

A Behaviourally Plausible Decision Centred Perspective on the Role of Corporate Governance in Corporate Failures

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Abstract : The primary focus of this study is to answer “What is the role of corporate governance in corporate failures? Does poor corporate governance lead to corporate failures? If so, how?”. In doing so, the study examines the literature from multiple fields, including corporate governance, corporate failures and organizational decision making, and presents a research gap to analyze and explore the relationship between corporate governance practices and corporate failures through a behavioral lens. In approaching this, a qualitative research methodology is adopted to analyze the failure of Enron Corporation (United States). The research considered the case study organizations as the primary unit of analysis and the decision-makers as the secondary unit of analysis. Based on this research approach, the study reports the analytical results drawn from extensive and triangulated secondary data. The study then interprets the results in the context of the theoretical synthesis. The study contributes towards filling a gap in the research and presents a behaviourally plausible decision centered model of the role of corporate governance in corporate failures. The model highlights the critical role of the behavioral aspects of corporate governance decision making in corporate failures and focuses attention on the under-explored aspects of corporate governance decision making. The study also suggests a further understanding of ‘A Behavioral Theory of the Firm’ in relation to corporate failures.

Keywords : behavior, corporate failure, corporate governance, decision making, values

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