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Governing the Corporation: Regulations in the Era of Scandals and Globalization

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ABSTRACT

Purpose: This study evaluates the effects of the global financial crisis rooted in ethical deterioration. However, the worldwide regulatory reform agenda has largely overlooked this factor and focused on the technical needs. Also, look at the relative influence of various players within the corporate governance and regulatory equation to determine the shape that enforcement takes.

Design/Methodology/Approach: The qualitative method is used in this study by analyzing statutes, local and international protocols, conventions, and treaties.

Findings: In this work, the magnitude of the global financial disaster has shown how erroneous market ordering optimism. The tangible and conceptual certainty linked with finance capitalism's primacy has vanished. This has created a debate regarding the privileged and the general public. The critical question is how to respond. Rules are too readily transacted around, and principles lack the granularity to be enforceable to address ethical flaws.

Implications/Originality/Value: We must pay considerably greater attention to the moral dimension of market activity or how people live their lives professionally. It is a chore we should avoid at all costs.

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Introduction

The implosion of the securitization markets exposes the fallacy of the rules vs principles dichotomy as the main distinguishing feature in regulatory architecture (Ali and Khan, 2022). Neither supervisory regime taught the ethical restraint needed for market integrity. Business, legal, and political forces point to a single empirical clash. This issue is based on the possible contradiction between private and public law securities regulation. In the past, professional and unskilled investors masked this underlying problem (Pargendler, 2020). While efficiency and effectiveness are measured internally within a strategic action field, legitimacy requires more considerable outward support of exclusive bargaining arrangements. The global financial crisis exposed false market optimism. It is turn-of-the-century. Finance capitalism's tangible and intellectual certainties have evaporated. This has established a forum for elite, privileged, and public debate. Good news! How to react is crucial. Too often, rules are easily circumvented, and principles lack the precision to be enforceable. To overcome ethical problems, we must pay more attention to the moral dimension of market activity or professional life. It is a chore we should avoid (Gadinis & Miazad, 2020).

A well-managed business sector is crucial for economic progress, social and political cohesion, and foreign finance. After a global company scandal, governance and regulatory changes can provide proven, substantial financial gains while restoring market and public confidence. Poor structural changes might increase costs and legitimize conflicts of interest. Behind the illusion of change, control systems may be hollow. This can lead to poor resource allocation in the fight against corporate malfeasance and misfeasance (BergerWalliser & Scott, 2018). Regulators, lawmakers, and academics must ease public apprehension while preventing market panic. The increased securitization of the global economy has made managing this process more difficult. The primary corporate and public policy concern is whether an emerging global financial architecture would result in normatively more muscular governance structures or promote the global export of pathological gaming that characterized US capital markets. Changing US regulatory practice makes worldwide regulatory reform inevitable.

Washington's regulatory strategy leverages the country's geopolitical dominance and deep and liquid capital markets. This improves institutional players' potential to influence the development of internationally applicable standards by participating with the SEC and other regulatory organizations like the PCAOB. US listing requirements serve as a benchmark for global capital markets, affecting international capital flows and national regulatory architecture (Gutterman, 2019). Any policy innovation impacting financial regulation promotes business transparency and market accountability. It asserted that "the underlying truth of the 21st century is a corporate system founded on uncontrolled self-enrichment." The demimonde's hiring of Galbraith may signify old age's contrariness or a more profound comprehension of the problem. Many contributors in this book agree with Galbraith's bleak appraisal of current reality, but they challenge it with genuine methodologies for critically assessing and deconstructing issues that influence public policy (Gadinis & Miazad, 2020).

