Why is Corporate Governance Important?

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Executive Summary

Corporate governance is a system of relationships, rules, practices, and procedures that assist organizations in being directed, controlled, and regulated by means of ensuring an accountable leader, establishing policies and structures (transparency), maintaining integrity, and implementing effective policies and procedures. Keeping a solid corporate governance structure is essential for organizations to avoid fraud, corruption, and other ethical lapses. The purpose of this study is to determine what makes corporate governance breakdown and what its effects are. Does it lead to unethical behavior in organizations? Identifying lessons learned from the breakdown of corporate governance allows the organization to strengthen them.

The descriptive statistics collected via an expert-led survey analyzed expert perspectives and experience reflections. Among the most critical factors contributing to corporate governance breakdown in different industries were ineffective governance mechanisms, including inadequate leadership, lack of transparency and accountability, lack of commitment, weak board of directors, lacking ethical culture, and short-term financial focus. The breakdown of corporate governance promotes unethical behaviors like corporate fraud and corruption, ultimately negatively affecting an organization's reputation and credibility. In addition to the expert-led survey, a case study examining the collapse of Theranos Inc., a company once proclaimed to revolutionize health care but ultimately collapsed because of fraud allegations. In many ways, Theranos constitutes an example of a corporate governance system that is unsatisfactory, and the failure was attributed to poor and unethical leadership, a low level of expert oversight, a secrecy culture, and a lack of transparency at the highest level. This unethical behavior resulted in capital losses, reputational damage, severe legal consequences, and, ultimately, the company's collapse. Taking steps to address corporate governance failures and ineffective governance mechanisms that cause such failures can involve external stakeholders, compliance measures, and increased regulatory requirements. Strong regulatory frameworks, good corporate cultures, and transparent processes nurture good corporate governance.

Introduction

Recently, scandals and illegal activities, including bailouts of significant institutions, have led to a greater focus on corporate governance, resulting in a greater emphasis on corporate governance. Several corporate scandals have occurred in the 21st century, including those involving Enron, Olympus, and Theranos. Fraud, corruption, and other unethical work practices may have been the source of such events due to the lack of good corporate governance in the companies involved. Tocelovska et al. (2006) defined corporate governance as promoting fairness, transparency, and accountability within the company. However, a single definition of corporate governance cannot be applied to the concept, as it may be viewed from various perspectives. By establishing a system of relationships, rules, practices, and procedures, corporate governance is a way of controlling, directing, and regulating the organization by ensuring that an accountable leader is in place, that policies and structures are established, that transparency is present, that integrity is maintained, and that effective decisions are made. It can also be defined as a set of rules, regulations, customs, policies, laws, and institutions that govern the management and administration of organizations and corporations. Thus, corporate governance is viewed from many perspectives. Corporate governance aims to make informed decisions, ensure accountable leadership, and set policies such as transparency.

First, maintaining a good corporate governance structure can help an organization avoid fraud, corruption, and other ethical issues. Thus, this study aims to explore the breakdown of corporate governance. The study’s objective is twofold: first, it will identify the cause and effect of corporate governance. Second, it will determine the lessons learned from the breakdown of corporate governance to strengthen corporate governance within organizations. To achieve this objective, two research questions will be addressed.

1. What are the causes of the breakdown of corporate governance, and what are the effects?
2. Does the breakdown of corporate governance contribute to unethical behavior in organizations?

Literature Review

What is Corporate Governance?

The definition of corporate governance has been approached from many different perspectives. The area of corporate governance falls under a broad umbrella and is quite complex, especially when dealing with organizations and businesses of various types (Claessens & Yurtoglu, 2012). It has become common practice to discuss issues relating to corporate governance about control and interests within the company and to explore ways of aligning the interests of both owners and managers. There are a variety of concepts associated with corporate governance as well. As indicated by Claessens & Yurtoglu (2012), corporate governance is a concept that varies widely and is frequently used to refer to a wide variety of concepts, including corporate social responsibility (CSR) and active shareholder participation as part of corporate decision-making. Claessens & Yurtoglu (2012) define corporate governance as a combination of behavioral patterns and normative frameworks, which are the rules governing how firms operate. Regulatory, financial, and labor market regulations provide these rules. The study by Claessens & Yurtoglu (2012) focuses on the normative framework, which incorporates social responsibility and sustainability concepts.

Sarbah & Xiao (2015), in their study, mentions it is important to note that corporate governance is a concept that refers to the principles through which publicly traded corporations should be governed, while Tocelovska et al. (2006) defined corporate governance as the promotion of fairness, transparency, and accountability within the company. In contrast, Scherer et al. (2016) described corporate governance as a series of activities and rules intended to ensure that companies follow some guidelines regarding the processes through which they are directed and controlled, regulations are both governed by the laws of the country in which the company operates as well as internal company procedures.

The four main theoretical models used to summarise the practical application of governance for an organization have been identified by Doyle et al. (2021). In addition to the principal-agency theory (also known as agency theory), the Stewardship Behavior Theory, and the Resource Dependency Model, there is also stakeholder theory, the fourth and final framework. The stakeholder approach aims to balance the needs of different stakeholders on both the internal and external levels (Doyle et al., 2021). Stakeholder theory focuses on the interests of each stakeholder in the governance process, thus taking a broader view of corporate governance compared to other models of corporate governance. The presence of broad representation on boards in stakeholder-driven organizations can be identified by the high number of employees appointed to the boardroom and the appointment of employees as directors in stakeholder-driven organizations. To protect and enhance stakeholders' interests, a company must manage its strategy and appoint and monitor competent management. This is an essential component of a successful business. When this key governance mechanism is absent, businesses may be unable to function effectively and even cease to exist (Doyle et al., 2021).

Even though the agency still holds a dominant position, the literature indicates that corporate governance has undergone significant changes, and its impact on board practices has been significantly altered. This study uses stakeholder theory, which discusses corporate governance as a balancing act in which boards consider both the interests of employees and investors when taking a pluralistic approach to corporate governance. The stakeholder theory offers a valuable perspective on corporate governance. In the early theories, controlling approaches, information asymmetry approaches, and agency approaches were used. In contrast, stakeholder theory has developed a collaborative process, a pluralistic approach, and a system that emphasizes the voice of the customer. Nevertheless, with the changing dynamics of the corporate world in recent years, using a combination of these models will probably carry a more significant influence when implementing the governance process within the organization in the future.

