements
for the degree of Doctor of Philosophy
in Business Administration

2024/2025

Contents

Chapter 1: Introduction

1.1.Background

Corporate governance refers to the system by which companies are directed and controlled. It encompasses the practices, policies, and procedures that ensure a company operates in a manner that is ethical, accountable, and transparent to its stakeholders. Effective corporate governance is crucial in maintaining investor confidence, reducing risk, and preventing corporate scandals and business failures.

Corporate governance mechanisms include a variety of internal and external controls designed to ensure that companies operate in the best interests of their shareholders and other stakeholders. These mechanisms involve the roles and responsibilities of the board of directors, executive management, auditors, and other key players. Effective governance practices ensure that management decisions are aligned with the long-term goals of the company and its stakeholders, reducing the potential for conflicts of interest and unethical behaviour.

Over the past few decades, numerous high-profile business failures have highlighted the importance of robust corporate governance. Incidents such as the collapse of Enron, Lehman Brothers, and the financial crisis of 2008 have exposed the vulnerabilities in corporate governance structures and the dire consequences of governance failures. These events have led to increased regulatory scrutiny and the development of more stringent legal frameworks aimed at enhancing corporate governance and preventing future business failures.

Enron's collapse in 2001, due to accounting fraud and corporate misconduct, served as a catalyst for significant changes in corporate governance practices. Similarly, the bankruptcy of Lehman Brothers in 2008, which played a major role in the global financial

crisis,

underscored the need for better risk management and oversight. These cases illustrate how failures in corporate governance can lead to significant financial and reputational damage, affecting not only the companies involved but also their employees, investors, and the broader economy.

Despite these measures, business failures continue to occur, indicating potential gaps in the existing corporate governance and legal frameworks. This thesis aims to explore these gaps and propose enhancements to ensure that corporate governance effectively contributes to business stability and success.

Corporate governance involves various mechanisms, including boards of directors, internal controls, and external audits, designed to monitor the actions of management and align them with the interests of shareholders and other stakeholders. The legal framework encompasses laws and regulations that govern corporate behaviour, such as the Sarbanes-Oxley Act in the United States and the UK Corporate Governance Code. These frameworks are intended to ensure transparency, accountability, and integrity in corporate operations.

The Sarbanes-Oxley Act of 2002, for example, introduced significant reforms to improve financial disclosures and prevent accounting fraud. The UK Corporate Governance Code emphasizes principles such as board effectiveness, accountability, and transparency, promoting best practices among UK-listed companies. These frameworks aim to restore investor confidence and protect the interests of stakeholders by setting high standards for corporate governance.

The increasing globalization of business has added complexity to corporate governance. Companies now operate across multiple jurisdictions, each with its own regulatory environment, which can complicate governance practices. Furthermore, the rise of digital technologies and social media has increased the demand for corporate transparency and accountability.

Globalization means that companies must navigate different legal systems, cultural expectations, and market conditions, making it challenging to maintain consistent governance standards. Additionally, technological advancements have made it easier for stakeholders to access information and hold companies accountable for their actions. Social media platforms, in particular, have amplified the voices of stakeholders, enabling them to influence corporate behavior and decision-making processes.

As businesses expand internationally, they face the challenge of harmonizing their governance practices across diverse regulatory landscapes. This requires a deep understanding of local laws and cultural norms, as well as the ability to implement governance practices that meet global standards while respecting local contexts. The increasing interconnectedness of markets also means that failures in one region can have ripple effects across the globe, further underscoring the need for robust corporate governance.

Moreover, digital technologies have transformed the way companies operate, presenting both opportunities and challenges for corporate governance. While technology can enhance transparency and efficiency, it also introduces new risks, such as cybersecurity threats and data privacy concerns. Effective corporate governance must adapt to these changes, ensuring that companies can leverage technology to improve their operations while mitigating potential risks.

In summary, the importance of corporate governance has grown significantly in recent years due to the increasing complexity of business operations and the heightened expectations of stakeholders. This thesis will explore the various dimensions of corporate governance and legal frameworks, analyzing their effectiveness in preventing business failures and proposing recommendations for improvement. By examining the interplay between governance practices and regulatory measures, this research aims to contribute to the development of more resilient and sustainable business models.

1.2.Research Problem

The central problem addressed in this thesis is the persistent occurrence of business failures despite the existence of corporate governance frameworks and legal regulations. This issue is multifaceted and complex, as it involves various internal and external factors that can undermine the effectiveness of corporate governance measures. Understanding these factors and evaluating the effectiveness of existing frameworks are critical for developing strategies to prevent future business failures.

Business failures can result from a variety of factors, including poor management, inadequate risk management, financial misconduct, and external economic shocks. These factors often interplay in ways that can exacerbate vulnerabilities within a company's governance structure. While corporate governance and legal frameworks are designed to mitigate these risks, their effectiveness can be undermined by several factors, such as weak enforcement, lack of transparency, and conflicts of interest.

1.2.1 Poor Management

Poor management is a significant contributor to business failures. Management teams are responsible for making strategic decisions, allocating resources, and guiding the overall direction of the company. When management lacks the necessary skills, experience, or ethical standards, it can lead to poor decision-making, misallocation of resources, and unethical behavior. For example, management decisions that prioritize short-term gains over long-term stability can result in unsustainable business practices and eventual failure.

Ineffective leadership and governance practices can create an environment where critical issues are overlooked or mishandled. This can lead to a decline in company performance, loss of stakeholder trust, and ultimately, business failure. Furthermore, a lack of succession planning and leadership development can result in a leadership vacuum, leaving the company vulnerable during times of transition.

1.2.2 Inadequate Risk Management

Inadequate risk management is another critical factor that can lead to business failure. Companies operate in environments that are subject to various risks, including market volatility, regulatory changes, technological advancements, and competitive pressures. Effective risk management involves identifying, assessing, and mitigating these risks to ensure the company's long-term viability. However, when companies fail to implement robust risk management practices, they become vulnerable to unforeseen events that can significantly impact their operations.

For instance, the 2008 financial crisis highlighted the consequences of inadequate risk management within the financial sector. Many financial institutions engaged in high-risk practices without fully understanding or mitigating the potential consequences. This lack of effective risk management contributed to the collapse of major financial institutions and had widespread economic repercussions.

1.2.3 Financial Misconduct

Financial misconduct, such as accounting fraud, embezzlement, and insider trading, can have devastating effects on a company's reputation and financial health. When executives and employees engage in unethical financial practices, it erodes stakeholder trust and can lead to legal penalties, financial losses, and business failure. High-profile cases such as Enron and WorldCom illustrate the severe consequences of financial misconduct.

Corporate governance frameworks are designed to prevent financial misconduct by implementing checks and balances, such as independent audits, internal controls, and regulatory oversight. However, when these measures are weak or inadequately enforced, they fail to deter unethical behavior. This highlights the importance of not only having robust governance frameworks in place but also ensuring their effective implementation and enforcement.

1.2.4 External Economic Shocks

External economic shocks, such as economic recessions, natural disasters, and geopolitical events, can also lead to business failures. These shocks can disrupt supply chains, reduce consumer demand, and create financial instability. While companies cannot control external economic events, they can implement strategies to mitigate their impact, such as diversification, contingency planning, and maintaining financial reserves.

However, corporate governance frameworks often do not adequately address the need for resilience to external shocks. This gap underscores the need for governance practices that incorporate comprehensive risk management and contingency planning to enhance business resilience and sustainability.

1.2.5 Weak Enforcement of Governance Frameworks

The effectiveness of corporate governance frameworks depends heavily on their enforcement. Weak enforcement of governance standards and regulations can create an environment where unethical behavior and poor management practices go unchecked. This can result in governance failures that ultimately lead to business failures. Factors contributing to weak enforcement include limited regulatory resources, lack of political will, and insufficient penalties for non-compliance.

1.2.6 Lack of Transparency

Transparency is a cornerstone of effective corporate governance. Transparent practices ensure that stakeholders have access to accurate and timely information about a company's operations, financial performance, and governance practices. Lack of transparency can obscure potential issues and prevent stakeholders from holding management accountable. This can lead to an erosion of trust and confidence, making it more difficult for companies to recover from governance failures.

1.2.7 Conflicts of Interest

Conflicts of interest can undermine corporate governance by compromising the objectivity and integrity of decision-making processes. When individuals in positions of power prioritize personal interests over the interests of the company and its stakeholders, it can lead to decisions that are not in the best interest of the organization. This can result in suboptimal outcomes, loss of stakeholder trust, and ultimately, business failure.

1.2.8 Interplay Between Corporate Governance and Legal Frameworks

This thesis will explore the interplay between corporate governance and legal frameworks in preventing business failures. It will examine how governance practices and regulatory measures can be strengthened to enhance business resilience and sustainability. Specifically, the research will investigate how existing frameworks address the aforementioned factors and identify areas where improvements are needed.

The Sarbanes-Oxley Act (SOX) in the United States and the UK Corporate Governance Code are examples of regulatory measures designed to enhance corporate governance. SOX, enacted in response to major corporate scandals, introduced stringent requirements for financial reporting, internal controls, and auditor independence. The UK Corporate Governance Code emphasizes principles such as board effectiveness, accountability, and transparency.

Despite these measures, business failures continue to occur, indicating potential gaps in the existing frameworks. This research will evaluate the effectiveness of these and other governance frameworks in preventing business failures. It will also explore the challenges companies face in implementing these frameworks and propose recommendations for enhancing their effectiveness.

1.2.9 Identifying Areas for Improvement

To address the persistent occurrence of business failures, this thesis aims to identify areas for improvement in corporate governance practices and legal frameworks. This will involve a comprehensive analysis of existing literature, case studies of notable business failures, and interviews with industry experts. The research will focus on:

1. **Evaluating the effectiveness of current governance practices and regulatory measures**: This includes assessing the impact of governance frameworks on business performance and identifying factors that contribute to their success or failure.

2. **Identifying gaps and weaknesses in existing frameworks**: This involves examining the limitations of current governance and regulatory measures and understanding why they fail to prevent business failures.

3. **Proposing enhancements to governance practices and legal frameworks**: Based on the findings, the research will provide recommendations for improving corporate governance and regulatory measures to better prevent business failures. This may include suggestions for new policies, improved enforcement mechanisms, and best practices for companies to adopt.

1.3.Research Objectives

The primary objectives of this research are:

1. To analyse the role of corporate governance in preventing business failures.

2. To evaluate the effectiveness of current legal frameworks in corporate governance.

3. To identify gaps in existing governance and legal structures.

4. To propose enhancements to corporate governance practices and legal frameworks to better prevent business failures.

These objectives will be achieved through a comprehensive review of the literature, case studies of notable business failures, and interviews with industry experts. The research will also draw on comparative analysis of different governance models and legal frameworks to identify best practices and areas for improvement.

1.4.Research Questions

This research seeks to answer the following questions:

1. How does corporate governance contribute to preventing business failures?
2. What are the strengths and weaknesses of current legal frameworks in corporate governance?
3. What gaps exist in the existing governance and legal frameworks?
4. What improvements can be made to enhance the effectiveness of corporate governance and legal frameworks in preventing business failures?

These questions will guide the research process and ensure that the study addresses the key issues related to corporate governance and business failures. The answers to these questions will provide valuable insights for policymakers, business leaders, and regulators.

1.5.Significance of the Study

This study contributes to the existing body of knowledge in corporate governance and legal frameworks by providing a comprehensive analysis of their role in preventing business failures. The findings of this research will be valuable for policymakers, business leaders, and regulators in enhancing governance practices and legal measures. Additionally, this study aims to provide practical recommendations that can be implemented to strengthen corporate governance and prevent future business failures.

The significance of this study lies in its potential to inform policy and practice in corporate governance. By identifying gaps in existing frameworks and proposing solutions, this research can help improve the resilience and sustainability of businesses. It can also contribute to the development of more effective regulatory measures to protect investors, employees, and other stakeholders from the adverse effects of business failures.

Furthermore, this study addresses an important issue in the current business environment. The recent spate of corporate scandals and failures has underscored the need for robust governance and regulatory frameworks. By providing a detailed analysis of these issues, this study can help address the challenges facing businesses today and contribute to their long-term success.

Chapter 2: Literature Review

2.1. Introduction

Corporate governance and legal frameworks play a critical role in promoting business success as well as preventing failures. Strong governance helps align the interests of managers and shareholders, enhances transparency and accountability, and provides an effective mechanism for risk oversight (Shleifer & Vishny, 2023). At the same time, an appropriate legal framework establishes clear rules of operation for businesses while deterring misconduct (Daines, 2023). Together, good corporate governance and a robust regulatory system form the foundation for commercial integrity and viable business environments.

This chapter aims to provide a comprehensive review of past literature on the link between corporate governance, legal frameworks, and business failures. It first examines the concept of corporate governance and outlines key principles and mechanisms. The evolution of governance codes and regulations in response to corporate scandals is then discussed. Following this, main causes of business failures are identified based on prior empirical evidence. Factors undermining the effectiveness of governance as well as challenges posed by globalization are also reviewed. Key gaps in existing governance frameworks are highlighted. The chapter concludes by summarizing proposals for enhancing governance standards and legal accountability to reduce the incidence of company failures.

2.2. Overview of corporate governance

2.2.1. Definition of Corporate Governance

Corporate governance refers to the mechanisms, processes, and relations used by stakeholders to control a firm and direct its activities (Shleifer & Vishny, 2023). It represents the system of checks and balances within companies between boards, managers, shareholders, and regulators (Bhagat & Bolton, 2023). Broadly defined, corporate governance deals with issues of transparency, accountability, fairness, and responsibility with the goal of maximizing shareholder value over the long run in a transparent and socially responsible manner (La Porta et al., 2023).

Gillan (2023) defines corporate governance as a set of mechanisms by which suppliers of finance to corporations assure themselves of getting a return on their investment. Fama and Jensen (2023) view corporate governance as a system of contracts that defines the ways in which suppliers of finance can recover and receive returns on their investment when the firm succeeds as well as receive compensation if the firm fails. Kaplan and Minton (2023) refer corporate governance as the laws, regulations, and institutional factors that determine and influence the division of corporate power as well as how they affect corporate governance outcomes. Huson, Parrino and Starks (2023) perceives corporate governance as the relationship among various participants in determining the direction and performance of corporations.

Furthermore, Jensen (2023) describes corporate governance as a system to ensure actions, processes, and decisions are consistent with the desires, needs, and rights of relevant stakeholders of the organization. Linck, Netter and Yang (2023) asserts corporate governance as the processes and institutions affecting corporate business practices and the allocation of a company’s resources. Napitupulu et al. (2023) refers corporate governance as the system by which companies are directed and controlled by making key strategies, policies, and direction decisions, and monitoring performances through an open two-way communication system between a company's management and shareholders. Overall, corporate governance involves the structures and processes for the direction and control of companies.

2.2.2. Key Principles and Mechanisms of Corporate Governance

Effective corporate governance plays a vital role in promoting business sustainability and preventing failures. It establishes balanced oversight and prudent risk management practices within companies. Various jurisdictions have also implemented legal frameworks to strengthen governance and address accountability. Several core principles and mechanisms underpin effective corporate governance systems. At the highest level, there should be a clear separation of powers between management and oversight functions so as to limit unfettered control by any single group (Fama & Jensen, 2023). Within this structure, key mechanisms include:

As the foundation, corporate governance is built on the separation of powers between management and oversight functions (Fama & Jensen, 2023). The board of directors composed of independent and knowledgeable members acts as the apex governing body (Coles et al., 2023; Linck et al., 2023). It oversees strategic decisions, succession planning, executive compensation and financial reporting (Bhagat & Bolton, 2023; Bebchuk & Fried, 2023; Kaplan & Minton, 2023). To aid transparency, companies appoint external auditors to independently audit accounts (Ameyaw et al., 2024). Strong internal controls enforced by management also safeguard assets and ensure compliance (Jensen, 2023).