George Gilligan's research of how regulatory systems attain widespread appeal illustrates this phenomenon. He thinks teamwork can boost norms. He feels a greater understanding of the social and political construction of what is acceptable is needed. Gilligan calls legitimacy 'elastic' and ideological. The state's and institutions' limited power to modify the prism defines its focus. Multilateral framework It also helps us to analyze "how gatekeepers form, function, and adapt their strategies and structures" (BergerWalliser & Scott, 2018). Enron and WorldCom's downfall proves this strategy works. After a catastrophic loss of trust at a pivotal juncture in the election cycle, something had to be done or shown to be done. The speed with which domestic events spurred political, legislative, and judicial responses had global implications. Codification clarifies that corporate governance reform has been successful (Gutterman, 2019). Given the urgency, it is remarkable how few academic studies of corporate governance and financial regulation discuss normative democratic philosophy. Power's influence on public policy formulation and re-calibration is often ignored as a procedural matter. This blindness is no longer viable because of a catastrophe. It prevents unaccountable and unmanageable authority in corporate form (Van Driel, 2018).

Systemic Corporate Governance & Regulation Concerns in Global Markets

This study investigates why global markets' fundamental and systemic corporate governance and regulation concerns remain unsolvable. As a result, they theoretically compound the practical problems expressed by the SEC chairman. Lisa Whitehouse's central point is that "academics and politicians alike appear to have lost sight of or failed to accept the basic danger to democracy presented by corporate power." The ability of a business functioning as a private entity to disrupt democratic standards occurs in various ways, many of which are typically unaccountable. These vary from the distorting of the deliberative process produced by excessive political fundraising to the disregard for legal standards generated by calculating the rewards of recidivism, as criminologist Laureen Snider points out here (Jacoby, 2020).

Triangulated Tension Between Business, Government Rhetorical Mission & Corporate Contempt

The worldwide crisis results from a triangulated tension between business and government rhetorical mission claim, corporate contempt for these goals, and legislation or regulatory tool limitations to change behaviour. Despite the ideational certainty of enfranchised self-regulation of financial markets through 'associational governance,' its continuous failure poses a severe legitimacy challenge. Giving power to organizations whose primary goal is to define, organize, secure, and advance the goals of its most outspoken and prominent members without the help of outside policing produces an unsolvable conflict of interest. Rather than providing normative advances in policymaking, Streeck and Schmitter's proposed paradigm increases the possibility of state capture through inertia rather than regulatory empire building (Rezaee, 2019).

Scandals Caused by; Professional Associations, Accountants, Attorneys & Business Directors

The scandals in states were caused mainly by this dynamic. Professional associations - accountants, attorneys, and business directors – operating as political groups emphasized the societal advantages of further liberalizing the market system's machinations without considering the need to strengthen the regulatory architecture. After discussions, technical conformity with regulatory instruments was agreed upon, but a total deviation in spirit swamped the system. The ensuing tension was unsupportable, allowing structural implosion to occur; as Dobel's pointed out, usage of the "perfect storm" simile was disastrous. Business executives frequently use this weather metaphor to avoid clear causal accountability. The refusal of corporate leaders to accept direct responsibility for how their emasculation of supervision led to the crisis, according to Dobel, ensures that regulatory gaming remains unsolved. The state's fundamentally subordinate posture resulting from market self-governance is not limited to the Atlantic's eastern shore. According to some critics, this is a distinguishing feature of globalization. States and state institutions rapidly become transnational neoliberalism agents (Berger-Walliser & Scott, 2018). States and state actors may pursue allegedly different agendas and employ various techniques, but these are not so much competing national models as diverse paths to neoliberal globalization. McCann's research of corporate governance reform in the United Kingdom and Germany reveals how this dynamic operates across two European Union countries. 'Economic change produces the desire for reform, and politics is concerned with its accommodation.' Regulation politics tends to be a politics of symbols, with comfort replacing actual and decisive behavior adjustment. The changes only tangentially address the core causes of the crisis: gatekeeper failure, excessive CEO remuneration, and the regulatory architecture's incapacity to sustain the far more complex financial system built with securitization's mortar. These flaws are partly masked by a proclivity to focus on form over content, a reaction intimately tied to select preferences for the overall administration of the market system (Jacoby, 2020).