Corporate governance is the way that the organization is directed, controlled, and regulated by a system of relationships, rules, practices, and procedures that assure that there is an accountable leader, that policies and structures are established (transparency), that integrity is maintained, and that decisions are made effectively. A balance must be struck between the interests of stakeholders involved in the operation of a business.

Corporate Governance Structures and Policies

According to a study conducted by Sarbah & Xiao (2015), corporate governance has traditionally been a function of the company's business, so the board of directors has traditionally been responsible for internal audits, legal compliance, risk assessment, and other corporate governance functions. The purpose of modern corporate governance must, however, go beyond simply designing a system that checks how well the firm is performing, and it should be designed in such a way that will enhance the ability of the firm to create more value through its operations. A corporation is both a business in the sense that it is a legal institution and a business in that it will have its own set of rules, procedures, and accountability system, which is independent of the company or businesses involved in. Moreover, Sarbah & Xiao (2015) emphasize that the essence of good governance lies in ensuring transparency, accountability, responsibility, and equality, and transparent governance is a modern concept that is sophisticated and up-to-date in its approach. An organization's consciousness management should consciously emphasize the importance of transparency to its stakeholders and the company. In governance systems, however, responsibility is emphasized to foster a sense of responsibility among the organization's other departments. In corporate governance, many structures are designed to discipline the behavior of corporations (owners, directors, and senior executives) about corporate governance issues. These structures can include ownership structures and board structures. Under the umbrella of governance structures, governance processes can be described as the interactions between governance actors under the control of these structures. Thus, instead of playing a minor role in how efficient and effective the governance process is, governance structures play a significant role in determining the performance of the organization and its efficiency. According to research by Sarbah and Xiao (2015), a company with good governance has higher trust among investors.

Anglo-American approaches to corporate governance are examined by Tricker (2015), who compares the unitary board, composed of executive and non-executive directors, to the European two-tier board system, which consists of the supervisory board and the executive board. A comparison is made between the common law approaches to company law in Anglo-American countries and those of civil law countries. As a result, a schism has emerged between the American and British concepts of corporate governance. An approach based on rule-based legal perspectives is used in the former, while principles-based, self-regulatory techniques are more commonly used in the latter. Corporate governance in the United States is governed by regulation and law, such as the SOX Act, as the underpinning (Tricker, 2015). This means following the legal requirements, or you will be subject to severe penalties, including jail time and unlimited fines. A study by Morck et al., 1988 concluded that boards are more likely to replace CEOs after abysmal corporate performance if the CEO does not also serve as both the president and chairman of the board. A poor performance of the organization is more likely to result in a hostile takeover than the dismissal of the CEO when the same individual holds the three positions. Too much power may be concentrated in the hands of the CEO, thereby paralyzing the board and making the company vulnerable to more drastic measures, such as takeovers. OCED (2020) states that any effective corporate governance regime must ensure high levels of transparency and accountability. Transparency, accountability, and disclosure practices, including but not limited to public policy objectives and non-commercial assistance, are some of the governance practices based on reporting based on a broad range of criteria (OCED, 2020).

In light of these considerations, it can be shown that corporate governance policies and structures effectively ensure transparency, full disclosure, and accountability to all stakeholders. Policies of this nature aim to ensure governments implement effective legal and institutional frameworks that support good corporate governance practices and recognize the importance of stakeholder involvement in corporate governance while protecting and facilitating the rights of stakeholders. In addition, this enhances the accuracy, timeliness, and transparency of information disclosure mechanisms.

Cause and Effect of corporate governance failure within Organizations

It is widely acknowledged by Panfilii & Popa (2011) that corporate governance failures can be attributed to several reasons, including ineffective governance mechanisms, which, in turn, are among the reasons for corporate governance failures. Panfilii & Popa (2011) emphasize that there are several examples where a board committee has not existed, board members are not independent, audit committee members are not independent, and management has intentionally lied to the board to protect itself after bypassing internal controls and evading internal controls to protect themselves. Among the major contributing factors to failures within organizations are the underqualified board members, the ignorance of regulators, auditors, and analysts about the financial results and red flags, the management exhibiting ineptitude, the dereliction of internal regulations, inadequate attention to risk management, and inconsistent distribution of duties and responsibilities (Panfilii & Popa, 2011). An investor's confidence and trust can be lost due to corporate governance failures, which can have many adverse effects on the company. Shareholders who believe terrible business decisions are imminent are likely to jump ship to avoid possible losses if they believe their company will cheat them. A company that does not adhere to its corporate governance guidelines may be unable to manage the risks correctly facing the company. Consequently, due to this, there may be bad investments and poor decisions made by the company.

If a company is reputed not to follow corporate governance policies and is being overshadowed by government departments, then those departments may increase their oversight. If anything should ever go wrong, it would most likely result in the business being in the spotlight for quite some time. A lack of integrity, a poor ethical leadership style, an inability to communicate, fraud, and corruption are all evidence of unethical conduct. In the last few years, many scandals have emerged, including Theranos (Trautman et al., 2022), which was characterized by many violations of federal and state requirements, corruption of management, and financial fraud by Olympus (Elam et al., 2014) and Enron (Dibra, 2016), which involved defrauding regulators by using off-the-books accounting practices and incorporating fake holdings. In these cases, the organization's failure can be attributed to the breakdown of the corporate governance structure, which is an excellent example.

Good Corporate Governance

Corporate governance is an integral part of an organization's structure that facilitates the clear division of responsibilities, reporting lines, and roles within the organization, as defined by (Zattoni, 2020). Thus, there is a clear distinction between the day-to-day operations of the company and the policy direction of the company. In other words, there is no confusion between ownership and management of the company. According to these principles of corporate governance, a company must ensure that it adheres to the following principles as well, including stakeholder interests, clearly defining the board's duties, and making sure all members of the board share a common vision for the company's future (Gompers et al., 2003). It should be established that every board member should be subject to a code of conduct when making ethical decisions. Gompers et al. (2003) further mention that if companies violate their ethical principles for the sake of profits, this may result in massive civil and legal problems in the future due to their unethical behavior. Transparency in the business environment is one of the most essential factors for promoting shareholder trust. There is no need to exaggerate or use creative accounting methods to ensure that reports on accounting, earnings, and forward guidance are presented clearly and understandably (Gompers et al., 2003).