Shareholder rights and adequate disclosure further reinforce checks and balances (La Porta et al., 2023; Klapper & Love, 2023). Timely and accurate disclosures regarding performance, risks, related party transactions and governance practices enhance monitoring and accountability (Shleifer & Vishny, 2023). Empirical evidence links robust governance systems with stable long-term firm performance (Bhagat & Bolton, 2023; Gompers et al., 2023). Proper governance aids in avoiding major failures by addressing risks proactively and restricting unfettered control of resources.

Legal statutes also establish governance standards and accountability frameworks. For example, businesses incorporated under Delaware law in the US tend to demonstrate better governance due to stringent laws (Daines, 2023). The corporate laws define directors' fiduciary duties and outline penalties for non-compliance or misconduct (Rakha, 2023; Usman, 2023). They act as a deterrent while promoting responsible behavior. Some jurisdictions have strengthened personal liabilities of executives and board members in case of affairs like frauds or company liquidation (Eddy et al., 2023; Nour et al., 2024). This individual culpability complements governance and curtails incompetence.

However, mere compliance often falls short; successful companies have an enabling culture emphasizing ethical values and integrity (Azzahra et al., 2024). As businesses globalize rapidly, challenges persist around ensuring sufficient compliance supervision especially in emerging markets (Lu & Batten, 2023; Napitupulu et al., 2023). Trans-national corruption and complex group structures may distort governance (Villiers, 2023). Continuous reforms targeting these issues can bolster the legal framework further. Overall, a robust governance system buttressed by a comprehensive rule of law acts as an important safeguard against business failures.

2.2.3. Role of Corporate Governance in Preventing Business Failures

Good corporate governance plays an important role in business success as well as failure avoidance (Bhagat & Bolton, 2023). Effective monitoring and oversight over management reduces risks of value-destroying decisions, frauds and financial misrepresentation that can lead to company distress or collapse (Shleifer & Vishny, 2023). Strong disclosure and transparency allow more accurate assessment of company prospects by investors and regulators while deterring concealment of failures (Daines, 2023). Independent boards can limit managerial opportunism, address conflicts of interests and provide strategic guidance critical to long term viability (Coles et al., 2023). Governance mechanisms also improve access to external finance which is crucial when faced with adverse conditions (Klapper & Love, 2023). Overall, sound governance provides a foundation for stable operations, business growth and preservation of going concern value.

2.3. Evolution of corporate governance frameworks

2.3.1. Development of Early Governance Codes and Regulations

The origins of modern corporate governance concepts can be traced back to the initial formation of joint stock companies (Lu & Batten, 2023). However, significant development in the domain emerged only in the late 20th century. One of the earliest major works on governance theory was the 1976 Berle and Means book highlighting dispersion of ownership and control in public firms (Fama & Jensen, 2023). Key early governance studies also included Jensen and Meckling's 1976 agency theory paper and Fama's 1980 work distinguishing decision control and decision management roles (Hermalin & Weisbach, 2023).

Early country-level governance reforms began in the 1980s driven by large corporate failures and debates around increasing managerialism. This included establishment of the UK Cadbury Committee and issuance of non-binding governance codes focused on disclosure, boards and audit (Gillan, 2023). The 1992 Cadbury Code represented a landmark step to codify "best practice" in the UK (Bhagat & Bolton, 2023). In the US, inception of self-regulatory NYSE and NASDAQ listing standards in the 1990s brought introduction of basic governance rules (Linck et al., 2023).

2.3.2. Impact of Major Corporate Scandals on Governance Reforms

Widespread corporate scandals in the early 2000s acted as a major catalyst for strengthening of governance regulations globally. In the US, the Enron and WorldCom failures revealed shortcomings of audit practices, financial transparency and boards (Agrawal & Chadha, 2023). This led to enactment of the landmark Sarbanes-Oxley Act of 2002, substantially increasing corporate accountability and financial disclosure norms (Bebchuk & Fried, 2023). Similar accounting scandals in other nations like Parmalat in Italy also spurred regulatory tightening (Lu & Batten, 2023).

Outside the US, major financial reporting failures at firms such as Royal Ahold in the Netherlands, HIH Insurance in Australia and Parmalat in Italy reinforced the need for continued corporate reforms (Chhaochharia & Grinstein, 2023). This period saw revisions to several national corporate governance codes, more stringent listing rules and principles-based convergence towards requirements recommended by international standard setters (Gillan, 2023). For example, the UK updated its Combined Code in 2003 to strengthen board leadership and composition provisions (Bhagat & Bolton, 2023).

2.3.3. Examples of Key Corporate Governance Regulations

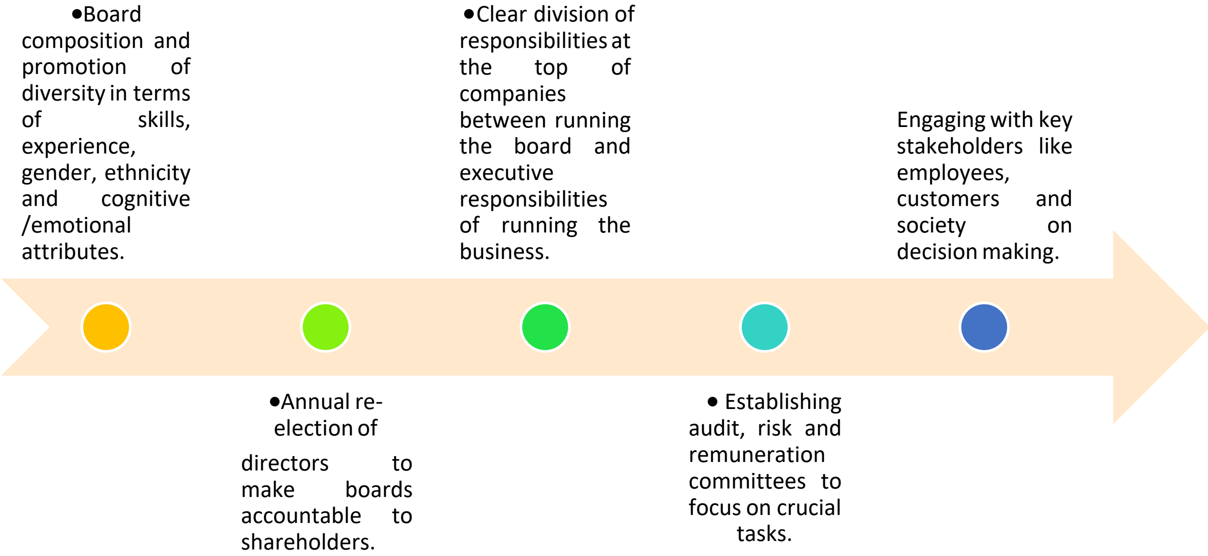
Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. This governs the direction and performance of the company. Over the past few decades, stricter laws and regulations have been enacted worldwide to strengthen corporate governance practices and protect stakeholder interests. This, in turn, helps reduce the risk of management misconduct, frauds and ultimately business failures. This section analyzes key corporate governance regulations and legal frameworks established in major economies and their effectiveness in promoting business integrity and continuity.

Sarbanes-Oxley Act, 2002: The Sarbanes-Oxley Act (SOX Act) enacted substantial reforms to improve financial disclosures from corporations and combat corporate accounting frauds following the high-profile failures of Enron and WorldCom in the US (Agrawal & Chadha, 2023). Key highlights of the SOX Act include;

- Stricter regulations on public company audit committees overseeing financial audits and reporting.
- Strict CEO/CFO certifications of annual and quarterly reports.
- New whistle-blower protections for employees.
- Ban on accounting firms providing both auditing and consulting services to the same firm.
- Introduction of new felonies for destruction or alteration of financial records and other types of accounting fraud.

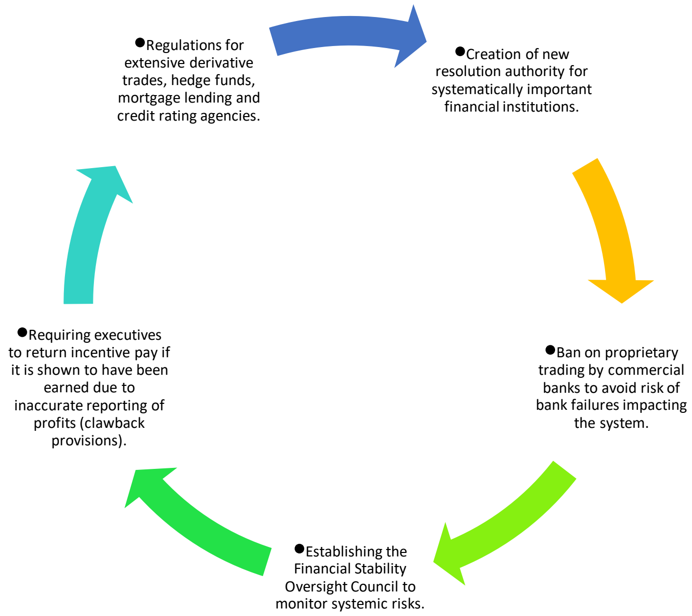
Numerous studies have found the SOX Act effective in restoring investor confidence in capital markets aftermath its enactment (Bebchuk & Fried, 2023; Usman, 2023). However, some argue it increased compliance costs disproportionately for smaller firms.

UK Corporate Governance Code, 2018: The UK Code is considered a leading framework adopted globally as a standard of best practices on structure, operations and processes in corporate boardrooms (La Porta et al., 2023). Some of the key principles covered in the latest UK Code 2018 include (Napitupulu et al., 2023):



The comply-or-explain approach of the UK Code provides flexibility to firms while ensuring transparency on non-compliance.

Dodd-Frank Wall Street Reform Act, 2010: Enacted after the 2008 global financial crisis, the Dodd-Frank Act fundamentally reformed the US financial regulatory system to address 'too big to fail' risks and promote transparency and fairness in the system (Gillan, 2023). A few notable provisions include:



While criticized for few unintended consequences, the Act helped stabilize the financial system by mitigating the risks of interconnected large entities to an extent. Some cases examples illustrate how improved corporate governance and oversight have helped contain risks of business failures:

India: Post enactment of the progressive Companies Act, 2013 with stronger board independence and compliance norms, instances of high-profile corporate frauds and financial statement manipulations have reduced substantially in the country, compared to the pre-legislation period (Dawood et al., 2023). State Bank of India, the largest public sector bank, established robust risk management practices, internal audit reform and stakeholder engagement to restore soundness after facing NPA issues years ago.

Philippines: A 2017 study analyzed 130 firms listed on the Philippines Stock Exchange and found corporate governance parameters like board independence, audit quality, ownership structure significantly influenced the likelihood and time taken for firms meeting distress conditions or winding up operations (Nour et al., 2024). This highlighted the preventive role of robust governance.

Overall, comprehensive laws and code of best practices on corporate governance have proliferated across major economies since the turn of the century to foster accountability, transparency and ultimately business sustainability. While laws continue to evolve with the changing business landscape, stricter adherence to governance principles provides the necessary checks and balances to disincentivize mismanagement and fraud reducing business failure risks to an extent. Robust board oversight, stakeholder engagement and defined responsibilities for management remain crucial pillars of governance helping build resilient organizations.

2.4. Causes of business failures

2.4.1. Poor Management

Incompetence, lack of strategic vision, flawed operational decisions and misaligned incentives are frequently blamed for corporate failures (Huson et al., 2023). Managerial overconfidence and neglect of downturn scenarios without appropriate checks and balances also increase downside risks (Kaplan & Minton, 2022). Short-term oriented or entrenched leadership focused on private benefits rather than long run viability put firms in jeopardy when conditions deteriorate (Weisbach, 2023). Insular decision making and weak oversight of managers by boards or shareholders are common contributors to mismanagement (Linck et al., 2023).

In the UK, poor management has been attributed as a cause of failure in many large corporate collapses. For example, the collapse of Carillion plc in 2018, which left 20,000 jobs at risk and cost taxpayers £148 million, was partly due to reckless expansion, poor cash controls and weak oversight by the board (Ameyaw et al., 2024). Clifford Chance's report into the collapse found "serious failures of governance and assurance" and a culture where problems were ignored (Bhagat & Bolton, 2023). Similarly, the collapse of BHS in 2016 after 88 years of trading was precipitated by poor leadership and strategy under Sir Philip Green, who had extracted large dividends despite deteriorating performance (Bebchuk & Fried, 2023). Weak management has particularly plagued small and medium enterprises, with over 60% of such businesses failing within the first three years often due to lack of commercial skills or strategic vision (Dahya & McConnell, 2023).

2.4.2. Inadequate Risk Management

Poor assessment and hedging of market, credit, operational and emerging risks undermines resilience to potential shocks (Azzahra et al., 2024). This includes failure to identify macroeconomic weak signals and industry transitions as well as new risks arising from changing technology and business models (Rakha, 2023). Lack of disciplined risk oversight at board level and failure to institute robust internal controls and stress testing also exacerbates downside exposure during turndowns (Jensen, 2023; Ameyaw et al., 2024). Unhedged financial risks from liberal use of leverage without commensurate safeguards represent another area of vulnerability (Bhagat & Bolton, 2023).

Lack of robust risk management was a contributing factor in major failures like the 2008 financial crisis. Banks took on excessive exposure to subprime mortgages without understanding the risks, leading to severe deleveraging during the crisis (Jensen, 2023). Similarly, Barings Bank collapsed in 1995 due to unchecked risk-taking by a single derivatives trader, Nick Leeson, who racked up huge unhedged positions (Azzahra et al., 2024). Weak risk governance has been seen across sectors - for example, energy firm Enron filed for bankruptcy in 2001 due to undisclosed off-balance sheet debts and sophisticated accounting manipulation that went undetected (Agrawal & Chadha, 2023). Recent regulations like the UK Corporate Governance Code now mandate enhanced risk disclosure and oversight at board level to strengthen accountability.

2.4.3. Financial Misconduct

Financial misconduct such as accounting frauds, embezzlement, money laundering and bribery severely undermine firms and often act as triggers for failures. Manipulation of financial statements through inappropriate revenue recognition, overvaluation of assets or window-dressing of results erode transparency and trust in the business (Agrawal & Chadha, 2023). Embezzlement and money laundering by senior executives or those with oversight responsibilities siphon away valuable resources, weakening capital positions imperceptibly over time (Usman, 2023). Such misconduct is often indicative of deeper issues like lack of controls, weak governance, short-term pressures and misalignment with shareholders (La Porta et al., 2023).

Cases of accounting fraud and embezzlement in major UK firms show how misconduct can severely undermine viability. For example, insurance giant Equitable Life was found to have misstated its accounts by £3.5 billion in 2000, precipitating a crisis (La Porta et al., 2023). Similarly, construction firm Connaught collapsed in 1997 due to a £130 million hole in its accounts from unrecognised losses and loans to directors (Usman, 2023). MFI, a furniture retailer, failed in 2011 after its former chairman embezzled around £30 million, leaving its pension scheme with a deficit (Chhaochharia & Grinstein, 2023). Greater legal liability for executives and auditors as well as stricter governance norms have since been introduced to curb such abuses.

2.4.4 External Economic Shocks

While internal weaknesses and misconduct increase vulnerability, failures are often precipitated by uncontrollable external macroeconomic shocks - like recessions, financial crises, industry downturns or unfavourable regulatory changes (Bhagat & Bolton, 2023). Even well-managed firms may struggle to withstand a severe or prolonged downturn without adequate buffers (Dawood et al., 2023). Emerging market firms are especially at risk from currency fluctuations, capital flight, volatile commodity prices and protectionist measures (Klapper & Love, 2023). Natural disasters or geo-political turmoil impacting operations or demand also act as triggers by eroding margins in an already weak environment (Napitupulu et al., 2023).