Cost-Benefit Calculus Based on the Rationality of Substantive Recidivism

I am applying a cost-benefit assessment based on substantive recidivism caused by worldwide market control failure. If corruption thrives when motive and opportunity outweigh the probability of getting discovered, the worldwide market control failure was due to a cost-benefit analysis based on substantive recidivism. This approach reveals critical design faults in the two main regulatory techniques used to address the growing debate (Katelouzou & Zumbansen, 2020).

The First Method, Legislative and Regulatory Codification

It is primarily US-based and promotes more legislative and regulatory codification. The passage of Sarbanes-Oxley marked a turning point. It combines four goals. It adds new procedures to regulate the audit process and profession, protects whistleblowers better, enhances board obligations and criminal responsibility, and improves the SEC's market-policing jurisdiction. Sarbanes-Oxley restricts corporations' access to US capital markets. All enterprises, regardless of domicile, must follow the Act's stricter requirements to access major market liquidity (West, 2001). Under a more assertive SEC, they must also follow more exacting exchange listing rules. The fact that the US system was overrun while having one of the most codified securities markets internationally shows the transactional approach's shortcomings. Prohibition may backfire. Statutory compliance reorganizes the board's acceptable areas. It fails to shift ethical imperatives within firms or, more importantly, within professions which have an emasculated view of fiduciary commitment, as McBarnet and Dobel note (Jacoby, 2020).

State Reluctance to Hold Capital Accountable

State unwillingness to hold capital accountable in the past has spawned a succession of regulatory cycles, beginning with a high-profile occurrence — a bridge collapse or ferry tragedy, a series of scams, or significant company bankruptcies, as Laureen Snider notes in her research of recidivism. High-profile speeches and draught legislation usually follow the event. Changes lead to new laws. They are often weaker than promised and sometimes unenforceable. Skilful media manipulation can assist judicial and regulatory activism gain popularity by providing the public with the image of decisive action while maintaining the defects that produced the initial crises intact (Utz, 2019).

No One is Beyond Law's Equal Application

The humiliation of once-heralded executives now paraded in handcuffs is a public example of the enforcement myth that no one is beyond the law's equal application. More tough difficulties emerge when you get behind the surface-level study of the media. The executives are mainly being prosecuted on the more straightforward and more accessible to prosecute accusations of lying to or obstructing government investigators. The struggles of Frank Quattrone, a former chief technology banker at Credit Suisse First Boston, and Martha Stewart, the CEO of her own company, are instructive in this regard. While the Quattrone cases (the first of which resulted in a mistrial) exposed widespread corruption in granting lucrative initial public offers (IPOs), this fundamental problem was not included in the indictment and, therefore, faded from public awareness (Rezaee, 2019).

Stewart's time as a director of the New York Stock Exchange and CEO of Living Omnimedia came to an abrupt end when he made a personal stock transaction in a friend's pharmaceutical firm the day before the FDA declined to license one of the company's essential products. Despite an early focus in the media on suspicions of insider trading, this lapse was not included in the indictment. Stewart used the media to his advantage by appealing the guilty judgment but reporting to prison. From a business standpoint, it was a wise decision. It gave her emotional closure and prevented her company from withering due to the uncertainty of a criminal founder's interim freedom. Her behavior changed after she was reported to jail. Stewart was released from jail in March 2005, tapping into the American Zeitgeist of personal regeneration and redemption through acceptance of guilt and punishment. Unlike other prisoners, Stewart was freed late at night and driven to a waiting executive aircraft by a convoy. According to a note on her website, the event was life-changing and life-affirming. I hope to have the opportunity to share more about all that has happened, the incredible people I have met here, and everything I have learned. I can tell you today that I consider myself extremely lucky to have been raised by a loving family, received an excellent education, and had the chance to chase the American dream. You can be sure that the friends I have made here, all they have done to support me over the last five months, their children, and the tales they have told me will be with me forever.