According to UNESCAP (2009), one of the most important aspects of good governance is participating in decision-making, advocating for consensus, adhering to the rule of law, and being accountable, transparent, responsive, effective, efficient, equitable, and inclusive as adhering to the rule of law. By implementing a sound governance system, corruption will be minimized, inclusion will be increased, and diverse thinking will be enabled. The system will be able to meet the needs of society both today and in the future.

As per the UNESCAP (2009), good governance consists of equity, efficiency, accountability, transparency, and the rule of law, which are the norms that guide good governance. Corporate governance has been found to promote a trustworthy, moral, and ethical environment by Panfilii & Popa (2011). To explain employee, management, executive, CEO, and owner interaction, governance considers internal and external audit transparency. Integrity in governance is crucial for institutions because corruption undermines good governance, misallocates resources, and distorts public policy. The elimination of corruption requires transparency, therefore. Public, private, and government collaboration is required to achieve transparency (Luo, 2005). As a result, international organizations such as the OECD and the International Corporate Governance Network have attempted to incorporate the accountability perspective while ignoring all other stakeholder perspectives (Luo, 2005). While these frameworks and codes have addressed a rather specific set of stakeholders, such as employees, managers, and shareholders, they have yet to address other stakeholder groups (Naciti et al., 2021).

According to Naciti et al. (2021), the debate on social responsibility began in the 1960s. Corporate Social Responsibility (CSR) involves communicating its social commitment to stakeholders and shareholders transparently and completely (Naciti et al., 2021). It is solely up to the company to use its resources and dedicate itself to activities that will increase profits if the company remains within the game’s rules.
Without deceptions or frauds, a company is free to compete. Nevertheless, Werhane & Freeman (2009) have established a considerable body of literature on business ethics based on Friedman's thesis, referred to as moral minimalism by some scholars (Naciti et al., 2021). Despite a company's success, failure to adhere to good corporate governance can cripple it.

Following the definitions stated at the beginning of this literature review, a good corporate governance framework would maximize firms' contribution to the overall economy, including the contributions of all stakeholders. Shareholder, creditor, and corporation relationships, financial market, institution and corporation relationships, and employee-corporate relations would be covered by corporate governance. Corporate social responsibility is also integral to corporate governance, including how the organization deals with culture, the environment, and its sustainability. Over the past decade, there has been a growing emphasis on corporate social responsibility, as reflected in investor codes, companies' best practices, company laws, and securities regulatory frameworks. In the business world, corporate social responsibility is becoming increasingly important and can also contribute positively to good corporate governance.

Corporate governance is a process that allows companies and the markets in which they operate to maintain integrity and efficiency as a result of good corporate governance. As a result of corporate governance failures at an institutional level, it implies failure on all levels, including a systemic level at all levels of governance, from the regulatory level to the stakeholder level. For a business to remain successful, it must maintain several attributes, including discipline, transparency, independence, accountability, responsibility, and fairness. Unless there is an effective governance system in place, it is almost certain that companies will suffer financial damage, legal penalties, and reputational damages. There is a potential risk that an organization will encounter financial difficulties or engage in fraud if there is no good corporate governance, which can devastate its future growth.

Upon critical review of the available literature, the need for more contextual consideration, lack of longitudinal studies, and lack of attention to soft factors were identified as limitations. It's rare to find literature considering variations in corporate governance practices between industries, countries, or cultures. Corporate governance is typically analyzed in cross-sectional studies. Incorporated governance trends are less commonly studied over time, which limits our ability to understand the dynamics of corporate governance. Corporate culture and leadership behavior, along with complicated factors like governance structures and regulations, can also play a critical role in corporate governance effectiveness, but they are less discussed. Identifying the weaknesses could provide a more nuanced and comprehensive explanation of corporate governance breakdowns.

This research presents a brief literature review of why corporate governance is essential, an overview of how it can be defined, and how it has been described in the past.

This research examines the causes and consequences of corporate governance breakdown and how this leads to increased unethical behavior in organizations. Based on the literature review, the following hypothesis will be tested,

H1 - Ineffective governance mechanisms can lead to failures and breakdown of corporate governance.

H2 – When there is a breakdown of corporate governance, it is likely to increase unethical behaviors like corporate fraud and corruption.

H3– When there is a breakdown of corporate governance, there will be a negative impact on an organization's reputation and credibility.

The remainder of this study will follow the methodology where these hypotheses will be tested via cross-sectoral research using primary and secondary data. The study will conduct a deep analysis based on the dependent variable is the breakdown of corporate and the independent variable, which is governance mechanisms, corruption, and fraud, leading to the breakdown of corporate governance. The research discusses the evidence regarding how specific corporate governance structures and policies can contribute to good corporate governance and ethical business practices. To reduce the risk of unethical behavior within organizations, the paper concludes by identifying some central policies and structures that improve corporate governance within organizations.

Methodology

This study investigates the reasons behind corporate governance breakdown in organizations. This study aims to identify the causes and effects of corporate governance and lessons learned. It also identifies best practices to implement within organizations to strengthen corporate governance in the future. This study addresses two research questions to reach this objective. In this study, a key question is what causes the breakdown of corporate governance and what is its effect. The second question examines whether a breakdown of corporate governance leads to unethical behavior in organizations, offering lessons to apply moving forward.

Research design

The study used a mixed method of quantitative and qualitative approaches and applied cross-sectional for the survey and time series for the case study from 2013 to 2023. This study utilized both primary and secondary data. First, the primary data was collected through an export lead survey. Second, secondary data was used for the case study that explored the breakdown of corporate governance between 2013 and 2023. The survey questionnaire consisted of open-ended and closed-ended questions for the primary data collection from April 29 to May 15, 2023. Second, a case study was conducted using the process tracing method to study the breakdown of Theranos Inc., an American company once famed for its potential to revolutionize the medical world but collapsed due to accusations of fraud. The case study strategy is chosen because it allows for an in-depth analysis of complex and multifaceted governance failures. The collapse of Theranos Inc, a high-profile start-up with a multibillion-dollar valuation, and the scandal that unfolded had significant implications for the biotech industry and for the regulation of medical technology has been identified as a critical case that holds strategic importance concerning the general issue of corporate governance failure, ethics, leadership, and regulatory oversight in healthcare.