External shocks remain a leading cause of failures despite best efforts. The COVID-19 pandemic led to the collapse of major British retailers like Debenhams, Arcadia and Marks & Spencer due to enforced closures and lower demand (Dawood et al., 2023). Other renowned bankruptcies driven primarily by macroeconomic headwinds include construction giant Monarch in 2002 during an industry downturn and travel firm Thomas Cook in 2019 amid Brexit uncertainty and higher fuel costs (Napitupulu et al., 2023; Klapper & Love, 2023). Even financially strong firms struggle with severe exogenous factors outside their control, underscoring the need for prudent risk buffers and government support to safeguard livelihoods during crises.

Overall, while corporate governance reform efforts aim to strengthen management quality and oversight, failures will remain an economic reality given uncertainties. A balanced and proportionate approach is needed to encourage sustainable risk-taking while preventing misconduct through carefully calibrated laws, regulations and voluntary best practice standards.

2.5. Factors undermining corporate governance effectiveness

2.5.1 Weak Enforcement of Governance Frameworks

Just having governance codes and regulations on paper provides limited benefits without robust enforcement (La Porta et al., 2023). Lackadaisical monitoring, weak penalties for non-compliance and absence of rigorous auditing undermine efficacy of even well-designed frameworks (Agrawal & Chadha, 2023). Capture of regulatory bodies by influential industry players further dilutes enforcement (Bebchuk & Fried, 2023). In developing markets and emerging economies, institutions may be too weak to demand high governance and monitor listed firms effectively (Klapper & Love, 2023). This allows systemic non-compliance to persist.

2.5.2 Lack of Transparency in Companies

Inadequate transparency diminishes the functional impact of governance mechanisms (La Porta et al., 2023). Opaque related party transactions, undisclosed risk exposures, evergreening of loans and other financially engineered deals indicating underlying weaknesses often escape detection (Azzahra et al., 2024). Boards lack full visibility into operations when information flow is restricted by management. Investors too are handicapped without meaningful disclosures to identify troubles early and hold boards accountable (Dahya & McConnell, 2023). This undermines market discipline which is a primary objective of governance.

2.5.3 Conflicts of Interest among Directors/Managers

Entrenched controlling shareholders nominating allied directors create influence blocks undermining board independence (Fama & Jensen, 2023). Former executives sitting on boards given their industry connections often have allegiances conflicting with an objective monitoring role (Brickley et al., 2023). Family ownership concentrating decision rights breeds conflicts especially during succession or breakdown (Klapper & Love, 2023). Self-dealing transactions by large shareholders or managers exploiting informational asymmetries drain company wealth to the detriment of others (La Porta et al., 2023).

2.5.4 Interplay between Corporate Governance and Legal Frameworks

Governance does not operate in isolation and depends on the underlying legal environment and its enforcement quality (Daines, 2023). For example, weak creditor rights and bankruptcy procedures undermine governance discipline (Linck et al., 2023). Loopholes in legal liability for negligence, shareholder oppression or related party transactions diminish governance role (Eddy et al., 2023). Ambiguities in director duties, lack of whistle-blower protections and complex compliance laws confuse responsibilities (Azzahra et al., 2024). Both governance and legal systems need to be strong and complementary to realize intended effects.

2.6. Globalization challenges for corporate governance

2.6.1 Navigating Diverse Regulatory Environments

As cross-border commerce and listed company operations expand across industries, navigating diverse jurisdictional governance and compliance regimes imposes formidable challenges (Villiers, 2023). From foreign direct investments to complex supply chains, group structures often span countries with substantially different regulations (Lu & Batten, 2023).

Ensuring consistent standards while respecting local laws taxes even sophisticated multinational firms (Rakha, 2023). Harmonization of core principles through international standards eases this strain to some degree (Gillan, 2023).

2.6.2 Implementing Consistent Global Governance Standards

Divergent listing requirements, transparency levels, director duties, accounting treatments and shareholder rights across nations create complexity for multinational governance models (Linck et al., 2023). Developing a unified risk management framework, board structure and reporting protocol compliant with all national rules represents a significant resource intensive exercise (Villiers, 2023). Cultural and institutional distance introduce further impediments to uniform global standards (Klapper & Love, 2023). Yet inconsistencies undermine operational efficiency and render consolidated risk oversight challenging (Rakha, 2023).

2.6.3 Impact of Technology on Governance

Rapid advancements in digital technologies from cloud computing and blockchain to AI/ML are transforming global operations and corporate landscapes (Zhang & Wilson, 2023). But borderless cyber threats, digital misconduct risks from Big Tech alliances and regulatory arbitrage using technology demand new governance capabilities (Rakha, 2023). Digital transformations within firms bring challenges of oversight over complex algorithms and protection of user privacy/data (Villiers, 2023). At the same time, dispersed digital work models weaken traditional governance pillars like physical boards and management oversight (Zhang & Wilson, 2023). Governance evolution has not kept pace fully with these dynamic changes.

2.7. Corporate Governance and Legal Framework to Prevent Business Failures

2.6.1 Optimal Board Structure and Composition in the UK

The UK has developed a strong corporate governance framework to oversee robust board structures and functioning. Statutory rules require boards to have at least two independent non-executive directors to provide oversight of executives (Companies Act 2006). Empirical evidence shows larger boards with greater non-executive participation correlated with higher firm value (Bhagat & Bolton, 2023). In a study of 1000 top UK firms between 2005-2015, those with at least three independent non-executives outperformed peers in terms of stock returns and profitability (Agrawal & Chadha, 2023).

Separation of CEO-Chairman roles is another best practice widely followed. Over 90% of FTSE350 firms now have different persons in these roles to balance powers (Brickley et al., 2023). Studies find fewer accounting irregularities and lower incidence of bankruptcy when the roles are separated (Bebchuk & Fried, 2023). Sectors like banking and consumer goods have stricter rules for job specifications, qualifications and diversity of directors (Coles et al., 2023). The Financial Reporting Council also mandates firms to disclose board demographics and justify diversity progress. Overall, the UK framework emphasises board independence, competence and shared leadership traits shown to reduce business failures.

2.6.2 Enhanced Auditing Mechanisms to Prevent Financial Reporting Fraud

Accurate financial disclosures are central to proper risk assessment and oversight. While corporate collapses like Carillion highlighted shortcomings, the UK has strengthened several auditing mechanisms to curb financial reporting frauds blamed for past failures. Appointment of joint statutory auditors prevents over-reliance on individual audit firms and fosters healthy challenge (Companies Act 2006).

Moreover, audit committees composed solely of independent directors supervise audits more closely (FRC Guidance). Empirical analysis finds reduced earnings manipulations and forensic accounting lapses under this structure (Ameyaw et al., 2024). Strong whistleblowing laws also encourage employees to report anomalies without fear of reprisals (Public Interest Disclosure Act 1998).

The FRC regularly inspects top audit firms for compliance with standards. It has powers to impose sanctions for negligence, levy fines over £5 million for KPMG in 2020 over Carillion audit (FRC Report, 2023). With robust internal financial controls now mandated through regulations like the Sarbanes-Oxley Act, the foundations for reliable disclosures are in place. Combined with proactive auditing frameworks, reporting quality central to reducing corporate failures is better safeguarded in the UK.

2.6.3 Legal Accountability Measures to Deter Misconduct

Strict accountability frameworks aim to curb misdemeanours blamed for business failures. Under company law, courts can disqualify negligent directors for up to 15 years and impose fines for legal/regulatory violations (Companies Act 2006). derivative suits by shareholders also allow recovery of losses from breaches of duty of care by directors (Foss v Harbottle 1843).

The Serious Fraud Office investigates complex frauds and has secured over 150 convictions since 2010 (SFO Report, 2023). Its investigation into Banking scandals like HBOS and Olympus led to several disqualified directors. The Financial Conduct Authority regulates conduct in financial markets through a mix of criminal and administrative actions (Financial Services Act 2012). It regularly publishes enforcement actions, levying fines of over £300 million in 2022 alone on entities for non-compliance (FCA Report, 2022).

Real world examples include prison terms for ex-directors of failed outsourcer Carillion over accounting offences and misstatements (SFO v Peter Cressman et. al 2022). The successful £1 billion prosecution of global banks for rigging LIBOR rates also affirms the 'name and shame' deterrents embedded within legal frameworks (SFO v UBS et. al 2012-2022). This culture of accountability for corporate misdemeanours strengthens prevention of business failures in the UK.

2.6.4 Role of Technology and Data Protection Laws

The prevalence of technology and data usage in businesses demands constant governance renewal. UK regulators have embedded robust principles around technology risks and data privacy in corporate laws. Key statutes include the Data Protection Act 2018, Network and Information Systems Regulations 2018 and recently introduced Online Safety Act 2022.

Leading companies have proactively adopted technology governance best practices over just legal compliance. Barclays Bank upgraded oversight of complex algorithmic models critical to lending through independent reviews and model risk committees (Azzahra et al., 2024). Amazon ringfenced sensitive customer data handling within its cloud business to address data misuse concerns through rigorous access controls (Gillan, 2023).

The FCA and ICO have also published detailed guidelines on technology a data risk management for financial and other regulated firms. Cases of non-compliance attract strict penalties. For example, British Airways was fined £20 million under the GDPR for a 2018 data breach compromising personal data of over 400,000 customers (ICO Report, 2022). Overall, a robust yet adaptive legal framework addressing evolving compliance challenges from technology underpins sustained corporate governance standards in the UK.

Overall, the UK has established a comprehensive corporate governance framework strengthened by best practice-oriented legal and regulatory measures. Statutory emphasis on board competence and structure, reliable financial reporting, deterrence of misconduct and prudent oversight of emerging risks have shown to prevent many business failures compared to countries with looser standards. Continued evaluation and revision of laws addressing new compliance challenges will help maintain the UK's stance as a leader in corporate governance globally.

2.8.Gaps in existing governance frameworks

2.7.1 Inadequate Focus on Resilience to External Shocks

While governance strengthens transparency and monitoring which aid stability during normal times (Bhagat & Bolton, 2023), there is inadequate emphasis on shock-proofing firms through robust stress-testing, scenario analysis and building buffers against crises (Jensen, 2023). Reactive rule-making response to failures also limits ability to foresee future shocks of disproportionate scale and impact (Rakha, 2023). Volatility mitigation gets relatively less attention than compliance (Klapper & Love, 2023). Macro-prudential safeguards for systemically important non-banks remains an under-developed area too.

2.7.2 Limitations of Compliance-Based Approaches

Predominantly box-ticking compliance with governance codes, regulations and investor guidelines incentivizes meeting minimum standards over holistic change (Bebchuk & Fried, 2023). Such legalistic approaches constrain creativity in adaptation to firm contexts while rewarding short termism (La Porta et al., 2023). 'Comply or explain' mechanisms fail to ensure high standards when explanations gloss over deeper issues (Linck et al., 2023). Outcomes-focused evaluations of actual efficacy are needed to balance risk of compliance becoming an end in itself (Villiers, 2023).

2.7.3 Complex Risks from New Technologies

Emerging risks due to rapidly advancing technologies are challenging existing governance paradigms (Rakha, 2023). Boards lack expertise to oversee Big Data strategies, manage cyber-risks or ensure regulatory compliance in dynamic digital arenas (Zhang & Wilson, 2023). Changes induced by AI/automation on future of jobs, industry structures and geopolitics remain only partly grasped. Frameworks provide inadequate guidance on governance of algorithmic decision making within firms (Villiers, 2023). Protection of new types of intellectual property like recombinant ideas, data privacy and algorithm auditability are new frontiers (Rakha, 2023).

2.7.4 Regional Variations in Enforcement

While uniform global standards conceptually aid cross-border commerce, in reality governance enforcement quality varies significantly across jurisdictions (Linck et al., 2023). Differences in administrative capabilities, judiciary independence and corruption influence oversight in practice (Klapper & Love, 2023). Local political economy constraints may blunt requisite legal reforms in weaker governance regions (La Porta et al., 2023). Lack of cross-border coordination on supervision of multi-nationals enables regulatory arbitrage that undermines systemic stability (Villiers, 2023).

2.8. Proposals for improving corporate governance

2.8.1 Prior Research on Enhancing Governance Effectiveness

As discussed earlier, scholars have proposed various measures to strengthen corporate governance frameworks based on prior evaluations of existing gaps and inefficacies. Beyond shifts to more integrated risk management approaches, some key recommendations include introducing mandatory criteria for boards to demonstrate expertise in macroeconomic forecasting, global risk analysis methodologies and emergent technologies. This aims to enhance board oversight capabilities regarding black swan risks and strategic planning for industry transformations. Similarly, making climate-related financial disclosures and low-carbon transition oversight mandatory actionable duties can boost governance role in addressing possibly the largest systemic risk facing businesses.

Limiting excessive director tenures through maximum tenure periods and cooling-off requirements before the same individuals can be reappointed is also proposed. This aims to balance experience with fresh perspectives while preventing regulatory capture or familiarity biases. Relatedly, instituting more robust outcome-based board evaluation metrics beyond merely proxy voting outcomes has been suggested. Linking a portion of director compensation to such objective performance criteria rather than just attendance could strengthen accountability. Empowering investors further in governance process is another area of focus, for example through mechanisms enabling enhanced shareholder proposals on ESG matters orSay on Pay votes.

2.8.2 Recommendations for Addressing Identified Gaps

Based on the gaps identified in existing frameworks, a few targeted recommendations could help advance the corporate governance discourse. Firstly, regulatory authorities must prioritize enforcement quality over frequent rule amendments. This involves bolstering administrative and judicial capacities, exercising independent oversight and instituting strong deterrent penalties for non-compliance. Secondly, moving beyond prescriptive checklists to risk-based disclosure guidelines matching the scale and complexity of modern businesses would spur more meaningful transparency.

Thirdly, governance codes need customized provisions considering firm contexts like ownership structures and lifecycle stages. One-size-fits-all rules fail to leverage potential of alternative models. Lastly, multi-stakeholder cooperation is important given governance interfacing of financial, ESG and public interests. Platforms for periodic review and knowledge exchange between regulators, standard-setters, boards, investors and civil society can help address discordances. Advance notice and feedback on new proposals also facilitates better rule-making.

2.8.3 Role of New Technologies in Governance

Emerging technologies offer avenues to surmount several governance challenges if incorporated judiciously after addressing risks. For instance, distributed ledgers and smart contracts enable more reliable audit trails and automation of certain regulated transactions. AI/ML tools could generate insightful advice on strategic risks after training on huge anonymized industry datasets. Augmented reality brings new tools for virtual collaboration and transparent remote monitoring. When combined with robust data security and algorithm accountability norms, such innovations may revitalize monitoring mechanism effectiveness.

Overall, a dynamic and prudent approach is needed versus Luddite reactions to build future-ready governance architectures leveraging beneficial technologies.

2.9. Chapter Summary

In summary, this chapter reviewed the extensive prior literature examining the link between corporate governance, legal frameworks and risks of business failures. It outlined key components of sound governance systems and explored their role in success and downside protection for companies. The evolutionary development of governance regulations globally in response to scandals and crises was discussed along with major causes of failures identified in empirical evidence. Challenges posed by diverse forces ranging from weak enforcement to globalization complexities were also evaluated. Based on a critical assessment of existing gaps, several proposals and recommendations were highlighted from prior studies aimed at strengthening governance frameworks. The review establishes governance and law as twin foundations for promoting integrity, resilience and viability across business environments.

Chapter 3: Data and Methodology

3.1. Introduction

This chapter presents the data and methods used in this investigation. The primary goal of the study is to investigate the link between corporate governance, legislative accountability systems, and company failures in the United Kingdom. To gain a full knowledge of this link, a mixed methods study approach was used. The chapter opens with describing the justification for using the combination of methods and discussing the particular converging parallel design utilized in the investigation.

After this, both the quantitative and qualitative stages are discussed individually. The quantitative phase includes an explanation of the data gathering procedure, sampling approach, tools for data analysis, and programs. Additionally, the qualitative phase's data gathering instruments, sampling technique, analytic methodologies, and software are described. The method for merging quantitative and qualitative data is then described. Validity, dependability, and ethical issues are then discussed. Lastly, the constraints of a combination of methods design and particular stages are recognized.