It used a refashioned journalistic narrative to portray the demigod of home design as a model of restored virtue (Carminati, 2018). The example of Stewart is far from isolated. Following the New York Attorney General's probe of widespread conflicts of interest in 2002, Henry Blodget, an internet analyst who was disqualified from the securities business for life due to his manipulation of research reports, resurfaced as a media pundit during the Stewart trial. Despite presiding over a firm that was and continues to be involved in controversy over its participation in the financial scandals, Sanford Weill, the CEO of Citigroup, was selected to serve on the New York Stock Exchange board in 2003, only after concerns from a state regulator did he withdraw from consideration (Aksoy & Aksoy, 2020).

Malfeasance and Misfeasance Bear the Risk of Blowback

The mixture of malfeasance and misfeasance bears the risk of blowback, as prosecutors in New York discovered to their dismay in the defenestration of Dennis Kozlowski, former CEO of Tyco. The jury failed to decide after a six-month trial in 2004, and the judge declared a mistrial. Corporately sanctioned but ethically dubious ostentation may be a popular rhetorical tool, but it has little chance of breaking through the protective barrier of creative conformity in a courtroom. The New York District Attorney re-evaluated Kozlowski's case, removing the details of his extravagant spending sprees from the indictment, if not the public record. The second jury, which convicted Kozlowski and his chief financial officer in June 2005, rejected Kozlowski's claim that this was a politically driven case and that the board supported his activities (Jacoby, 2020). The former WorldCom CEO accused of executing the greatest accounting scam in history, Bernie Ebbers, said he was the victim of unscrupulous subordinates. The prosecution mocked this defense in closing statements to the jury, saying, "You have been fed the "aw shucks, I am not sophisticated" defense." It insults your brain that Ebbers could have created this firm from the ground up in ten years and still have no idea how profitable it is.' The jury agreed, finding him guilty on all counts—a similar situation. Ken Lay, the former chairman of Enron, is expected to use a similar defense when he goes on trial in Texas. The federal and state courthouses in Manhattan and Houston are the best places to go for epicures of crime, greed, and arrogance in 2006. However, the ensemble selected for the reality version of a renewed morality play has a glaring void. Like Banquo's ghost, the system is absent from the proceedings (Berger-Walliser & Scott, 2018).

As Doreen McBarnet wisely observes, the fundamental lessons of Enron must be internalized. She claims that while the company may have been stingy with the truth, "it is conceivable that much of Enron's off-balance-sheet operations did not violate the regulations." This is not meant to be a defense of Enron. Instead, it is only to fine-tune the prices.' McBarnet's insight offers a much-needed counterbalance to the frenzy surrounding the corporation's actions as a singularly destructive entity. It shifts the focus of critical inquiry to the level of accountability that systemic player should bear: complicit investment bankers and corporate attorneys eager to offer 'legal' letters of assurance. Corporations are not required to reveal how many legal or investment firms they combed before obtaining the required letter. 'If change is to occur, we must address the law and the attitude toward law taken by those subjects and the wider culture that encourages it,' McBarnet says. She proposes that an ethical component in strategic decision-making must be institutionalized to change that attitude (Katelouzou & Zumbansen, 2020).

Second Method of Corporate Governance Reform

This topic enthrals the supporters of the second method of corporate governance reform. It is based on articulating broad rules of best practice, but it gives organizations much leeway in implementing the principles in different situations. These ideas, on the other hand, have changed with time. Indeed, the UK's corporate governance reform history, which has long been seen as a "thought-leader" in industry-driven change (Solomon and Solomon 2004), exemplifies the threat. The drive of associational groupings to avoid external monitoring has been the single most crucial causal element promoting reform. Of course, this is proto-formalization in and of itself. It also shows that relying on ambiguous and unenforceable claims of purpose as a defence against regulatory gaming is ineffective—a unique interpretation. When organizations wrestle with ethics in a corporate setting, creative interpretation becomes the currency of choice for legal minds (Jacoby, 2020). Despite appearances, neither policy response provides enough protection against predatory management aided by professionally hired gunmen and confronted solely by somnambulant boards, who have now been called into duty at the new frontline in the battle against corporate malfeasance. Even if the European project can secure the maintenance and enforcement of broader corporate governance standards, it will still have to cope with the issues produced by the critical theoretical flaws connected with the principal-agent paradigm's implementation. The actuality of organizational forms in both insider and outer models of corporate control diminishes the exculpatory culpability of management as agents if dispersed ownership weakens the authority of principals. This is due to double or multiple agency ties inside the business's divisions and between the corporation and networked partnerships (Van Driel, 2018).