The study applied a non-random sampling approach for the survey questionnaire and case study because the study's criteria were to understand the expert knowledge about corporate governance. Despite the limitation of having a higher risk for sampling biases than random sampling, the study applied non-random sampling for the survey because the population parameter in this study is unknown, and difficult to identify individuals. Thus, for the study, both convenient, expert, and snowball sampling approaches were applied; The sampling method heavily influences participants' expertise, does not guarantee equal participation for all members of a population, and is preferable to predetermined sampling sizes for smaller sample sizes (Etikan & Bala, 2017). According to Roscoe (1975, cited in Memon et al., 2020), most studies require a sample size greater than 30 but less than 500 (Roscoe, 1975, cited in Memon et al., 2020). The rule of 30 is based on the Central Limit

Theorem (CLT) and assumes that sample mean distributions approach normal distributions as sample size increases (Roscoe, 1975, as cited in Memon et al., 2020). Specifically, this study seeks to determine the causes of corporate governance breakdown, including significant behavioral factors in understanding and explaining corporate governance failures. Thus, this study begins with direct data collection from individuals or groups of respondents with the consent of experts in the field. Considering the limited time frame, a non-random sampling method is used for this study because of its speed, cost-effectiveness, and ease of collection to conduct an in-depth analysis of the sample.

Data Collection

Primary Data

Using the two research questions, the author developed a survey questionnaire that included 23 survey questions designed to collect anonymous expert perceptions and experiences about corporate governance. The survey was published on LinkedIn, research groups (Survey Circle), LinkedIn professional groups created explicitly for corporate governance professionals, and emailed to various industry and academic experts in corporate governance, and thirty-three (33) responses were collected between April 29 to May 15, 2023. Primary data on corporate governance factors and perceptions are hard to obtain since access to executive-level positions is limited. Primary data for the Theranos case study was collected via court documents, regulatory filings, and archived official company documents from 2013 to 2023.

Secondary Data

For secondary data, business, management, economics, and business finance peer-reviewed journal articles were used to support the study. "Corporate governance" was selected as the keyword and scope of the research. Research databases were searched, and literature samples were established systematically. EBSCOhost, Google Scholar, World Economic Forum databases, and well-established electronic social sciences databases were searched. The search included keywords in key fields, the sampling timeframe, the document types, and exclusions for certain documents, such as unpublished dissertations. For the case study, the secondary data were obtained from peer-reviewed articles, news reports, books, and documentaries related to the Theranos case.

Data Analysis

Primary data analysis is conducted after survey questions are answered, followed by data cleaning. This process removes errors, inconsistencies, and missing data from the dataset. Coding occurs next, which involves assigning numerical codes to the responses and facilitates analysis of the data to conduct descriptive statistical analysis. The sample size was not large enough to perform a linear regression analysis and correlation analysis to statistically determine the relationship between the dependent and independent variables in this research; thus, the analysis was done using descriptive statistics of the sample data. The sample data tests hypotheses and draws conclusions about the population.

Process tracing systematically collects and analyzes diagnostic evidence (Collier, 2011). This study systematically collects and analyzes effective corporate governance results in and negatively impacts Theranos' reputation and reputation. For testing for causal relationships between the breakdown of corporate governance and ineffective governance mechanisms, unethical behaviors, like fraud and corruption, and negative impact on an organization's reputation and credibility, this study used both "Straw-in-the-Wind" and "smoking gun" causal inference tests. A "Straw-in-the-wind" test was done to confirm the hypothesis, but a "smoking-gun" test was preferred since the absence of evidence doesn't necessarily mean no evidence. Applying the "smoking-gun" test to a given hypothesis does not eliminate its possibility but somewhat undermines its validity (Collier, 2011). To test the hypothesis, various primary and secondary sources were used, including government documents, court documents, historical narratives, and data (newspaper articles, web archives, reports, and minutes).

Figure 1:

Process Tracing Tests

Table 1

Process Tracing Tests for Causal Inference

		SUFFICIENT FOR AFFIRMING CAUSAL INFERENCE: No	SUFFICIENT FOR AFFIRMING CAUSAL INFERENCE: Yes
NECESSARY FOR AFFIRMING CAUSAL INFERENCE	No	**1. Straw-in-the-Wind**	**3. Smoking-Gun**
		a. Passing: Affirms relevance of hypothesis, but does not confirm it.	**a. Passing:** Confirms hypothesis.
		b. Failing: Hypothesis is not eliminated, but is slightly weakened.	**b. Failing:** Hypothesis is not eliminated, but is somewhat weakened.
		c. Implications for rival hypotheses: **Passing** *slightly* weakens them. **Failing** *slightly* strengthens them.	**c. Implications for rival hypotheses:** **Passing** *substantially* weakens them. **Failing** *somewhat* strengthens them.
	Yes	**2. Hoop**	**4. Doubly Decisive**
		a. Passing: Affirms relevance of hypothesis, but does not confirm it.	**a. Passing:** Confirms hypothesis and eliminates others.
		b. Failing: Eliminates hypothesis.	**b. Failing:** Eliminates hypothesis.
		c. Implications for rival hypotheses: **Passing** *somewhat* weakens them. **Failing** *somewhat* strengthens them.	**c. Implications for rival hypotheses:** **Passing** *eliminates* them. **Failing** *substantially* strengthens.

Note. Collier (2011), p. 825.

Limitations

Considering this was an exploratory study that took place within a short period, non-random sampling was used, which may limit generalizability. In order to conduct this study, a non-random sampling method was selected to obtain the perspectives of experts with direct experience in corporate governance. As the nature of the study required in-depth and knowledgeable insights from participants, convenience, expert, and snowball sampling methods were utilized. This was accomplished through convenience sampling, which allowed participants to be selected who were readily available and willing to participate. Expert sampling consisted of selecting individuals with specialized expertise or experience in corporate governance and its impact on organizations. In light of the limited timeframe within which the study was conducted, a non-random sampling method was chosen due to its speed, cost-effectiveness, and ease of collection for an in-depth sample analysis. Although there are limitations to these methods, such as possible selection biases and limited generalizability, the results of the study acknowledge these limitations. By selecting experts from various backgrounds and industries, the study sought to mitigate this concern. Future research may benefit from a larger sample size since this is the initial study. The main objective of this study was to identify the causes and effects of corporate governance breakdowns. Research in the future may utilize a random sampling approach or a larger sample size to increase generalizability.