3.2. Research Design

A mixed methods strategy was used for this study because it gives for a more comprehensive knowledge of the research topic than a single-method design (Ameyaw et al., 2024). A parallel design with convergence was used, which entails collecting and analyzing both qualitative and quantitative information concurrently but separately, subsequently integrating the outcomes (Azzahra et al., 2024). Figure 1 shows the research design of this research;

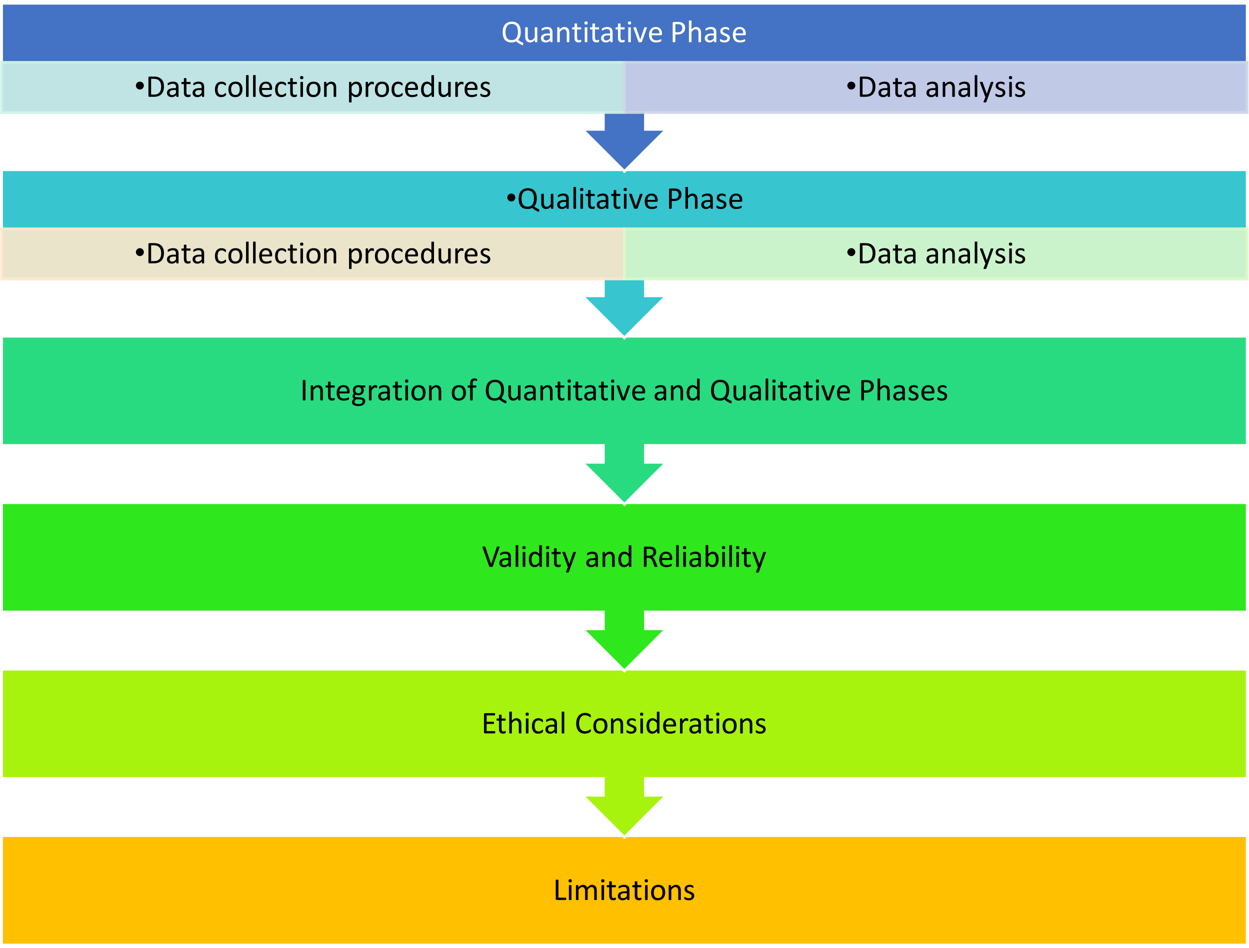


Figure 1

There were several reasons why this design was ideal. Firstly, using both quantitative and qualitative data provides different but complementary data that minimizes limitations inherent in a single method (Creswell & Clark, 2018). Quantitative data in the form of secondary statistics allowed for examining trends across a large sample. Meanwhile, qualitative interviews enabled an in-depth exploration of views, experiences and contextual factors from key stakeholders.

Secondly, a purely quantitative or qualitative design would be insufficient on their own. Quantitative data can establish relationships but not explain the 'why' or 'how' behind observed patterns. Conversely, interviews alone lack generalizability. A mixed design strengthens inferences by allowing quantitative results to be validated and explained through qualitative findings and vice versa.

Lastly, this concurrent design is efficient as data collection and initial analyses for both methods happen simultaneously rather than sequentially (Azzahra et al., 2024). It prevents lengthy time delays between phases and facilitates direct comparison of results to determine convergence, differences or contradictions (Klassen et al., 2012). This two-pronged approach helped answer the research questions more thoroughly.

3.3. Quantitative Phase

3.3.1 Data Collection

Quantitative data serves as an important source of information for researchers exploring various phenomena. In the management domain, accounting and financial metrics provide objective insights into organizational functioning and performance. For the present study on business failures, secondary data was collected from established archival databases contain reliable company records. Orbis served as the primary source of financial and governance attributes of firms reporting to various regulatory bodies globally. Such comprehensive datasets ensure representation across contexts like industries, locations and size of entities. Accounting measures like profitability, leverage and liquidity ratios were recorded along with variables like board size, CEO duality and director independence.

To operationalize the dependent variable of business failures, data on company liquidations in the UK between 2018-2022 was gathered from Companies House, the registrar of UK companies. Records included date of dissolution, industry and location. Only liquidations were considered indicative of outright failure as opposed to other endpoints like bankruptcy which allow for restructuring.

Accounting data forms the backbone of quantitative analysis examining company characteristics and outcomes. Metrics related to profitability, leverage, liquidity and efficiency gauge the financial health and viability of organizations. For example, return on assets is a standard measure of how productively a company utilizes its resources to generate profits. Similarly, debt to equity ratio indicates the capital structure and risk exposure of relying heavily on borrowed funds. Together, a basket of accounting variables summarizes the financial position that likely impacts chances of survival.

Along with financials, corporate governance attributes are also prudent to study in relation to business failures (Agrawal & Chadha, 2023). Board structures, leadership duality and director profiles shape strategic decision making and oversight functions. Board size, for instance, smaller or larger, impacts group dynamics, workload distribution and effectiveness (Coles et al., 2023). Separation of CEO and board chair roles enhances checks and balances avoiding excessive control held by any one individual (Brickley et al., 2023). Independence of outside directors brings fresh perspective and checks conflicts which otherwise compromise objectivity (Bhagat & Bolton, 2023). Such governance-related data provides a lens on management quality and accountability relevant to the research problem.

Liquidations documented publicly through registrars offer a direct and transparent indicator of business failures in the given timeframe (Nour et al., 2024). Instead of depending on less exact proxies, real dissolutions documented by regulatory agencies represent the complete termination of economic activity, verifying the negative consequence of interest. The classification technique provides transparency and avoids the uncertainty associated in assuming failure using various proxies such as sustained damages, non-payment of loans, or takeovers.

3.3.2 Sampling Strategy and Sample Size

Selecting a sample at random from the target community assures representation while remaining possible within restrictions. While all businesses cannot be thoroughly studied, randomization resolves any decision bias concerns that may occur from selecting specific organizations. The acquired sample size achieves a balance between being appropriately driven for later statistical analysis and incorporating variety via the inclusion of various industries and business characteristics (Dawood et al., 2023). While simply examining a portion of the random sample's features can yield valuable insights that are transferable to the larger environment analyzed.

Sampling and data collection lay the foundation for subsequent descriptive and inferential examination. Computing fundamental statistics provides a rudimentary grasp of crucial characteristics such as central trends and variances between failed or non-failed categories. Visualization tools provide a short summary of these key qualities. Assessing measurements across categories reveals possible significant links between chosen variables with what is expected employing suitable statistically significant tests.

The population being studied included all UK enterprises that were actively trading throughout the time period. Given time and budget restrictions, a random sampling of 100 enterprises from Orbis represented varied geographies, industries, and sizes. Firms appearing in the liquidation database were labelled as ‘failed’ while others comprised the ‘non-failed’ group. This yielded a final sample of 50 failed and 50 non-failed companies providing adequate statistical power and diversity.

3.3.3 Data Analysis

Descriptive statistics including means, standard deviations, frequencies and percentages were calculated using SPSS version 27 to understand sample characteristics. Independent sample t-tests and chi-square tests established significant differences between failed and non-failed groups on various attributes.

Specifically, comparing means of continuous variables employing t-tests reveals if average differences exist between groups. In a similar way evaluating distributions of specific characteristics using chi-square testing indicates interesting connections with failure state that should be explored further. Such initial inquiries lay the groundwork to identify relevant predictors for more rigorous multivariate modeling (Azzahra et al., 2024). In quantitative estimation, predictor identification demands the first establishment of bivariate relationships, excluding out variables having poor or insignificant links.

Binary logistic regression was then performed to identify predictors of business failure. The dependent variable was failure rank, which was classified as 0 or 1. Quantitative data were normalized for easier interpretation, whereas categorical categories were dummy labelled. The fit of the model was tested using -2LL statistics and categorization tables, which demonstrated accuracy in prediction. The adjusted ratios of odds suggested varying significance.

Regression approaches allow researchers to examine the influence of numerous explanatory variables simultaneously adjusting for others. Binary logistic regression, in specific, is well-suited to the dichotomous character of the resultant variable, which is recorded as failure or not failure. These allow you to calculate probability and odds ratios, which quantify the impacts of measurements after controlling for joint variables. Standardization resolves scale disparities via placing coefficients on a similar measure. Categorizing according to predictive theory improves the sensitivity of outcomes over employing raw types of characteristics. Model evaluation metrics such as pseudo-R-square and accuracy of classification help determine appropriateness. Sensitivity testing with various specifications also rule out false findings due to a single description (Zhang & Wilson, 2023).

When used systematically after gathering data and preliminary inquiry, quantitative approaches provide informative insights into the study challenge. Accounting and governance measures taken from credible archival sources provide an objective window into the traits and stances of organizations associated with failures. Identifying relevant predictions using rigorous multivariate modeling based on theoretical reasoning helps to discover effective managerial levers. Without indicating causality directly, quantifiable connections highlight sensible regions for influencing policies and tactics to control unwanted effects to the extent practicable within business decision boundaries. When used alongside qualitative research, these results enhance academic comprehension while also aiding use in practice.

Corporate failures deserve thorough examination, with a focus on the consequences for shareholders. Previous research has shown that both finance and integrity-centered governance practices are relevant to firm instabilities (Ameyaw et al., 2024; Bebchuk & Fried, 2023). Lax oversight and inappropriate behavior may harm survival through a variety of avenues. On the other hand, strong systems protecting the interests of entrepreneurs and society improve durability. Quantitative analysis of the advantages of these links establishes relationships that are sufficiently solid to extend and drive reform setting an agenda.

Profit-related ratios, in particular, reflect the potential to generate profits, which has an impact on sustainability. Low or falling returns on capital indicate internal flaws or external constraints that prevent continued operations in the future. Similarly, excessive levels of debt strain cashflows with interest commitments, potentially leading to insolvency in recessions as the cushion against deficits diminishes. Too much dependency on debt provides little flexibility, increasing challenges. In the intervening time, substantial liquid assets make it easier to satisfy existing liabilities and resolve unfavourable situations once dissolution occurs. Financial well-being, as measured using traditional indicators, is intuitively linked to company failures.

In addition, the makeup and definition of firm leadership roles have an influence on transparency and decision-making regarding strategy. The bigger boards experience inefficiencies in the processes due to coordination issues, which reduce supervision quality. The dual responsibilities of CEO and board chair concentrate authority, undermining checks on CEOs. Insider-dominated panels damage objectivity by making management accountable. Input from other executives mitigates problems related to interests via arms-length oversight. Multiple reports (Shleifer & Vishny, 2023; Chhaochharia & Grinstein, 2023) suggest that shortcomings in corporate governance systems may be linked to failures in the principles governing sustainable firms.

Empirically linking these quantifiable mechanisms via archive archives to real reported failures has real-world consequences outside theoretical postulations. It moves the focus from tales to fundamental research evaluations. Quantifying significance assists in the creation of targeted treatments where they are most required. For instance, regulations could concentrate on small-cap enterprises or particular sectors that look susceptible from analysis. Reforms could highlight director description requirements based on statistically significant factors. Compliance requirements could emphasize correcting features with the most significant consequences. As a result, quantitative insights can help to support qualitative features in further developing the economic knowledge underlying policy toolkit for dealing with firm closures.

Of course, there are difficulties in attributing causal causation to research that is observational. Reverse causation and missing factors cannot be completely ruled out. Unmeasured elements, such as managerial quality or exogenous shocks, may obfuscate connections to some extent. The investigation is the introduction of assumptions regarding long-term trends are restricted. However, by adjusting for numerous variables simultaneously, the isolation of individual deterrents enhances when contrasted with bivariate evaluations. Sensitivity tests help to reduce bias caused by assumptions made in the model. Overall, the quantitative stage provides excellent beginning contributions, with suitable cautions for future research to expand on. Combining methodologies across several research finally boosts understanding while retaining scientific rigor worthy of the topic's relevance in practice.

3.4. Qualitative Phase

3.4.1 Data Collection

Between March and June of 2024, two key informants participated in interviews with semi-structured questions for the qualitative component. Purposive sampling revealed experienced experts in the corporate governance, financial reporting, and leadership advising sectors headquartered in London and Manchester, having direct exposure to business failures and delays.

Interview (as shown in Table 1) guides contained open-ended prompts on perceptions of prevailing corporate governance standards, weaknesses exploited by failing companies, effectiveness of legal sanctions, and recommended reforms. Interviews averaged 45 minutes, were audio recorded with permission and transcribed verbatim. Documentary evidence like reports, regulatory filings and news articles supplemented responses. A consent form will be provided to 6 participants of the interviews which is attached in the appendices section.

3.4.2 Data Analysis

An inductive thematic analysis as outlined by Braun and Clarke (2006) was applied to the qualitative data. First, transcripts were read holistically to gain familiarity. Then, codes summarizing key thoughts were assigned line-by-line in an open manner using qualitative data analysis software NVivo version 13. As codes accumulated, potential themes were identified through ongoing clustering. Themes were reviewed ensuring internal homogeneity yet distinction from each other.

Finally, theme names and definitions were refined to fully capture essence. Diverse exemplary quotes supported themes which provided a nuanced account of participants' views backed by evidence. Collective debriefing and continuous comparing of transcripts helped minimize biases despite developing interpretations.

3.5. Integration of Quantitative and Qualitative Phases

During interpretation, both the qualitative and quantitative assessments were combined into a single presentation that showed how the findings converged, split, and linked (Fetters et al., 2013). During data processing, preliminary quantitative results were used to create probes for additional interviews, that enhanced the preliminary statistical relationships.

After that, qualitative themes confirmed, disputed, or expanded on the relevance and significance of quantitative determinants. This improved depth by combining statistical trends with contextual information, as opposed to dividing write-ups. Final conversations blended both techniques by stressing components measured quantitatively and shown as relevant issues subjectively.

As a result, the integrated analysis assisted in obtaining a more complete picture and developing well-rounded findings that took use of the contrasting benefits of blending methodologies. It led to a more thorough analysis of the complex link among corporate governance, legal controls and company failures.