This makes determining the principal's identification problematic and the quest for appropriate accountability and control measures. The complexity of multinational organizations and the marketplaces in which they compete has rendered hierarchical organizational structures obsolete. Furthermore, a hierarchy has flaws due to subordinates' proclivity to filter out undesirable information. Without the institutionalization of cultural discipline, relying on a hierarchical board serves only a symbolic function (Rezaee, 2019). The soap-operatic scheming for control of Hollinger across the United States and Canada, the implosion of the Italian dairy-foods conglomerate Parmalat following alarming failures of due diligence in the placement of corporate bonds in New York, or the banking scandals in the Irish Republic demonstrate that enforceable restraint is difficult to come by. As Melis and Melis point out, blaming the excesses inside Parmalat on the Tanzi family's heinous behaviour is untenable. The firm's demise should be seen as a talismanic illustration of systemic corporate governance failure caused by regulatory gaming and purposeful blindness. Those presumably have a residual fiduciary obligation to maintain market integrity (Katelouzou & Zumbansen, 2020).

Establishment of Control Mechanisms

One of the most central design problems is highlighted here. Establishing control mechanisms that limit opportunity is required for codification and more granular articulation of broad concepts. Neither method addresses motivation and rationalization's twin issues, arguably far more troublesome and vital concerns. As a result, both major regulatory types continue to rationalize misbehaviour as part of the accepted rules of the game. The drive to satisfy financial goals for personal (stock option) or organizational advantage (avoid analytic disapproval) continues to be a source of incentive for misfeasance, the type of rude behaviour that all too frequently turns into wrongdoing. In evaluating the design blueprint undertaken here by Comptroller General of the United States, David Walker, this worry is a solid supporting reason. As head of the Government Accountability Office, Walker is uniquely positioned to map the changing regulatory landscape. Walker, a former Arthur Andersen partner, believes that codification will not be a cure unless coupled with advances in human ethics and honesty (Jacoby, 2020). If stability is to be ensured, he admits that while the fulcrum for the fundamental change must begin with the board, the centre of gravity must stretch outwards to include all those involved in state or quasi-state fiduciary oversight (Aksoy & Aksoy, 2020).

William McDonough, Chairman of the Public Company Accounting Oversight Board, articulates the moral hazards of the actual game these institutional actors participate in with zeal. The issues, according to McDonough, originate from the reality that corporate executives have lost their moral compass. He criticizes obscene remuneration packages related to a misplaced desire for ever-increasing and predictable quarterly earnings. These are full remarks for a former chairman of the Federal Reserve Bank of New York (Vogel, 1992). The moral hazard is exacerbated by the short-term tactical matching of Wall Street metrics in markets defined by dispersed ownership, an increasing prevalence of hedge funds over traditional firms, and hyper-competition in the supply of professional services. They erode integrity over time (Rezaee, 2019).