During the study, another limitation was the small sample size of 33 survey respondents. It is important to note that, although the sample size is small, it comprises experts with extensive experience and knowledge of corporate governance. Therefore, this expert-led survey provides rich, qualitative data that can provide valuable insights despite the limited number of respondents. A sample size greater than thirty is considered suitable for this study, according to Roscoe, cited in Memon et al., 2020. Specifically, the study examined the causes of corporate governance failures, which include behavioral factors that play a significant role in understanding and explaining corporate governance shortcomings. In order to draw meaningful conclusions from the collected data from the survey and case study, descriptive statistics and process tracing were used instead of regression analysis and correlation analysis. Boreham and other scholars have also emphasized that the way data is collected as part of the research design is essential as well, and the robustness of any sample is more influenced by the careful selection of respondents than the sample size (Boreham et al. 2020; Mooi et al., 2018, as cited in Memon et al., 2020).

Ethics Statement

This study was approved by the Research Ethics Committee (REC) of the University Canada West. REC approval was obtained before collecting primary data to conduct research involving human subjects ethically. Names and contact information were not collected from survey respondents for this study. To comply with the Panel on Research Ethics of the Government of Canada's TCPS 2 ethics guidelines, the Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans (TCPS 2) certification was also completed before data collection started. TCPS 2 ethics guidance applies to all human participants' research, regardless of discipline or methodology.

Analysis

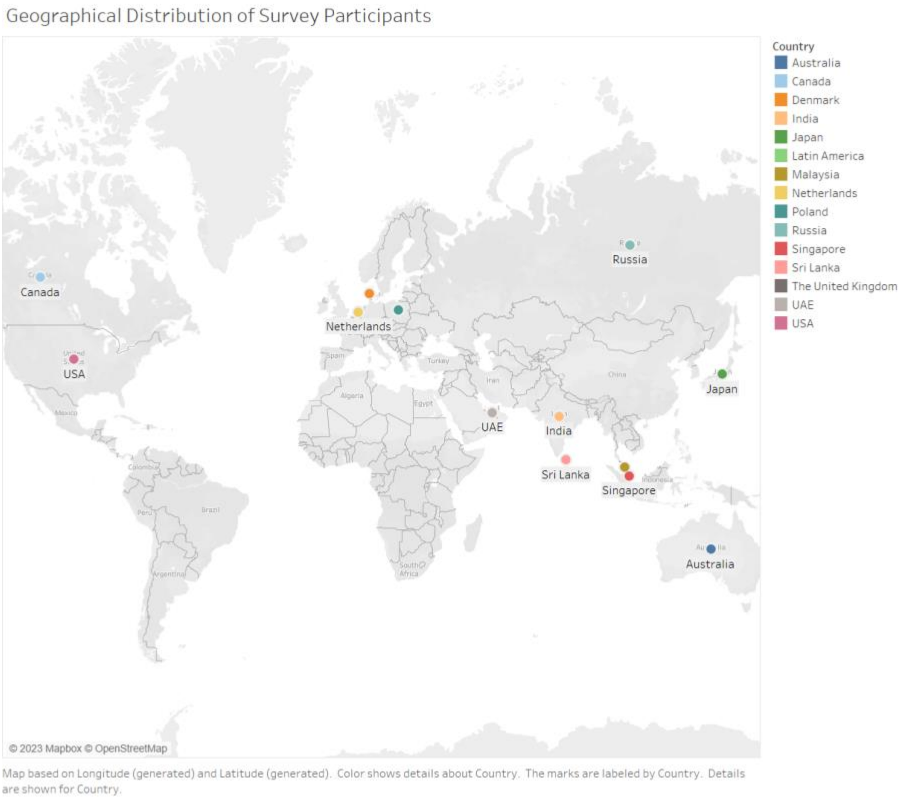
Descriptive Statistics

Demographic Data

In this section, the paper presents the descriptive statistics of the data collected in the expert lead survey**.** A total of 33 responses on expert perspectives and corporate governance experience were collected from academic and industry experts on Corporate Governance. Figures 2, 2.1, and 3 represent the specialization of the survey participants and their locations. The survey participants ranged from various locations across the globe, where 69.7% of the sample has experience in corporate governance outside Canada, 12.1% has experience within Canada, and 18.2% have experience in both Canada and outside Canada, which gives a diverse perspective on the issue.

Figure 2

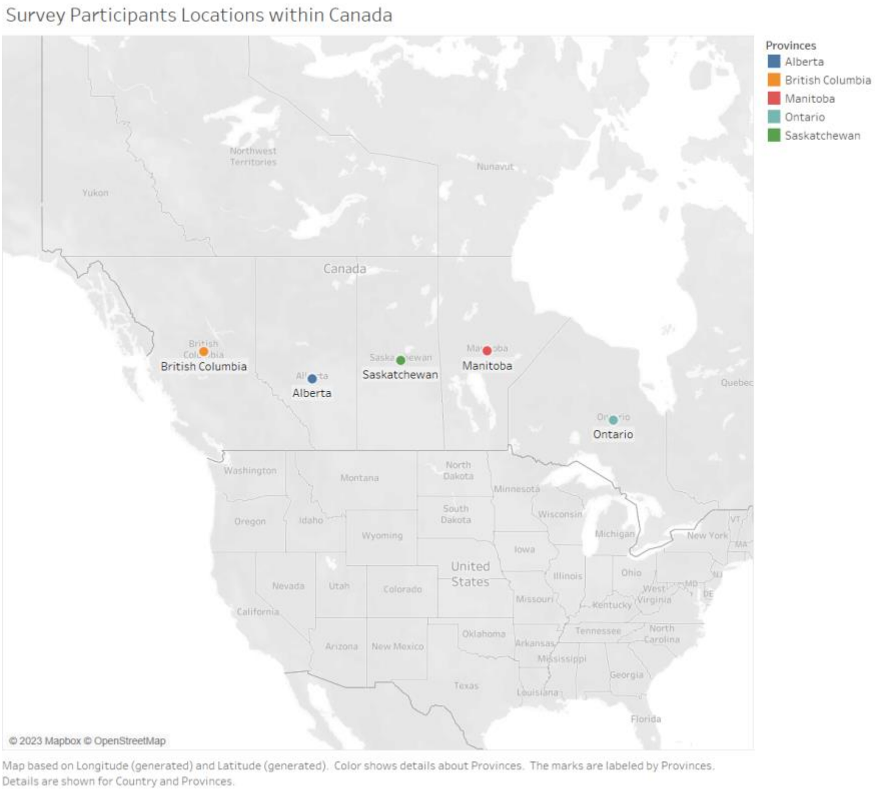
Geographical Locations of Survey Participants (Experience in both Canada and Outside Canada)



Note.Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Figure 2.1

Survey Participants with Experience in Canada



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

The study sample includes 54% with industry expertise, 18% with academic expertise, and 27% with industry and academic expertise (Table 1). This 66.7% of the survey sample are industry experts with experience in business ethics, business management, strategy HR, and/or corporate affairs representing different industries (Figure 3), the majority with more than 16 years or more experience in corporate governance. The majority represent experience from government services (33.3%), Information Technology (IT) (33.3%), Financial (27.3%), Education (27.3%), and Manufacturing (15.2%).