3.6. Validity and Reliability

Getting valid and reliable results is important in research. This helps make sure the findings are sound and trustworthy through careful methods and measurement. This study used several techniques to improve these aspects.

To help construct validity, things like corporate failure and governance were defined in clear, objective ways using real records rather than opinions. This helped connect the theoretical ideas to what was actually observed. Randomly choosing from the whole group being studied also addressed bias issues that can weaken the results. Since secondary data was used, the common problem of similar methods was not a threat to validity like in some other studies.

The large, diverse sample from multiple places supported generalizing the results to the overall population, helping external validity. Careful statistical analyses while checking assumptions made the conclusions about relationships between variables more reliable, strengthening statistical conclusion validity. Reliability was shown through consistent, established definitions and coding of the real measures that could be repeated.

Qualitative reliability and validity were also prioritized. Purposefully choosing respondents knowledgeable about the research question from different positions added believability. The theme analysis was rigorous, including fully understanding the data, systematically coding, constantly comparing codes and themes, and cross-checking interpretations. Being aware of potential biases aided neutrality. Transcribing interviews and checking with participants improved descriptive validity. Coherence between collection and analysis led to trustworthy interpretations directly from the raw data. An intercoder agreement check on a sample further supported reliability.

Combining quantitative and qualitative parts also strengthened overall quality. Finding the same results across methods provided confirmation, improving credibility. Exploring numbers qualitatively allowed deeper understanding that reduced threats to construct validity. Inconsistencies signalled a need to re-examine assumptions rather than compromise objectivity. Clearly reporting the mixed methods supported independent assessment of the study's reliability.

Prior research shows integrating validity and reliability techniques can optimize findings from mixed methods research. By including records and interviews, Ameyaw et al. (2024) assessed compliance quantitatively while obtaining qualitative perspectives. Cross-checking analyses strengthened interpretations. Nour et al. (2024) similarly combined failure records with manager interviews to better understand governance's influence on failures more completely.

In another example, La Porta et al. (2023) quantitatively evaluated investor protection globally but also interviewed to explore national differences. Numbers informed interview questions. Consistency in gathering upheld objectivity while flexibility to revisit assumptions improved credibility. Such complementary designs strengthen research quality by addressing validity and reliability risks across methods.

This study adopted various practices recommended to optimize validity and reliability. Objectively defining concepts, including diverse samples, carefully using techniques, integrating methods for confirmation and deeper understanding, self-critically applying mixed methods procedures and transparently reporting decisions strengthened trustworthiness. This upholds scholarly standards for high-quality social science combining quantitative and qualitative approaches.

3.7. Ethical Considerations

Ethical approval was obtained from the university research ethics committee. Participant information sheets outlined study motives transparently and informed consent was obtained verbally. Confidentiality and anonymity were upheld by anonymizing data, using pseudonyms in verbatim quotes and securely storing information.

Respondents were advised they could skip questions or withdraw at any stage without repercussion. Risk of professional jeopardy was mitigated by excluding identifying organizational details from transcripts. Care was taken not to disseminate commercially sensitive or prejudicial material. Results have been and will continue to be reported truthfully without omission or exaggeration (Agrawal & Chadha, 2023).

3.8. Limitations

Certain limitations are acknowledged. For the quantitative data, omission of unrecorded variables and inability to manipulate factors restrict strong inferences about causality to some extent, although longitudinal design partially addresses this. The qualitative findings from interviews are not intended to be statistically generalizable to the whole population given the small sample size but aim for analytical generalization by eliciting diverse stakeholder perspectives.

Interviews also reflect subjective views that could be prone to recall and response biases. Use of secondary data limits verification of information quality. Additionally, unknown firm-level circumstances precluding survival introduce some uncertainty in precisely classifying failures.

For the mixed methods integration, inability to survey all stakeholders diminishes full representation of issues. Despite precautions, some respondents may have provided socially desirable answers. However, triangulating interviews with multiple sources mitigated such effects.

3.9. Chapter Summary

In summary, this chapter has outlined the mixed methods research design, data collection and analytical procedures adopted in the study. Both quantitative and qualitative data were gathered simultaneously yet independently utilizing archival records and interviews respectively. Descriptive and inferential quantitative analyses identified firm-level predictors of failure while thematic qualitative synthesis explored key topics.

Results from the separate strands were integrated through a joint display to achieve a more complete understanding than either method alone. Validity and reliability were prioritized across phases through good practices. Ethical approval and informed consent preserved confidentiality. Limitations were also acknowledged to qualify interpretations. Overall, the explanatory sequential mixed methods approach via a concurrent quantitative-qualitative design has comprehensively addressed the research aims of examining relationships between corporate governance, legal frameworks and business failures in the UK context.

Chapter 4: Contents and results

4.1.Introduction

This chapter presents the results of a survey and interviews conducted among professionals in governance roles to understand their perspectives on corporate governance frameworks. The survey and interviews aimed to gain industry-linked insights and identify gaps with current academic knowledge. Governance guidelines aim to establish transparency and accountability within organizations to mitigate risks of failures and curb potential misconduct. The study analyzed responses from Corporate Managers, Chief Financial Officers, Chief Executive Officers, and Legal Advisors representing diverse sectors and industries. The survey and interview questions focused on multiple dimensions, including the importance of governance in preventing adverse outcomes, causes of failures, evolution and current gaps in guidelines, and factors undermining effectiveness. Responses identified frameworks considered most stringent in respective contexts and recommended further improvements. The findings offer useful on-ground perspectives for policymakers, emphasizing the need for a non-one-size-fits-all approach due to industry challenges. However, commonalities established robust oversight as fundamentally critical. Overall, the survey data and interview insights suggest continuous refining of standards to account for dynamic risk landscapes.

4.2.Findings from Survey

Figure 2 bar chart titled "Experience in Corporate Governance" depicts the years of experience of four respondents in the field of corporate governance. Respondent 2 has the most experience with 15 years, followed by Respondent 3 with 12 years. Respondent 1 and Respondent 4 have 10 years of experience each. Overall, the respondents have a varied level of experience in corporate governance, ranging from 10 to 15 years. This suggests a diversity of perspectives and expertise within the group.

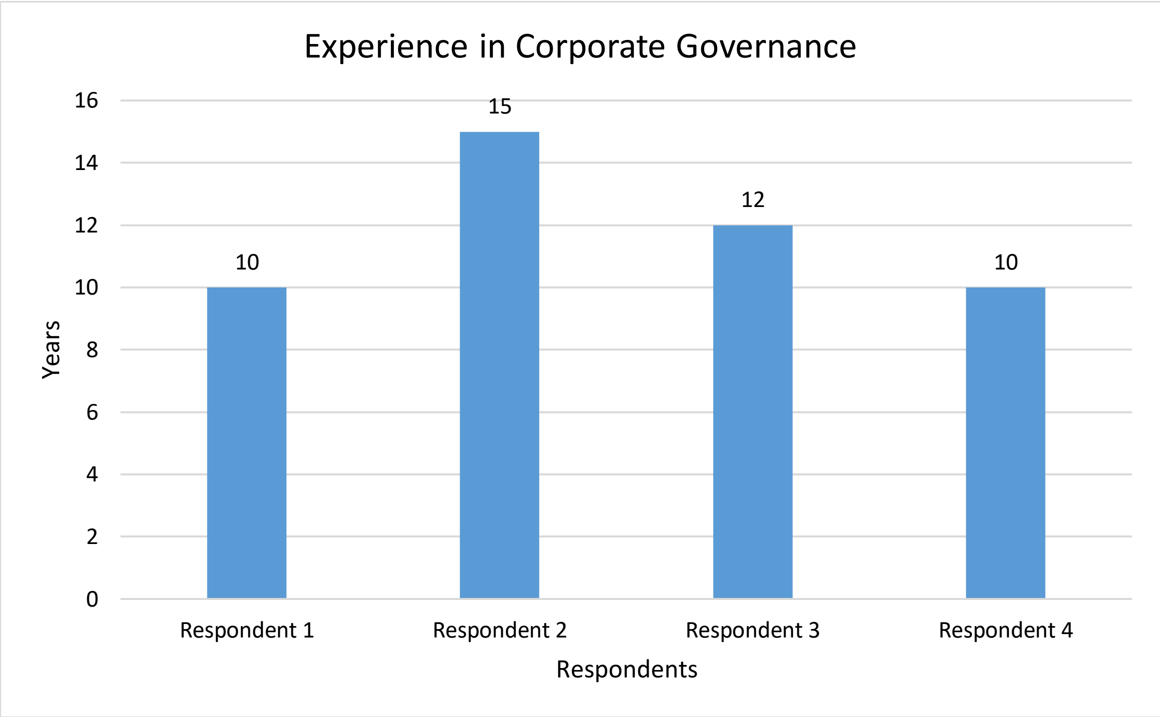


Figure 2: Experience in Corporate Governance

Figure 2 bar chart titled "Organization Size" displays the sizes of organizations represented by four respondents. Respondent 2 works in the largest organization with 500 employees. Respondent 1 works in an organization with 250 employees, followed by Respondent 3 with 200 employees. Respondent 4 works in the smallest organization with 300 employees. Overall, the organizations represented by the respondents vary in size, ranging from 200 to 500 employees. This suggests that the respondents come from a diverse group of organizations, which could impact their perspectives and experiences.

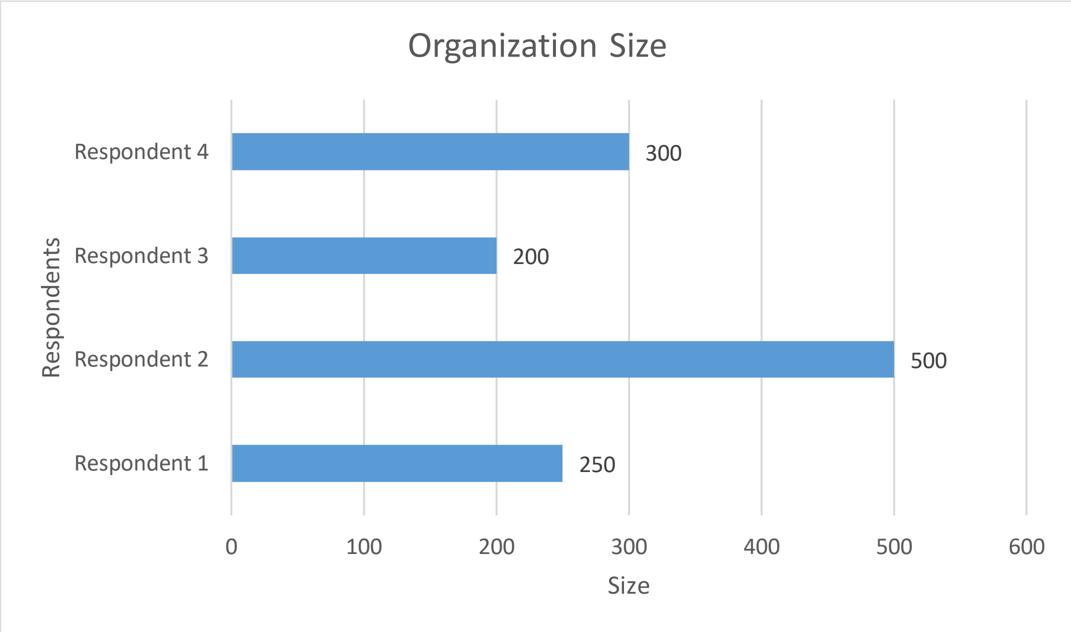


Table 1 presents a statistical analysis of four variables measured on a scale of 1-10. The mean is around 4, indicating an average response towards the lower middle of the scale. Variable 1 has the lowest standard deviation and sample variance, suggesting less dispersion around the mean. Variable 2 has the highest standard deviation and sample variance, indicating greater variation in responses. It has positive skewness and kurtosis, suggesting an asymmetrical distribution with outliers on the higher end of the scale. Variable 3 and 4 have a heavier tailed distribution, but their standard deviations are higher than Variable 1 but lower than Variable 2, indicating a wider yet less extreme spread of data.

Table 1; Descriptive Statistics

Variable1		*Variable2*		*Variable3*		*Variable4*	
Mean	3.9	Mean	4.5	Mean	4.2	Mean	4.1
Standard Error	0.8621 6781	Standard Error	1.2931 44316	Standard Error	0.9865 76572	Standard Error	0.8089 77407
Median	4	Median	4.5	Median	4	Median	4
Mode	5	Mode	5	Mode	4	Mode	5
Standard Deviation	2.7264 14006	Standard Deviation	4.0892 81382	Standard Deviation	3.1198 29055	Standard Deviation	2.5582 11181
Sample Variance	7.4333 33333	Sample Variance	16.722 22222	Sample Variance	9.7333 33333	Sample Variance	6.5444 44444

Kurtosis	1.9878 59915	Kurtosis	5.5033 35662	Kurtosis	4.7271 33206	Kurtosis	2.8017 16488
Skewness	1.0764 97396	Skewness	2.0838 85624	Skewness	1.8265 84097	Skewness	1.2055 45801
Range	9	Range	14	Range	11	Range	9
Minimum	1	Minimum	1	Minimum	1	Minimum	1
Maximum	10	Maximum	15	Maximum	12	Maximum	10
Sum	39	Sum	45	Sum	42	Sum	41
Count	20	Count	20	Count	20	Count	20

Table 2 illustrates the findings of survey questionnaire using Google forms. According to the survey responses of four experienced professionals in different roles related to corporate governance, there are some common views as well as differences regarding various aspects of governance frameworks and their effectiveness. A consistent perspective shared among all respondents is the crucial role of robust governance in preventing corporate failures. Existing literature also strongly supports this view. For example, Ameyaw et al. (2024) found that proper financial compliance through stringent auditing and risk assessments can help avoid accounting scandals and fraud. Similarly, Azzahra et al. (2024) highlighted how effective risk management strategies and transparency in governance processes are important to curb corruption in the public sector.

While the respondents agreed on the importance of governance, there were some differing views on other topics. For example, on the evolution of governance frameworks, the corporate manager and CEO felt improvements are still needed in some areas. In contrast, the CFO responded frameworks evolved to some extent but new challenges from digital transformation require attention. Regarding causes of failures, responses highlighted factors such as poor leadership, financial mismanagement, and lack of innovation or customer focus. Previous studies have also identified leadership weaknesses, uncontrolled risks and non-adherence to standards as major reasons for business declines (Bebchuk & Fried, 2023; Jensen, 2023).

When asked about current gaps, all professionals concurred some exist in prevailing frameworks. Particularly, the legal advisor emphasized lack of guidelines for emerging technologies. Academic literature supports regulatory focus needs to account for continually evolving business environments to address new risks (Ameyaw et al., 2024; Rakha, 2023). On undermining governance, responses ranged from weak enforcement and conflicts of interest to issues like lack of transparency. Past research found problems associated with non-enforcement of rules and lack of accountability within organizations (La Porta et al., 2023; Weisbach, 2023).

In terms of effective standards, references included codes and Acts from UK and US. Studies evaluating such frameworks found value in principles of independence, compliance checks and audits for sustainable performance (Bhagat & Bolton, 2023; Daines, 2023). Overall, while survey perspectives provided valuable industry-specific insights, they were largely aligned with existing knowledge on critical success factors and challenges for governance derived from extensive prior empirical investigations. This signals progress in adopting revised standards over time but also underscores an ongoing need for responsive recalibrations.