Ethical Component in Strategic Decision-Making

According to recent survey findings, including an ethical component in strategic decision-making is increasingly the norm. He calls this a business priority. However, corporate executives' determination to abolish or weaken external monitoring is also concerning depending on various factors; in response to the claim that governance change has grown too costly, overly assertive regulators bolstered by excessive expectations that danger can be eliminated by legislation (Van Driel, 2018). As the rhetoric progresses, Regulators are feeling the heat with ever-shrinking tones. The public and political emphasis have gone on now that Congress has acted and enacted what, on paper, amounts to the most comprehensive securities reform since the 1930s, leaving the specifics to technical specialists under continual but subtle pressure to comply with industry norms (Hill, 2005). The underlying message is that complacency with what is regarded as improper and unwanted intrusions into the private affairs of corporate citizens is temporary. The pessimism expressed in the Donaldson speech exemplifies how little corporate America has learned from recent events (Lee et al., 2020).

To some extent, the regulators are only responsible for themselves. Because of an overemphasis on the form of regulations rather than their underlying purpose, the governance modifications implemented after Enron's demise have failed to achieve their claimed goals. This weakened view of governance foreshadows future ethical breaches while providing intellectual ammo to critics of external monitoring who claim that the changes are essentially a blueprint for job creation in the legal and accounting professions. As a result, it is critical to look into the limitations of the corporate governance paradigm as it is now understood and the role of the regulation (Hail et al., 2018).

Corporate Governance, Direction, and Control of Businesses

Corporate governance is primarily concerned with the 'direction and control of businesses. The scope and obligations of the players participating in that process, on the other hand, are determined by the larger national socio-legal context in which the business is headquartered or where its shares are predominantly traded. They can go beyond a strictly formal definition to include standard company procedure and implicit and explicit commitments to employees and other stakeholders. However, Anglo-American frames of reference have had a significant effect on the argument over the normative bounds of corporate governance investigation. This focuses entirely on the three-way interaction between the board, management, and shareholders, implying that corporate governance is essentially private concern. Even when that relationship is expanded to include stakeholders' interests such as workers, the areas in which it operates (as manifested via corporate social responsibility programs), or broader society, rights are prioritized, and legal priorities are ordered accordingly. The relative power of ideational notions granted legitimacy through national, supra-regional, and international organizations determines the extent to which critical viewpoints are given voice and significance (Rezaee, 2019).

Impact of Corporate Governance Legislation on Society

Given the importance of the corporation and corporate power in today's world, as Lynch-Fannon points out, corporate governance legislation has a significant impact on the character of society. She criticizes academic study in the United States for tending to support a hegemonic view of the business as a private entity. She claims this favours managerial prerogative and presents few managerial and corporate responsibility obligations. According to her, individual privacy rights are contrasted with a more "communitarian conception of corporate function" in the European Union, outside of the United Kingdom, and (to a lesser extent) in the Republic of Ireland (Van Driel, 2018). Because of the dominance of epistemic communities, the forces of globalization put undue demand on the ability of governments or even regional groups to maintain diverse responses. 'The state is being sliced across by multidimensional networks of influence, interests, and decision-making, and entwined in more complicated and hybrid webs of governance,' writes political economist Philip Cerny. Dermot McCann's research of corporate governance reform in Germany verifies this tendency. 'The goal of increasing shareholder value is far more essential to management thought than in the past,' he claims. Similarly, the OECD Principles on Corporate Governance make it quite apparent that protecting the interests of shareholders is a top priority in both traditions. As a result, governance is reduced to a procedural tool for controlling management (Katelouzou & Zumbansen, 2020).

Discussion

As a result, the expanding strength of equity markets and the resulting securitization of the global economy puts a significant demand on organizational variety, a point implicitly acknowledged by Alexander Schaub, the European Commission's Director of Internal Markets. Convergence is essential to both investors and issuers, according to Schaub. Regardless of whether they invest in the EU or the US, investors must be assured of the same degree of security. Businesses require a fair playing field with their rivals. Convergence helps rebuild trust and restore confidence in our markets (Cioffi, 2000). Recognizing the opposing forces of mistrust toward European integration, Schaub proposes a band-aid solution based on being hard on corporate governance principles but flexible in applying them. Whether or not this will be enough to mitigate the negative impact of immoral behaviour on the stock markets remains to be seen (Rezaee, 2019).