Table 1

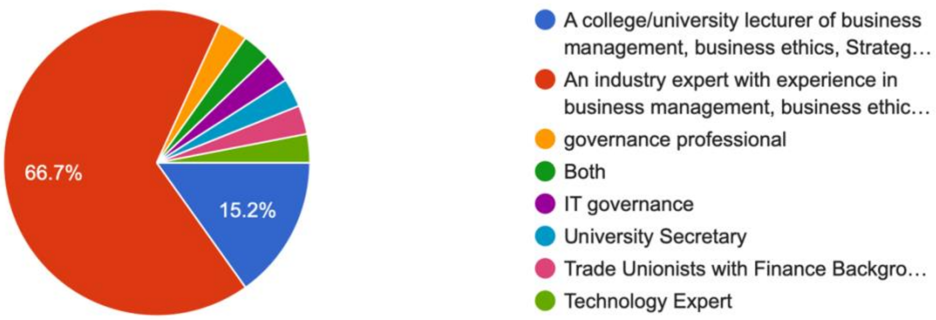
The Area of Expertise of the Survey Participants.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Academia	6	18.2	18.2	18.2
	Industry	18	54.5	54.5	72.7
	Both Academia and Industry	9	27.3	27.3	100.0
	Total	33	100.0	100.0	

Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Figure 3

The Area of Expertise of the Survey Participants – Specific Industry Areas

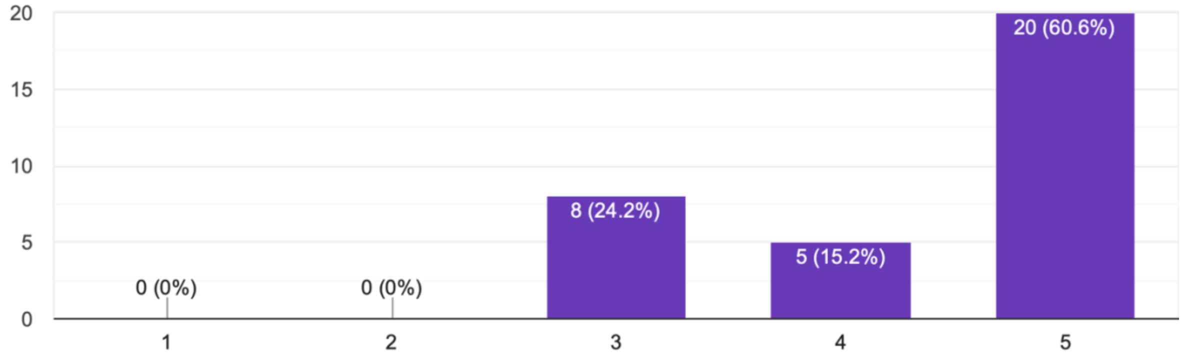


Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

In this study, experts were asked to share their beliefs on the significance of corporate governance's role in an organization and the causes and effects of corporate governance. The results indicated that 60% reported that corporate governance’s role is very important in an organization’s overall success, whereas 24% are neutral in their opinion (Figure 4). This shows that the role of corporate governance is very important in an organization’s overall success.

Figure 4

Role of Corporate Governance in an Organization’s Overall Success



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey. Scale 1 – not important at all, 5 – Very important.

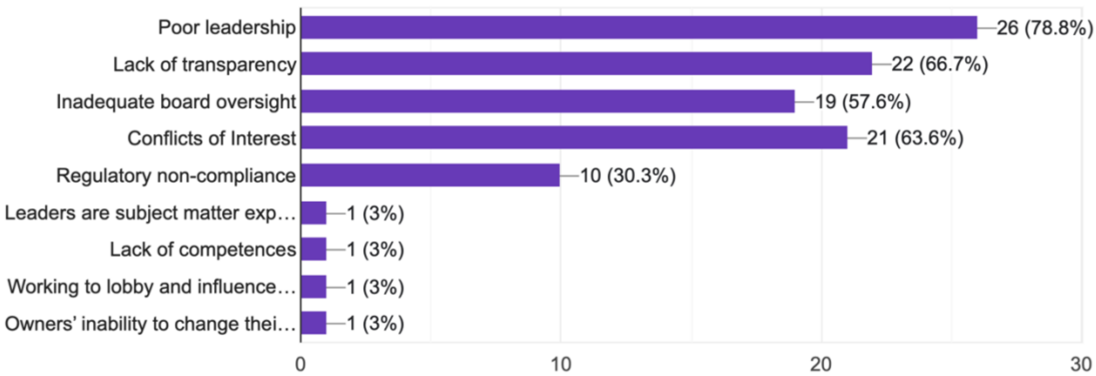
Research Question 1

What are the causes of the breakdown of corporate governance, and what are the effects?

To better understand the significance of corporate governance to an organization, the survey asked the participants the following question: {In your experience, what are the most common causes of the breakdown of corporate governance within organizations?}. According to the results of the study, 78.8% of the participants indicated that [Poor leadership], whereas 3% indicated that [Other: including lack of competencies} (Figure 5, Table 2). While poor leadership has been identified as the most common reason for corporate governance breakdowns within organizations, lack of transparency, conflicts of interest, and inadequate board oversight have also contributed to governance failures.

Figure 5

Most Common Causes of the Breakdown of Corporate Governance within Organizations



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Table 2

Descriptive Statistics Summary: Most Common Causes of the Breakdown of Corporate Governance within Organizations.