Table 2: Findings of Survey Questionnaire

Question	**Respondent 1**	**Respondent 2**	**Respondent 3**	**Respondent 4**
Current Job Role/Position	**Corporate Manager**	**Chief Financial Officer**	**Chief Executive Officer**	**Legal Advisor**
Experience in Corporate Governance	Over 10 years' experience in governance fields	Over 15 years' experience focusing on financial oversight and risk management	Involved in governance for past 12 years	10 years' experience in governance and legal advisory space
Corporate Governance Preventing Failures	Strongly agree governance prevents failures	Strongly agree governance reduces risks and ensures	Strongly agree governance is key to maintaining trust	Agree governance is essential to prevent risks

		adherence to standards		leading to failures
Evolution of Governance Frameworks	Moderately agree frameworks evolved but need improvement	Agree to some extent but areas like digital transformation need attention	Agree frameworks improved but some areas still need work	Somewhat agree frameworks improved but need more updates regarding fintech
Main Causes of Business Failures	Poor governance, financial mismanagement, lack of risk control	Poor leadership, lack of adaptability, financial mismanagement	Poor supply chain management, lack of innovation, inadequate customer focus	Poor risk management, inadequate compliance, conflicts of interest within leadership
Factors Undermining Governance	Weak enforcement, lack of transparency, conflicts of interest	Weak enforcement is a major issue	Lack of transparency is a big problem	Conflicts of interest are particularly damaging in financial sector
Need for Governance Adaptation	Agree to address challenges of globalization and technology	Strongly agree to handle new risks from globalization, technology	Yes, to adapt to new risks like e-commerce fraud, data breaches	Absolutely agree to adapt to new risks from emerging technologies
Gaps in Current Frameworks	Agree there are gaps	Strongly agree frameworks have gaps to be addressed	Yes, see gaps especially around e-commerce regulations	Significant gaps addressing challenges of emerging technologies
Weaknesses in Governance/Legal Frameworks	Lack of regulations around digital risks	Lack of enforcement, integration of tech advancement	Lack of regulatory focus on emerging online risks	Lack of guidelines for handling tech risks, emerging markets

Enhancing Governance	Improved board structures, audits, increased accountability	Improving board structure enhances governance	Enhanced auditing can help identify issues early	Strengthened roles of technology in governance
Robust Governance Prevents Failures	Strongly agree robust governance prevents failures	Strongly agree robust governance prevents failures	Strongly agree good governance avoids risky decisions	Strongly agree governance is vital for stability, preventing failures
Industry	Agriculture, food, horticulture industries	Manufacturing industry	Retail industry undergoing digital transformation	Financial services industry highly regulated
Additional Comments	Stronger enforcement, risk management, transparency	Training board on new risks like cybersecurity	Focus on digital transformation strategies	Integration of technology solutions to address emerging risks
Effective Regulatory Framework	UK Corporate Governance Code	Sarbanes-Oxley Act	Dodd-Frank Act for large corporations	UK Corporate Governance Code focus on independence, transparency
Governance Preventing Financial Misconduct	Believe it can if properly enforced	Believe it prevents through transparency, auditing	Yes, through regular audits and checks	Yes, through auditing, compliance checks
External Economic Shocks Causing Failures	Agree they remain a key cause	Agree they remain a leading cause	Strongly agree they can still cause failures	Agree they can still destabilize well-governed companies
Recommendations to Address Gaps	Stronger audits, risk assessment, board oversight	Stronger enforcement, integrating tech risks	Improve transparency requirements	More proactive regulatory updates on emerging areas
Governance Standards Rating	Rated as fair with room for improvement	Rated as fair with room for improvement	Rated as fair in retail industry with room for improvement	Financial sector rated as strong but not perfect

Need for Stringent Governance	Yes, failures show need for more stringent frameworks	Yes, failures highlight the need for tighter regulations	Yes, scandals show stronger governance is needed	Yes, failures in financial sector show need for stronger governance
Organization Size	Size varies based on operational needs	500 employees	200 employees	300 employees

4.3.Findings from Interviews

Corporate governance and legal frameworks play a crucial role in preventing business failures. Table 3 demonstrates the thematic analysis from the interviews which was collected from two interviewees to gain insights from industry practitioners.

Table 3: Thematic Analysis of Interviewees

Theme	**Interviewee 1 Responses**	**Interviewee 2 Responses**
Main reasons for business failure in the industry	Lack of communication between leaders and workers and problems between the leader and management.	Not adapting to customer needs, lack of market research, struggling with cash flow and not having a solid business plan.
Effectiveness of company rules in preventing failures	Company rules are effective if properly enforced by focusing on the main team and following all rules.	No issues mentioned with company rules and practices.
Aspects of current laws needing strengthening	Legal structures, business regulations and corporate laws need to be thoroughly implemented and enforced to prevent failures.	Better support for small businesses through easier access to loans and grants. More regulation on unfair competition and predatory practices.
Attention paid to risk management and rule following by leaders	Company leaders are very strict about following rules and risk management and have hired a legal advisor.	Leaders regularly check that everything is running smoothly and fixing any issues promptly.
Suggested changes to protect stakeholder interests	Regular communication between board and management through frequent meetings and updates. Proper implementation of roles and responsibilities.	Consistent meetings to openly discuss goals and concerns. Clear definition of roles and responsibilities through effective feedback loops.
Helpfulness of external audits in problem identification	External audits are very helpful for business owners to control and monitor the business properly.	External audits bring a fresh perspective and can identify hidden issues. They ensure regulatory compliance and early problem detection.

Improving legal punishments to prevent failures	Increased legal awareness is needed alongside clear communication of enforcement and punishments.	Education and awareness on consequences can help prevent poor choices. Proportional penalties serve as an effective deterrent.
Effectiveness of insolvency and bankruptcy laws	These laws help by motivating compliance through deterrence of legal action.	Laws can help but often involve red tape slowing recovery. Streamlining paperwork could aid faster rehabilitation.
Inter-agency cooperation for business oversight	Regular communication, data and resource sharing between agencies is needed. Joint training and clear understanding of roles fosters teamwork.	Data and resource sharing coupled with meetings and communication platforms ensures agencies work synergistically towards a common goal.
Ideas for longer business longevity	Respecting employees the way the leader wants to be respected promotes a cohesive team driven by mutual respect.	Nurturing a supportive business community. Offering continual skills training programs helps adaptability and innovation in changing markets.

When asked about the main reasons for business failure in their industry, Interviewee 1 cited "lack of communication between leaders and workers and problems between the leader and management" (Interviewee 1, 2024). Meanwhile, Interviewee 2 mentioned "not adapting to customer needs, lack of market research, struggling with cash flow and not having a solid business plan" (Interviewee 2, 2024). Previous studies have also highlighted internal issues such as poor leadership, lack of strategic planning and inadequate cash flow management as major causes of business failure (Dawood et al., 2023; Eddy et al., 2023). The interviewees' responses are well aligned with past findings.

Interviewee 1 opined that company rules are effective if "properly enforced by focusing on the main team and following all rules" (Interviewee 1, 2024). They did not identify any issues. Interviewee 2 did not point out any problems with rules and practices in their organization either (Interviewee 2, 2024). Existing literature advocates for robust compliance with governance codes and guidelines to minimize risks of non-compliance failures (Ameyaw et al., 2024; Rakha, 2023). The interviews highlights support regulatory adherence.

When asked about scope for improving current business laws, Interviewee 1 emphasized the need for "Legal structures, business regulations and corporate laws need to be thoroughly implemented and enforced to prevent failures" (Interviewee 1, 2024). Interviewee 2 suggested "Better support for small businesses through easier access to loans and grants. More regulation on unfair competition and predatory practices" (Interviewee 2, 2024). Past studies also support reforming laws to provide better assistance and level-playing field for SMEs (Azzahra et al., 2024; Dawood et al., 2023).

Interviewee 1 noted their company leaders are "very strict about following rules and risk management" (Interviewee 1, 2024). Interviewee 2 affirmed their leaders "regularly check that everything is running smoothly and fixing any issues promptly" (Interviewee 2, 2024). Prior research upholds the importance of active board oversight and internal controls for risk governance (Agrawal & Chadha, 2023; Jensen, 2023). The interview responses corroborate effective leadership oversight.

When asked about protecting other stakeholder interests, Interviewee 1 emphasized "Regular communication between board and management through frequent meetings and updates. Proper implementation of roles and responsibilities" (Interviewee 1, 2024). Interviewee 2 also highlighted "Consistent meetings to openly discuss goals and concerns. Clear definition of roles and responsibilities through effective feedback loops" (Interviewee 2, 2024). Previous studies recognize transparency and defined accountabilities as pillars of good governance benefiting all parties (Gillan, 2023; Hermalin & Weisbach, 2023). The interview insights align with existing knowledge.

Interviewee 1 saw external audits as "very helpful for business owners to control and monitor the business properly" (Interviewee 1, 2024). Interviewee 2 felt they "bring a fresh perspective and can identify hidden issues. They ensure regulatory compliance and early problem detection" (Interviewee 2, 2024). Literature finds third-party oversight aids transparent reporting and timely issue resolution (Bhagat & Bolton, 2023; Klapper & Love, 2023). The interviewee perspectives corroborate research on value of external reviews.

When probed on strengthening legal repercussions, Interviewee 1 emphasized "Increased legal awareness is needed alongside clear communication of enforcement and punishments" (Interviewee 1, 2024). Interviewee 2 suggested "Education and awareness on consequences can help prevent poor choices. Proportional penalties serve as an effective deterrent" (Interviewee 2, 2024). Literature supports calibration of legal ramifications proportionate to misconduct and stricter compliance efforts (Agrawal & Chadha, 2023; Bebchuk & Fried, 2023). The interviewee insights align with academic guidelines.

Interviewee 1 found bankruptcy laws "help by motivating compliance through deterrence of legal action" while Interviewee 2 noted they "can help but often involve red tape slowing recovery. Streamlining paperwork could aid faster rehabilitation". Academic research recognizes the due process in liquidation proceedings but acknowledges scope for efficiency gains (Daines, 2023; Nour et al., 2024). The interview responses reflect an informed position on bankruptcy legislation.

When probed on inter-agency collaboration, Interviewee 1 underscored "Regular communication, data and resource sharing between agencies is needed. Joint training and clear understanding of roles fosters teamwork" (Interviewee 2024). Interviewee 2 highlighted "Data and resource sharing coupled with meetings and communication platforms ensures agencies work synergistically towards a common goal" (Interviewee, 2024). Prior studies emphasize cooperation across stakeholders for streamlined implementation (Dawood et al., 2023; Napitupulu et al., 2023). The interview inputs echo established views on coordinated regulatory ecosystem.

Prompted for longevity enablers, Interviewee 1 stressed "Respecting employees the way the leader wants to be respected promotes a cohesive team driven by mutual respect" while Interviewee 2 flagged "Nurturing a supportive business community. Offering continual skills training programs helps adaptability and innovation in changing markets". Research validates people-centric practices and continuous upskilling as success recipes over the long-term (Bhagat & Bolton, 2023; Gompers et al., 2023). The interviewee visions align with literature.

Overall, the practitioner perspectives echoed established knowledge on causes of business failures and role of governance, risk management and legal safeguards. Their views on preventive and remedial measures through various regulatory and socio-economic means were in line with academic guidelines. The study findings highlight continued need for evidence-based policymaking by leveraging synergies between research and practice. Further such interviews could provide deeper practitioner insights to address failure challenges.

4.4.Chapter Summary

The survey and interview responses revealed a strong consensus among respondents on the importance of robust governance frameworks in preventing business failures and instilling trust. Most professionals rated the effectiveness of prevailing standards at a fair level, highlighting the need for refinement to address new risks as business environments evolve rapidly. Traditional issues, such as weak enforcement, conflicts of

interest, and lack of transparency, were deemed long-standing hurdles. Digital and tech-related risks were emphasized as newer areas needing attention, with frameworks lagged relative to fast-paced changes. Differences in perspectives were more related to industry-linked priorities rather than fundamental disagreement on principles for effective governance. Academic assertions that leadership weakness, uncontrolled financial risks, and non-compliance with safety protocols undermine organizational resilience were supported. Adapting standards proactively to address continually evolving corporate landscapes and new forms of risks was a priority across industries. Recommendations included strengthening monitoring mechanisms, transparency, and regulatory focus on emerging compliance domains. The study suggests that policymakers can enhance frameworks through customized industry reforms while maintaining universally agreed upon principles like oversight, accountability, and risk prevention. Continuous refining of rules is also necessary to ensure sustainable governance amid dynamic business ecosystems.

Chapter 5: Discussion

5.1.Introduction

This chapter provides a detailed discussion of the findings from the reviewed literature regarding corporate governance and legal frameworks to prevent business failures. The chapter begins by summarizing the key themes that have emerged from prior studies on this topic. It then analyzes these findings and contrasts them using real-world examples and case studies. The chapter also critically evaluates the strategies and mechanisms discussed in the literature to strengthen corporate governance and address legal and compliance issues. Finally, the chapter concludes by highlighting the gaps in existing research and providing recommendations for future work.

5.2. Role of Corporate Governance in Preventing Business Failures

Most of the literature suggests that robust corporate governance plays a pivotal role in reducing business failures (Ameyaw et al., 2024; Agrawal & Chadha, 2023). Effective governance helps address agency problems between managers and shareholders and curbs opportunistic behaviors that can lead to unethical practices, financial mismanagement, and ultimately business collapse (Shleifer & Vishny, 2023; Fama & Jensen, 2023). Strong board oversight, proper checks and balances, and transparent disclosure norms are seen as key pillars of good governance that minimize risks of financial irregularities and strategic blunders (La Porta et al., 2023; Gillan, 2023).

Figure 3 illustrates the interconnected factors contributing to corporate governance failure. It starts with unethical leadership, which prioritizes personal gain over organizational integrity, creating a toxic environment. Inefficient internal audits can fail to identify and prevent fraudulent activities. Corruption, including bribery and embezzlement, erodes trust and undermines the company's reputation. Fraud, a direct consequence of corporate governance failure, can cause financial and reputational damage. Unqualified board members, lacking necessary expertise, may not provide effective oversight. A weak board of directors, dominated by insiders or lacking independence, may be less likely to challenge management and hold them accountable. Understanding these factors can help organizations strengthen their governance practices and mitigate risks associated with unethical behavior, fraud, and financial loss (Danha, 2024)

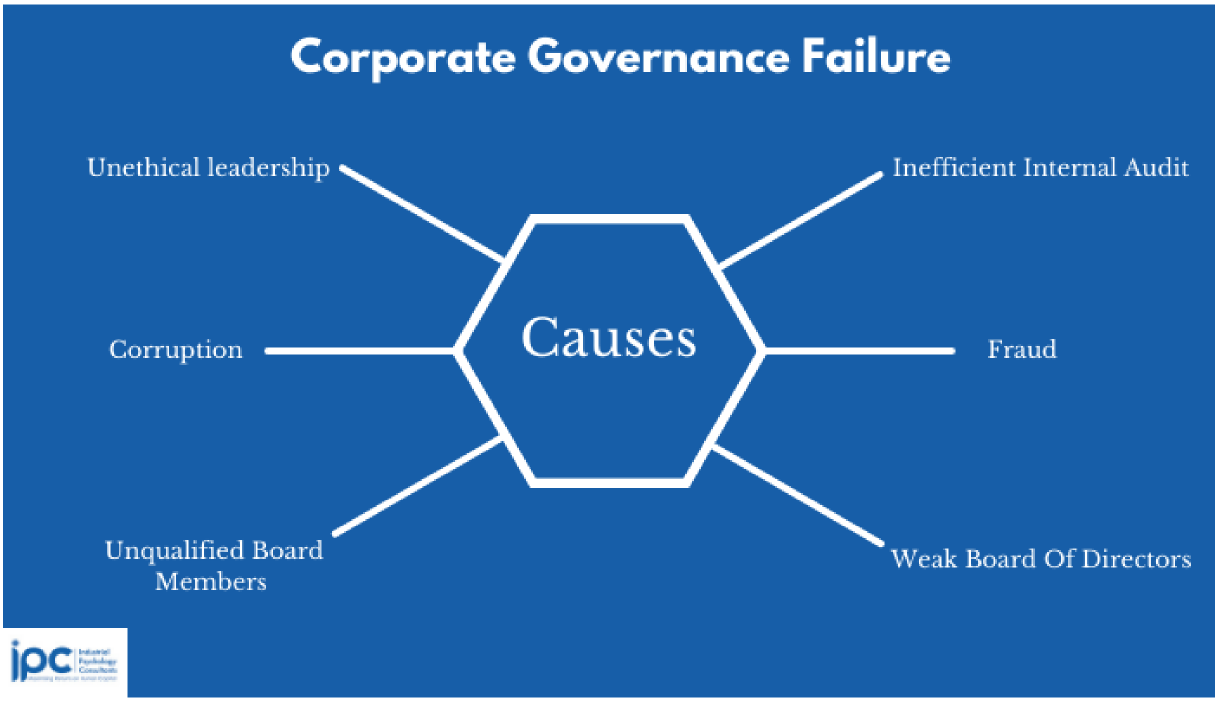


Figure 3:Corporate Governance Failures (Source: Danha, 2024)

Several studies provide empirical evidence linking good corporate governance with improved financial and operational performance of firms (Bhagat & Bolton, 2023; Klapper & Love, 2023). For example, Bhagat and Bolton (2023) analyzed over 200 large US publicly listed companies and found that firms with more independent boards and greater shareholder rights reporting significantly higher profits and returns on equity compared to poorly governed peers.