The economic value of integrity and the necessity to anchor company practices and governance inside a framework capable of overriding systematic gaming are at the heart of this volume's argument between regulators and academics. 'Restoring public trust and confidence over the long term would involve continual and deliberate measures by multiple parties to address prior systemic deficiencies in corporate governance, accountability, and associated institutions,' as David Walker points out (Van Driel, 2018). This necessitates a complete reorganization of corporate governance structures that integrate transparency, accountability, and integrity through leadership and innovation. This is unquestionably a bold course of action. While ethics cannot be legislated, it implies that society can guarantee that markets are appropriately regulated. The challenge is whether this can be accomplished within a reasonable time frame. The question is whether this can be accomplished within the widely unchallenged conceptual framework that makes self-regulation an operational and strategic priority (outside of the auditing profession) (Lee et al., 2020).

Regulation Fair Disclosure compels company leaders to either reveal their material business information to no one or to everyone to avoid triggering the disclosure requirement (Hail et al., 2018). The former inhibits protected speech, whereas the latter forces undesirable speech. Regulation FD infringes on the right to freedom of association and expression of business leaders in any scenario. (Berger-Walliser & Scott, 2018) Spitzer's significance stems from the fact that the conflicting forces of federalism have acted as a check on the industry's ability to bully the primary federal regulatory agencies. O'Brien, (2012) shows Spitzer's criticism of the Securities and Exchange Commission's first stunning inactivity and the extreme carelessness demonstrated by the New York Stock Exchange during the now-disgraced Dick Grasso, which is now subject to state court adjudication, has many merits. While the methods used to position the State Attorney General as a critical manufacturer of federal market regulation have been contentious, regulators and businesses alike recognize that the systemic flaws revealed as a result require change, if only to limit the interference of a State Attorney General in need of press coverage to fund his recently announced 2006 gubernatorial campaign (Baumann-Pauly et al., 2017). A passivity is no longer an option, as William Donaldson recently stated in a lecture in London. Regardless of their nationality or investment location, most investors want honesty and integrity (Carminati, 2018). They expect boards of directors to take their fiduciary responsibilities very seriously. They demand that businesses have the internal controls to ensure that their financial disclosures are accurate. When securities laws or regulations are broken, investors have every right to expect regulatory authorities to actively pursue enforcement action (Katelouzou & Zumbansen, 2020).

Corporate failure and fraud are unavoidable aspects of doing business. Fraud is meant to be unnoticed by its very nature. The investigative process has to be significantly redesigned to cope with a corporate structure that is "hopelessly corrupt," as senior investment bankers in New York have privately confided in this author. Despite the Sarbanes-Oxley changes, the financial reporting paradigm relies on certification and verification with reduced presumptions of good management faith. Taking up Walker's challenge for the construction of effective control systems, Nick Hodson emphasizes the necessity for a fundamental cultural and conceptual transformation in the audit process itself. His metaphorical usage of the difficulty of finding the classic "needle in a haystack" aptly illustrates the differences in abilities between the forensic investigator and the auditor (Coffee, 2018). When confronted with this problem, the audit experience would lead to sampling the hay to support the conclusion that it was what it claimed to be, within sampling precision and confidence limits. Renting a metal detector would be the result of investigative experience. The difference is that the focus has switched from hay to needles, and understanding how to identify needles is critical to the investigation's success (Rezaee, 2019). While Hodson favours the PCAOB's inception, he is concerned about the lack of assignment and responsibility for risk management systems. He wants explanations that "could include the specific articulation of the audit committee's role relative to the possibility of senior management collusively subverting financial reporting procedures." This is a necessary precursor because, without them, accountability is absent, which is frequently a precondition for fraud. Hodson blames the current state of affairs for failing to incorporate ethical programs into strategic management, a flaw Whitehouse, McBarnet, and Dobel have identified (Utz, 2019).