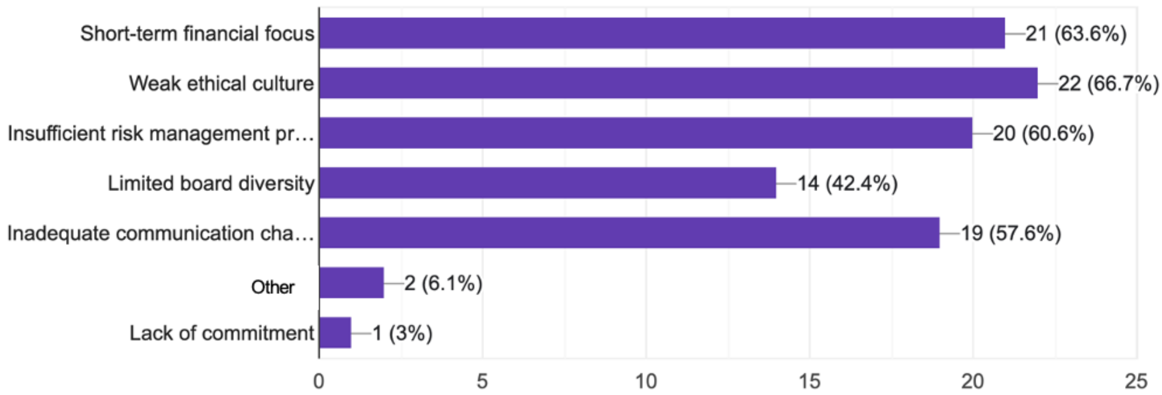
Factor	Estimated population mean confidence level				
	Median	**Mode**	**Lower Limit**	**Upper Limit**	**%**
Poor Leadership	1	1	0.6407	0.9351	78.8%
Lack of transparency	1	1	0.4969	0.8364	66.7%
Conflicts of Interest	1	1	0.4631	0.8096	63.6%
Inadequate board oversight	1	1	0.4301	0.7820	57.6%
Regulatory non-compliance	0	0	0.0881	0.3967	30.3%
Other	0	0	(0.0253)	0.1465	3.00%

Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Similarly, the participants were asked to select the factors most likely to cause a breakdown of corporate governance, where 66.7% believed weak ethical culture contributed to the failures of corporate governance, while 42% believed the limited board diversity contributed to the failures of governance (Figure 6, Table 3). Short-term financial focus and insufficient risk management also significantly contribute to the breakdown of corporate governance.

Figure 6

Factors are Most Likely to Contribute to a Breakdown of Corporate Governance.



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Table 3

Descriptive Statistics Summary: Factors are Most Likely to Contribute to a Breakdown of Corporate Governance.

Factor	**Estimated population mean confidence level**				
	Median	**Mode**	**Lower Limit**	**Upper Limit**	**%**
Week ethical culture	1	1	0.4969	0.8364	66.7%
Short Term financial focus	1	1	0.4631	0.8096	63.6%
Insufficient Risk management Practices	1	1	0.4631	0.8096	60.6%
Inadequate Communication Channels	1	1	0.3662	0.7248	57.6%
Limited Board Diversity	0	0	0.2463	0.6022	42.4%
Lack of Commitment	0	0	(0.0325)	0.0950	3.0%

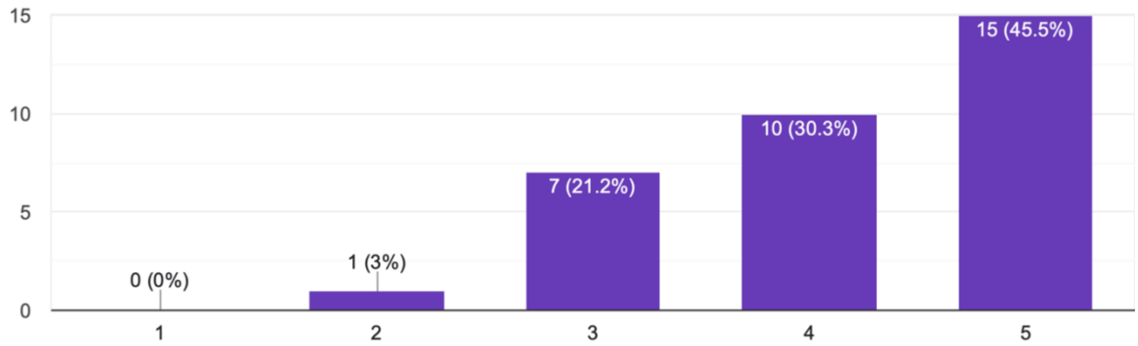
Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Hypothesis 1: Ineffective governance mechanisms can lead to failures and breakdown of corporate governance.

The experts were asked: how important they think effective governance mechanisms (board composition, board committees, etc.) are in preventing the breakdown of corporate governance. 45% of the sample believed it is very important, 30% believed important to have effective governance mechanisms in place to prevent the breakdown of corporate governance where, and 21% believe effective governance mechanisms may or may not be important in preventing corporate governance breakdowns (Figure 7). A proper board composition, as well as different board committees, such as audit, remuneration, and compensation, are likely to prevent the breakdown of corporate governance in organizations.

Figure 7

Importance of Effective Governance Mechanisms in Preventing the Breakdown of Corporate Governance

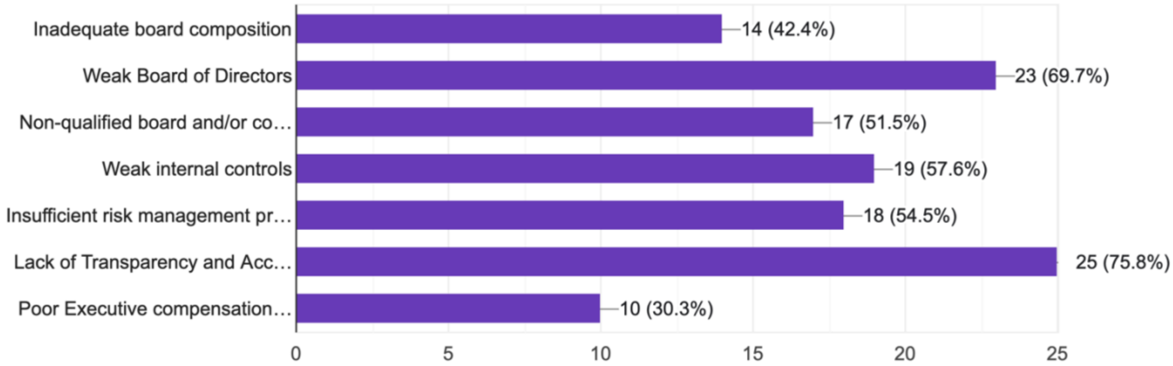


Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey. Scale 1 – not important at all, 5 – Very important.