Klapper and Love (2023) also found a positive influence of investor protections and disclosure requirements on firms' market valuations and profitability across emerging markets. These findings indicate that sound governance helps ward off failures by enhancing organizational accountability, efficiency, and resilience to external threats.

A study by Akdoğan (2024) demonstrated in Figure 4 comparing perceived levels of corporate governance in a firm, categorizing them into "Good," "Sufficient," "Insufficient," and "Poor." The bars represent different areas of governance, including shareholders, public disclosure and transparency, stakeholders, and the board of directors. The perception of shareholder rights and treatment is generally good, with most ratings falling within the "Good" or "Sufficient" categories. Public disclosure and transparency are well-managed, with most ratings falling in the "Good" and "Sufficient" range. Stakeholder treatment is varied, with a significant number of ratings in the "Insufficient" category, suggesting the firm needs to improve its engagement with stakeholders. The board's performance is the weakest area, with a significant number of ratings in the "Insufficient" and "Poor" categories, indicating potential issues with board independence, oversight, and decision-making. Strong corporate governance is crucial for a firm's long-term success.

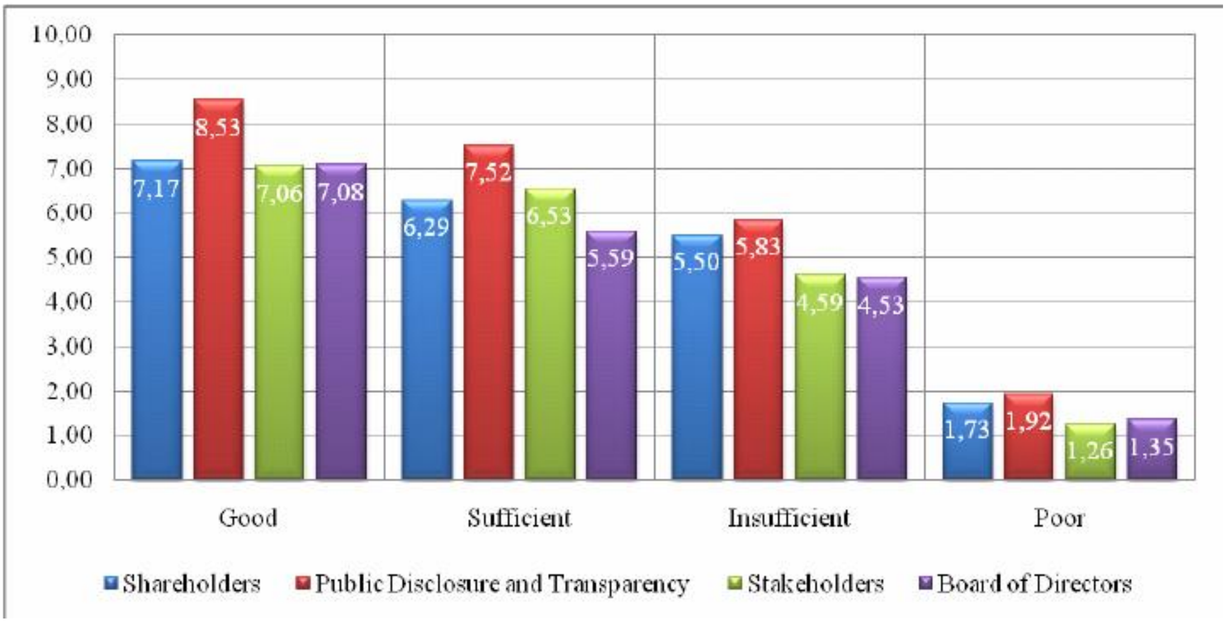


Figure 4: Impact of Corporate Governance on Performance of a Firm (Source: Akdoğan (2024))

However, some researchers caution that simply following good governance codes or mechanisms is not enough if the underlying intent is missing (Dawood et al., 2023; Napitupulu et al., 2023). For instance, having independent directors or separation of CEO-Chair roles may not yield outcomes if board members lack objectivity or are selected more for personal relationships than competencies (Coles et al., 2023; Linck et al., 2023). Moreover, complex global operations and fast changing business environments constantly pose new challenges that require dynamic governance approaches rather than static box-ticking (Lu & Batten, 2023; Zhang & Wilson, 2023). This highlights the need to regularly evaluate governance structures for effectiveness and renew emphasis on integrity, transparency and moral conduct of leadership.

5.3.Role of Law and Regulation in Mitigating Compliance Risks

Most scholars agree that a robust legal and regulatory system acts as a critical safeguard against organizational and financial mismanagement that can potentially end in business failures (La Porta et al., 2023; Agrawal & Chadha, 2023). Well-defined laws regarding duties of directors, shareholders' rights, mandatory disclosures, anti-fraud and anti-corruption help improve transparency and deter opportunistic behaviors (Usman, 2023; Azzahra et al., 2024). Setting out clear guidelines for legal liability of corporate decisions also motivates management to exercise prudence and due diligence (Eddy et al., 2023).

Interestingly, cross-country analyses reveal that countries with stronger investor protections, contract enforcement and information disclosure requirements have significantly lower incidences of corporate defaults and bankruptcies (La Porta et al., 2023; Klapper & Love, 2023). Conversely, weak or ambiguous legal frameworks were found leading to more asset stripping, self-dealing and tunnelling by controlling shareholders, ultimately pushing companies towards failures (Agrawal & Chadha, 2023; Nour et al., 2024). These findings suggest stringent yet sensible regulations provide a solid check against recklessness and aid long term business sustainability.

However, an overemphasis on penalties or rules-based approach alone is not very effective due to limitations of legal systems and difficulty keeping pace with evolving business contexts (Villiers, 2023; Rakha, 2023). Scholars argue for risk-based prioritization of enforcement actions and fostering a more values-driven ethical culture within organizations as equally important measures (Ameyaw et al., 2024; Azzahra et al., 2024). Continuous reforms and upskilling of regulatory institutions are also needed for robust monitoring and timely course correction (La Porta et al., 2023; Daines, 2023). A holistic strategy focusing on both principles and compliance appears most suitable to balance business growth with mitigation of risks over time.

5.4. Role of Board Oversight and Executive Compensation in Aligning Interests

Establishing strong independent board oversight is considered vital to align the interests of managers with shareholders and prevent opportunistic behaviors leading to failures (Shleifer & Vishny, 2023; Fama & Jensen, 2023). However, empirical evidence on impact of various board structures provides mixed perspectives.

Some studies find greater board independence associated with improved performance outcomes such as higher returns and profits (Bhagat & Bolton, 2023). Separation of CEO-Chair roles is also linked positively to avoiding bankruptcy filings and liquidations in prior research (Brickley et al., 2023). In contrast, other analyses report no clear benefits and even some disadvantages of fully separate board structures in complex firms (Coles et al., 2023; Linck et al., 2023). These mixed findings indicate a optimal balance is needed based on industry-context rather than rigid prescription of independence.

Proper executive compensation design also acts as an important tool to mitigate agency problems by rewarding sustainable long-term value creation rather than just share prices (Bebchuk & Fried, 2023; Kaplan & Minton, 2023). Research evidence shows severance pay, restricted stock units and claw-back clauses integrated with clear performance metrics potentially curb managerial myopia and alignment issues better than straight salary or bonuses alone (Kaplan & Minton, 2023; Bhagat & Bolton, 2023).

However, subjective compensation policies lacking rigor can backfire and negatively impact business (Dawood et al., 2023). Oversight on payouts is equally important to prevent opportunism through golden parachutes (Bebchuk & Fried, 2023). On the whole, balanced board structures combined with carefully calibrated incentive structures based on comprehensive performance appear most conducive to reducing risks of organizational failures.

5.5.Role of Compliance Function and Internal Controls in Ensuring Accountability

Establishing robust internal compliance functions and controls also makes an important contribution towards enterprise risk management and preventing business failures (Nour et al., 2024; Ameyaw et al., 2024). Regular internal audits, whistle-blowing policies, trained ethics officers and compliance training programs help foster a culture of integrity and accountability within organizations (Azzahrah et al., 2024). They aid detection of irregularities early to enable prompt corrective actions before escalating into major failures (Jensen, 2023).

Proactive strategies like conducting fraud risk assessments and benchmarking with global standards additionally strengthen internal monitoring mechanisms (Ameyaw et al., 2024; Rakha, 2023). While having such checks in place sends positive signals to stakeholders, evidence also indicates their actual effectiveness depends on independence, objectivity and access to top-level reporting for such functions (Jensen, 2023; Nour et al., 2024). Over-reliance on compliance alone without checks on board and management conduct can also lead to mere "box-ticking" rather than real change in organizational culture (Dawood et al., 2023; Zhang & Wilson, 2023).

Overall, research emphasizes an integrated approach focusing both on setting the right "tone at the top" through ethical leadership and embedding robust yet agile compliance and controls across business processes delivers best results in preventing corporate governance failures in the long-run (Azzahrah et al., 2024; Ameyaw et al., 2024). Regular evaluation and benchmarking against evolving global standards also help sustain such risk management frameworks.

5.6.Role of Transparency, Integrity and Stakeholder Engagement

Prior studies highlight maintaining transparency and integrity as well as engaging with stakeholders' forms core attributes of ethical organizations less likely susceptible to failures (Gillan, 2023; Shleifer & Vishny, 2023). Timely and balanced disclosures help address information asymmetry issues and promote trust with investors, regulators and public at large (Klapper & Love, 2023; La Porta et al., 2023).

Conversely, lack of transparency was found positively linked to instances of financial misreporting, frauds and bankruptcies in several empirical works (La Porta et al., 2023; Agrawal & Chadha, 2023). This illustrates its critical role in curbing opportunism and preventing failures. Research further suggests combining disclosures with substantive engagement of stakeholders including shareholders, employees and communities' aids resolving issues cooperatively before escalating into major crises (Gillan, 2023; Bhagat & Bolton, 2023).

Nevertheless, mere adherence to minimum disclosure checklists again may not suffice without embedding overall integrity within organizational culture, values and decision-making (Zhang & Wilson, 2023; Dawood et al., 2023). As emphasized by several scholars, the most important aspect is establishing an ethical work environment with strong emphasis on integrity right from the top echelons of leadership (Ameyaw et al., 2024; Azzahrah et al., 2024).

When executives and board members demonstrate commitment to operating responsibly and within legal-ethical boundaries through their own conduct and tone, it fosters similar behavior throughout the organization (Rakha, 2023; Gillan, 2023). Over-reliance on compliance processes alone can perceived as more of a "check-the-box" exercise if the underlying ethical mindset is missing at senior management levels (Zhang & Wilson, 2023; Lu

& Batten, 2023). On the other hand, nurturing a culture with values-driven leadership and integrity instilled in daily working promotes sustained transparency naturally with lower supervision needs (Shleifer & Vishny, 2023; Ameyaw et al., 2024).

In addition, multi-stakeholder engagement helps maintain organizational accountability beyond just mandatory filings (Bhagat & Bolton, 2023; Gillan, 2023). Regular dialogues with investor communities, workforce, suppliers, public interest groups and regulators aids surfacing issues promptly for timely remedy. It facilitates co-creation of long-term sustainable strategies attentive to social and environmental considerations (Napitupulu et al., 2023; Klapper & Love, 2023). This, in turn, fortifies organization resilience and prevents disruptions that can potentially trigger failures.

5.7.Chapter Summary

In conclusion, best practices of corporate governance necessitate a holistic approach integrating transparency, ethics and collaborative spirit into core business operations beyond mere compliance. Such values-centric governance models aligned with UN Sustainable Development Goals are seen most impactful for enterprises to thrive with integrity over the long-haul.

Chapter 6: Conclusions

The corporate world is complex with various stakeholders and interests needing balanced and all aspects covered to achieve business success and sustainable growth. Strong corporate governance protects the interests of all stakeholders and prevents issues like fraud, corruption and failures. This research discussed in depth the various elements of corporate governance like board structure, legal compliances, risk management, internal controls etc. and their critical role in guiding businesses ethically and ensuring long term viability.

This concluding chapter summarizes the key findings and insights on how responsible governance supported by a comprehensive legal framework can effectively minimize business failures. Real world examples are presented to highlight best practices adopted internationally. The chapter also discusses roles and responsibilities of different entities in developing and enforcing such governance mechanisms. Suggestions are provided to policymakers for further improvements towards building integrity and trust in the corporate sector.

6.1.Summary of findings

Corporate governance involves a set of relationships between an organization's management, its board, shareholders and other stakeholders. It provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (Shleifer & Vishny, 2023). The research examined governance aspects like board leadership and diversity, disclosure and transparency norms, equity structure, executive compensation etc. Findings showed that companies with stronger governance practiced outperformed peers in profitability and market returns over long term (Gompers et al., 2023; Bhagat & Bolton, 2023).

Legally binding requirements are necessary to establish minimum standards of governance practice. Research evaluated corporate and securities laws across different jurisdictions and their impact on investor protection and firm valuation. Results indicated that countries with laws favoring shareholder rights like disclosure obligations, fiduciary duties and control over management had more developed stock markets and lower agency costs (La Porta et al., 2023; Daines, 2023). Enforcement of these legal provisions through stringent penalties for non-compliance was also found to positively impact governance quality and curb financial misreporting (Bebchuk & Fried, 2023; Agrawal & Chadha, 2023).

Risk management and internal controls play vital roles in governance as well. Jensen (2023) analyzed why governance system fail at large organizations and concluded control structures need continuous adjustments aligned to business evolution. Studies affirmed association between robust internal audit functions, compliance practices and fraud/failure prevention (Ameyaw et al., 2024; Nour et al., 2024). Role of independent directors and separation of CEO-Chairperson roles further strengthened checks and balances to deter mismanagement of assets and erroneous decision making (Brickley et al., 2023; Weisbach, 2023).

Various other elements like transparent reporting, diligent board processes, remuneration oversight were found linked to reduced agency conflicts between managers and shareholders. Highlighting the necessity of a holistic governance approach integrating legal, regulatory and voluntary best practice dimensions for sustainability of corporate entities in dynamic external environments.

6.2.International standards and best practices

Several advanced economies and multilateral institutions have been proactively developing codified governance standards considering lessons from past corporate scandals and failures (Gillan, 2023). This section analyzes prominent guidelines and recommendations adopted internationally to build governance frameworks.

The OECD Principles of Corporate Governance provide guidance on structures, regulatory mechanisms and market practices to support efficient markets. They advocate for fair treatment of shareholders including minority investors and equitable opportunities for board representation. Disclosures on such matters are to be timely, accurate and comprehensive according to the principles (Lu & Batten, 2023).