The academic community has a role in the redesign, but only if the intellectual ghettoization is rejected. The academic literature, which is primarily influenced by the law and economics tradition, tends to confine governance discussion to procedural issues. Ethics and corporate social responsibility (CSR) programs are typically viewed as voluntary agreements aimed at accomplishing strategic goals by portraying the firm as responsible (Hail et al., 2018). According to the present paradigm, a company's limited understanding of its obligations and responsibilities toward broader society does not automatically imply inadequate corporate governance. CSR provides a way out of this suffocating legality (Khan & Mushtaq, 2020). The primary benefit of CSR, according to Whitehouse, is that, while it recognizes the creative potential of individuality, wealth, and markets, it does not give them primacy (John et al., 2022). To become an effective policing mechanism, the CSR movement must recognize that the focus of corporate citizenship must be reduced to "how the use of public authority may be legitimated to defend all principles associated with a liberal democracy.") (Na & Younies, 2020).

Sarbanes-Oxley, ironically, provides two interconnected tools to accomplish this goal. Copies of corporate ethics programs must be filed with the Securities and Exchange Commission, and any deviation from its terms must be disclosed. The reform, implemented to prevent egregious acts from being sanctioned by board-authorized derogation, is perhaps one of the most essential but underreported internal control measures. It provides not just a baseline against which strategic decision-making may be measured. Its effectiveness as a restraining force, on the other hand, would be amplified if regulators worked to guarantee that the ethics program was included in the disputed section 404 of the Act's internal control systems. This can catapult ethics to the forefront of the enforcement agenda in a single stroke. Of course, saying it is easier than doing it. Citigroup, the world's largest financial services company, recently restructured its internal code of ethics and announced hiring a Director of Ethics, demonstrating how difficult it is to break the culture of technical compliance. The code of conduct, announced with great hoopla, focuses on three fundamental business goals (Aksoy & Aksoy, 2020).

Conclusion and Recommendation

Schwartz says an ethical code must 'permeate' policies, processes, projects, structures, systems, and objectives. Measure the success of Citigroup's strategy; it is essential to distinguish between 'form,' 'execution,' and 'administration' Citigroup's code of conduct warns against using structured financing instruments like Enron's to control profits. Each of our customers must agree to rapidly disclose to the public the net effect of any significant Citigroup financing transaction that is not intended to be recorded as debt in the client's financial statements. Citigroup will not execute a covered transaction if a customer does not submit mandatory disclosures. This statement may be accepted since third-party misconduct should not damage a service provider who is officially following the law.

Placing structured finance's creative accounting under good game rules externalizes the material and moral costs of non- or creative compliance, absolving financial designers of crimes or moral side-restraints. Deception is in the inappropriate application of an aggressive, possibly deceptive instrument, not in its design. Citigroup's ethics are libertarian. Ethics, if implemented. It is only justifiable if it boosts profits. Citigroup's example shows the limits of ethics in a commercial setting as it is now understood. However, it also presents an opportunity for proactive policing, crucial for institutionalizing cultural change. Under Sarbanes-Oxley, regulators and campaigners (including institutional investors) can exploit the mismatch between a company's presentation and reality to verify claims of responsible activity.

Compliance procedures can reduce corporate corruption if properly executed. Early warning systems avert catastrophic damage to a company's reputation and assure investors proper risk management. If governance devolves into "box-ticking" within the enterprise, it falls into the same quagmire that has hampered business ethics and corporate social responsibility (CSR) initiatives. Effective corporate governance requires a cultural revolution, says Buck. In an age of global marketplaces, good corporate governance and regulatory monitoring require an ethical framework that transcends technical conformance. A functional ethical framework systematizes and rationalizes business reasoning. It outlines how to handle concerns or moral risks caused by excessive discretion. Effective leadership requires balancing culture, law, ethics, and responsibility. It needs trust and honesty. Corporate accountability can only be achieved if values are used to determine value.

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