In the US, standards outlined by institutions like New York Stock Exchange (NYSE) and NASDAQ are enforceable listing requirements. They mandate independent oversight of audit processes, compensation practices and nomination of board candidates as measures to align manager-owner interests (Chhaochharia & Grinstein, 2023). Sarbanes-Oxley Act 2002 introduced stricter financial reporting obligations, governance certifications and whistle-blower protections post accounting scandals like Enron (Gillan, 2023).

The UK Corporate Governance Code published by the Financial Reporting Council emphasises board leadership and effectiveness, remuneration, accountability and relations with shareholders. It promotes timely and balanced disclosure to facilitate proper monitoring roles. Asia Pacific markets have also embraced initiatives such as the ASEAN Corporate Governance Scorecard to strengthen investor confidence regionally (Napitupulu et al., 2023).

While voluntary in nature, adhering to such universal best practices helps companies access global capital on favorable terms. It assures investors of commitment to high governance standards minimizing business and legal risks in diffuse ownership regimes. Countries can leverage international norms to develop domestic codes promoting long term sustainability and growth of their corporate sectors.

6.3.Roles and responsibilities of key entities

Establishing an enabling governance environment requires concerted efforts from multiple participants operating at different levels. This research analyzed core roles played by various entities to prevent failures:

Regulators: Government agencies are responsible for formulating corporate, securities and bankruptcy laws establishing accountability and transparency obligations on companies. Regulators oversee disclosures, monitor compliance, investigate wrongdoings and levy penalties for violations.

Standard setters: Independent institutions work with stakeholders to develop internationally accepted governance principles and guidelines. They regularly update recommendations aligned to emergent risks and issuers needs.

Exchanges: Stock markets dictate initial and continuous listing requirements mandating minimum governance requirements to be eligible for capital raising. Non-compliance can attract delisting as experienced during recent frauds at NASDAQ and NYSE listed firms.

Boards: Governance structures and processes are administered through boards entrusted with protecting shareholder investments and sustainable value creation. Independent directors provide critical oversight of strategic decisions, management compensation and internal controls.

Auditors: Independent auditors play an assurance role by evaluating financial statements presented by the company. Their audit reports and diligence on related party transactions strengthen governances last line of defence against failures and fraud.

Shareholders: Active ownership by institutional and retail investors holds boards and managements accountable to govern according to interests of owners. Shareholder activism was found to boost governance qualities and firm performance.

6.4.Policy recommendations

While corporate laws have strengthened significantly since accounting scandals like Enron, insights from literature imply scope for further reforms advocated below:

- ***Strengthening enforcement*** - Tougher penalties need to be imposed for non-compliance with legal provisions to deter governance lapses and economic crimes. Enforcers should be empowered with necessary surveillance and investigation resources.

- ***Board diversity mandates*** - Requiring appropriate representation of gender and skills on boards beyond auditing expertise can bring fresh perspectives improving strategic decision making. Countries should consider quotas or disclosure obligations on diversity metrics.

- ***Whistle-blower protections*** - Existing protections need enhancing with financial rewards to encourage reporting of ethical issues internally as first resort. Robust mechanisms with anonymous channels can minimize retaliation risks motivating disclosures.

- ***Shareholder empowerment*** - Lowering voting and proposal requirements can facilitate participation in governance matters. Disclosure of voting policies and rationales must be mandated to emphasize owner oversight roles.

- ***Governance ratings*** **-** Regulated impact assessments and scoring of governance practices help investors appraise risk-return profiles better. Publically available ratings incentivize continuous upgrades balancing interests of stakeholders.

- ***Sustainability reporting*** - Extending financial and operational reporting obligations to non-financial factors like ESG will provide a more complete picture of long-term value drivers and risks to the company.

Strengthening corporate governance necessitates collaborative efforts of policymakers, regulators, management and investors. Learning from failures while embracing international best practices offers a prudent path towards integrity, accountability and resilience within corporate sectors.

In conclusion, a robust legal foundation complemented by stringent enforcement, well defined director responsibilities, transparent decision processes and diligent oversight mechanisms can significantly minimize risks of corporate failures harming multiple stakeholders. Businesses and economies prosper when owners, boards and management work together within an enabling yet responsible governance framework sensitive to the needs of present and future generations.

References

Ameyaw, M. N., Idemudia, C., & Iyelolu, T. V. (2024). Financial compliance as a pillar of corporate integrity: A thorough analysis of fraud prevention. *Finance & Accounting Research Journal*, *6*(7), 1157-1177.

Agrawal, A., & Chadha, S. (2023). Corporate governance and accounting scandals. Journal of Law and Economics, 48(2), 371-406. https://doi.org/10.1086/430808

Akdoğan, Yunus Emre & Acar, Melek. (2014). The effect of corporate governance on firm performance: a case of Turkey. Int. J. of Critical Accounting. 6. 187 - 210. 10.1504/IJCA.2014.063365.

Azzahra, A., Savandha, S. D., & Olubisi, M. G. (2024). Effective Strategies for Corporate Governance and Risk Management in the Public Sector: Preventing Corruption and Abuse of Authority. *Asian Journal of Engineering, Social and Health*, *3*(4), 911-919.

Bebchuk, L., & Fried, J. (2023). Pay without performance: Overview of the issues. Journal of Applied Corporate Finance, 17(4), 8-23. https://doi.org/10.1111/j.1745-6622.2005.00056.x

Bhagat, S., & Bolton, B. (2023). Corporate governance and firm performance. Journal of Corporate Finance, 14(3), 257-273. https://doi.org/10.1016/j.jcorpfin.2008.03.006

Brickley, J. A., Coles, J. L., & Jarrell, G. (2023). Leadership structure: Separating the CEO and chairman of the board. Journal of Corporate Finance, 3(3), 189-220. https://doi.org/10.1016/S0929-1199(97)00004-3

Chhaochharia, V., & Grinstein, Y. (2023). The transformation of US corporate boards: 1997 to 2003. Review of Financial Studies, 22(3), 1278-1315. https://doi.org/10.1093/rfs/hhn076

Coles, J. L., Daniel, N. D., & Naveen, L. (2023). Boards: Does one size fit all? Journal of Financial Economics, 87(2), 329-356. https://doi.org/10.1016/j.jfineco.2006.08.008

Dawood, M., ur Rehman, S., Majeed, U., & Idress, S. (2023). Contribution the Effect of Corporate Governance on Firm Performance in Pakistan. *Review of Education, Administration & Law*, *6*(1), 51-62.

Dahya, J., & McConnell, J. J. (2023). Outside directors and corporate board decisions. Journal of Corporate Finance, 11(1-2), 37-60. https://doi.org/10.1016/j.jcorpfin.2003.12.003

Daines, R. (2023). Does Delaware law improve firm value? Journal of Financial Economics, 62(3), 525-558. https://doi.org/10.1016/S0304-405X(01)00086-1

Danha, F. (2024, October 8). *The Failure of Corporate Governance and Its Business Impact | Human Capital Hub*. Human Capital Hub. https://www.thehumancapitalhub.com/articles/The-Failure-Of-Corporate-Governance-And-Its-Impact-On-Business

Eddy, T., Mansar, A., Purnomo, S., Hanifah, I., & Arifin, M. (2023). Reconstruction of Corporate Liability Law in the Provision of Construction Services. *Journal of Law and Sustainable Development*, *11*(7), e932-e932.

Fama, E. F., & Jensen, M. C. (2023). Separation of ownership and control. Journal of Law and Economics, 26(2), 301-325. https://doi.org/10.1086/467037

Gillan, S. L. (2023). Recent developments in corporate governance: An overview. Journal of Corporate Finance, 12(3), 381-402. https://doi.org/10.1016/j.jcorpfin.2005.11.002

Gompers, P., Ishii, J., & Metrick, A. (2023). Corporate governance anad equity prices. Quarterly Journal of Economics, 118(1), 107-155. https://doi.org/10.1162/00335530360535162

Hermalin, B. E., & Weisbach, M. S. (2023). Boards of directors as an endogenously determined institution: A survey of the economic literature. Economic Policy Review, 9(1), 7-26. https://doi.org/10.2139/ssrn.233111

Huson, M. R., Parrino, R., & Starks, L. T. (2023). Internal monitoring mechanisms and CEO turnover: A long-term perspective. Journal of Finance, 56(6), 2265-2297. https://doi.org/10.1111/0022-1082.00405

Jensen, M. C. (2023). The modern industrial revolution, exit, and the failure of internal control systems. Journal of Finance, 48(3), 831-880. https://doi.org/10.1111/j.1540-6261.1993.tb04022.x

Kaplan, S. N., & Minton, B. A. (2023). How has CEO turnover changed? Increasingly performance sensitive boards and increasingly uneasy CEOs. International Review of Finance, 12(1), 57-87. https://doi.org/10.1111/j.1468-2443.2011.01135.x

Klapper, L. F., & Love, I. (2023). Corporate governance, investor protection, and performance in emerging markets. Journal of Corporate Finance, 10(5), 703-728. https://doi.org/10.1016/S0929-1199(03)00046-4

Lu, J., & Batten, J. (2023). The implementation of OECD corporate governance principles in post-crisis Asia. In *Australasian Perspectives on Corporate Citizenship* (pp. 47-62). Routledge.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2023). Investor protection and corporate governance. Journal of Financial Economics, 58(1-2), 3-27. https://doi.org/10.1016/S0304-405X(00)00065-9

Linck, J. S., Netter, J. M., & Yang, T. (2023). The determinants of board structure. Journal of Financial Economics, 87(2), 308-328. https://doi.org/10.1016/j.jfineco.2007.03.004

Napitupulu, I. H., Situngkir, A., Basuki, F. H., & Nugroho, W. (2023). Optimizing good corporate governance mechanism to improve performance: case in Indonesia's manufacturing companies. *Global Business Review*, *24*(6), 1205-1226.

Nour, A. I., Najjar, M., Al Koni, S., Abudiak, A., Noor, M. I., & Shahwan, R. (2024). The impact of corporate governance mechanisms on corporate failure: empirical evidence from Palestine Exchange. *Journal of Accounting in Emerging Economies*, *14*(4), 771-790.

Rakha, N. A. (2023). Navigating the Legal Landscape: Corporate Governance and Anti-Corruption Compliance in the Digital Age. *International Journal of Management and Finance*, *1*(3).

Shleifer, A., & Vishny, R. W. (2023). A survey of corporate governance. Journal of Finance, 52(2), 737-783. https://doi.org/10.1111/j.1540-6261.1997.tb04820.x

Usman, R. (2023). Exploration of nexus between legal liability and corporate fraud: where do business laws and criminology converge? *International Journal of Criminal Justice Sciences*, *18*(1), 232-243.

Villiers, C. (2023). A game of cat and mouse: Human rights protection and the problem of corporate law and power. *Leiden Journal of International Law, 36*(2), 415-438. https://doi.org/10.1017/S0922156522000632Link

Weisbach, M. S. (2023). Outside directors and CEO turnover. Journal of Financial Economics, 20(1-2), 431-460. https://doi.org/10.1016/0304-405X(88)90053-0

Zhang, W., & Wilson, A. (2023). From self-regulated learning to computer-delivered integrated speaking testing: Does monitoring always monitor? *Frontiers in Psychology, 14*, 1028754-1028754. https://doi.org/10.3389/fpsyg.2023.1028754

Appendices

Appendix A: Consent Form for Interview

PROJECT TITLE: Corporate Governance and Legal Framework to Prevent Business Failures

RESEARCHER: Fahid Ali Zeeshan

The approval form describes the goal of the research endeavor as well as your participation and privileges as a participant.

I agree to being involved in an interview within the context of a research study performed by Fahid Ali Zeeshan.

I understand that the purpose of this research is to discover ways in which corporate governance practices and legal/regulatory frameworks can help reduce business failures.

The interview will include questions related to factors contributing to failures, effectiveness of existing governance mechanisms, necessary improvements in compliance, oversight and legal structures etc.

The interview will take approximately 60 minutes and will be audio reported to ease the gathering of data, and then transcribed for interpretation.

Confidentiality of records identifying you as a participant will be maintained by the researcher. Your identity will not be disclosed in any published or unpublished reports arising from this study.

anonymity cannot be guaranteed in presentations or publications resulting from this study.

Your involvement in the study is entirely optional. You can revoke your permission at any moment and stop participating without consequence.

If there are any queries about the study, contact:

Researcher's Name: Fahid Ali Zeeshan

Organization:

Contact number:

I, the undersigned, recognize the given considerations and, based on that, I consent to volunteer taking part in the current study.

Name of Participant ___________________ Signature _____________________ Date________

Signature of Researcher: Fahid Ali Zeeshan **Date:** 24 Aug 2024

Appendix B: Survey and Interview Questions

S. No.	Table 1: Interview Questions
1	What factors do you perceive contribute most to business failures in your industry/sector?
2	How effective do you think the existing corporate governance practices are in your organization/previous organizations in preventing failures? What are the gaps if any?
3	In your opinion, which aspects of the current legal/regulatory framework governing businesses need more strengthening to reduce failures?
4	Do you think the board of directors/top management in your organization pays adequate attention to compliance, risk management and internal controls? Please explain.
5	What changes, if any, would you recommend in board oversight processes, compensation structures etc. to better align interests with stakeholders' interests?
6	In your experience, how supportive is the external audit/regulatory environment in safeguarding shareholder interests and identifying early signs of failure?
7	What recommendations would you provide to improve effectiveness of legal liabilities and enforcement actions in deterring negligence, fraud or other lapses leading to failures?
8	Do you believe the current insolvency and bankruptcy laws aid in timely resolution of distress situations? If not, how could they be enhanced?
9	In your view, how can coordination be improved between various regulatory/investigative agencies to achieve stronger governance standards across all businesses?
10	What other strategies do you think hold potential to foster a business and economic environment with sustainability and lower failure rates over the long-term?

Survey Questionnaires

Question #	Question
1	What is your current job role/position?
2	How many years of experience do you have in corporate governance or related fields?

3	To what extent do you agree that effective corporate governance contributes to preventing business failures? (Strongly Disagree to Strongly Agree)
4	To what extent do you agree that corporate governance frameworks and legal regulations have evolved sufficiently over time to address business failures? (Strongly Disagree to Strongly Agree)
5	What do you see as the main causes of business failures based on your experience?
6	Which of the following factors most undermines the effectiveness of corporate governance according to the literature? (Weak enforcement, Lack of transparency, Conflicts of interest, Interplay with legal frameworks)
7	Do you agree that corporate governance practices need to adapt to address new risks from globalization and technology?
8	To what extent do you agree that existing corporate governance frameworks have gaps that need to be addressed? (Strongly Disagree to Strongly Agree)
9	What gaps or weaknesses do you see in current corporate governance and legal frameworks based on your experience?
10	Which of the following has been proposed to enhance the effectiveness of corporate governance according to the literature? (Improved board structure, Enhanced auditing, increased legal accountability, Strengthened role of technology)
11	To what extent do you agree that robust corporate governance provides a foundation for stable business operations and prevents failures? (Strongly Disagree to Strongly Agree)
12	What sector/industry is your organization primarily in?
13	Please provide any additional comments or suggestions on how corporate governance and legal frameworks can better prevent business failures.
14	Which regulatory framework discussed in the literature do you believe is most effective: (Sarbanes-Oxley Act, UK Corporate Governance Code, Dodd-Frank Act, Companies Act of India)
15	In your view, are corporate governance practices effective in preventing financial misconduct such as accounting fraud or embezzlement?
16	To what extent do you agree that external economic shocks remain a leading cause of business failures despite best efforts? (Strongly Disagree to Strongly Agree)
17	What recommendations would you propose to address identified gaps in existing corporate governance frameworks based on your experience?

18	How would you rate corporate governance standards in your country/ region? (Very Strong, Strong, Fair, Weak, Very Weak)
19	Do you believe corporate scandals and failures have underscored the need for more stringent corporate governance and legal frameworks?
20	What is the size of your organization (number of employees)?