Then the next survey questions focused on identifying ineffective governance mechanisms that are most frequently associated with failures and breakdown of corporate governance from their experience. Results indicated that 75% of the participants stated that lack of transparency and Accountability, on the other hand, 30% stated poor executive compensation structures (Figure 8, Table 4). According to the results, lack of transparency and accountability significantly contribute to Corporate Governance failures. Nevertheless, 50% of experts responding to this question cited weak boards of directors, weak internal controls, insufficient risk management, and non-qualified members of boards and/or committees as ineffective mechanisms often associated with the failure of corporate governance within organizations.

Figure 8

Ineffective Governance Mechanisms that are Most Frequently Associated with Failures and Breakdown of Corporate Governance



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Table 4

Descriptive Statistics Summary: Ineffective Governance Mechanisms that are Most Frequently Associated with Failures and Breakdown of Corporate Governance.

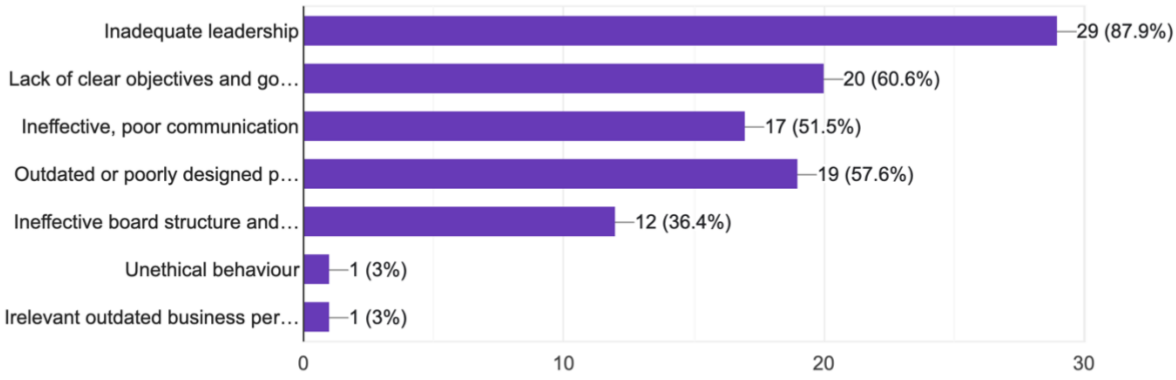
Factor	Estimated population mean confidence level				
	Median	**Mode**	**Lower Limit**	**Upper Limit**	**%**
Lack of Transparency and Accountability	1	1	0.6033	0.9119	75.8%
Weak Board of Directors	1	1	0.5315	0.8625	69.8%
Weak internal controls	1	1	0.3978	0.7537	57.6%
Insufficient risk management practices	1	1	0.3662	0.7248	54.5%
Non-qualified board and/or committee members	1	1	0.3352	0.6951	51.5%
Inadequate board composition	0	0	0.2463	0.6022	42.4%
Poor Executive compensation structures	0	0	0.1375	0.4685	30.3%

Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

To identify the key factors contributing to ineffective governance mechanisms within organizations, the participants were asked: what are the key factors contributing to implementing ineffective governance mechanisms within organizations? The results indicated that 88% of respondents believed inadequate leadership is the critical factor in implementing ineffective governance mechanisms within organizations, and more than 50% of respondents believed that lack of clear objectives and goals, outdated or poorly designed policies, and ineffective, poor communication has also contributed to implementing ineffective governance mechanisms. Only 3% stated Unethical behavior as a key factor that contributed to the implementation of ineffective governance mechanisms (Figure 9, Table 5). Based on these findings, it is evident that ineffective governance mechanisms are primarily the result of inadequate leadership. Unethical behavior was identified as a result of the breakdown of corporate governance rather than a factor contributing to either the ineffectiveness of governance mechanisms or the breakdown of corporate governance within organizations.

Figure 9

Key Factors Contributing to Implementing Ineffective Governance Mechanisms within Organizations



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Table 5

Descriptive Statistics Summary: Key Factors Contributing to Implementing Ineffective Governance Mechanisms within Organizations.

Factor	**Estimated population mean confidence level**				
	Median	**Mode**	**Lower Limit**	**Upper Limit**	**%**
Inadequate leadership	1	1	0.7613	0.9963	87.9%
Lack of clear objectives and goals	1	1	0.4301	0.7820	60.6%
Outdated or poorly designed policies	1	1	0.3978	0.7537	57.6%
Ineffective, poor communication	1	1	0.3352	0.6951	51.5%
Ineffective board structure and composition	0	0	0.1904	0.5369	36.4%
Others	0	0	(0.0253)	0.1465	3.0%

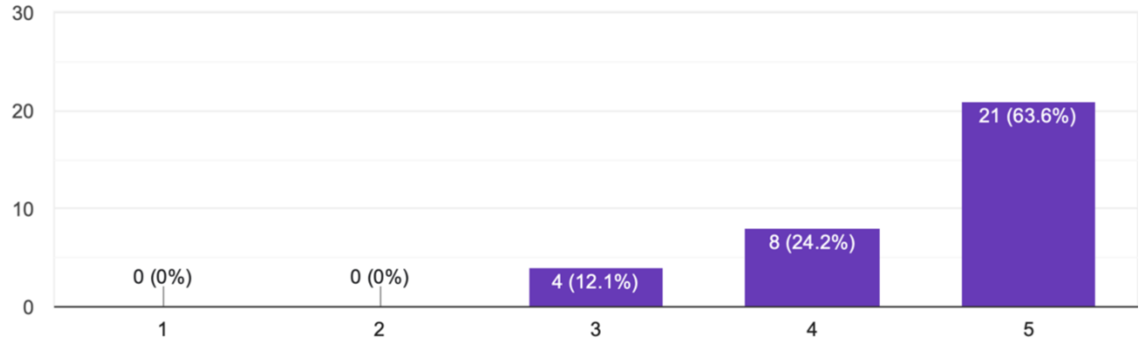
Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Hypothesis 3: When there is a breakdown of corporate governance, there will be a negative impact on an organization's reputation and credibility.

The experts were asked for their perspectives on the significance of the impact of a breakdown of corporate governance on an organization's reputation and credibility using a linear scale. The results indicated that 63.6% reported that the breakdown of corporate governance has a high impact on an organization's reputation and credibility, whereas 12.1% remained neutral in their opinion (Figure 10). This shows that governance failures have a huge impact on the reputation and credibility of the organization.

Figure 10

Do you believe the Impact of a Breakdown of Corporate Governance on an Organization's Reputation and Credibility?

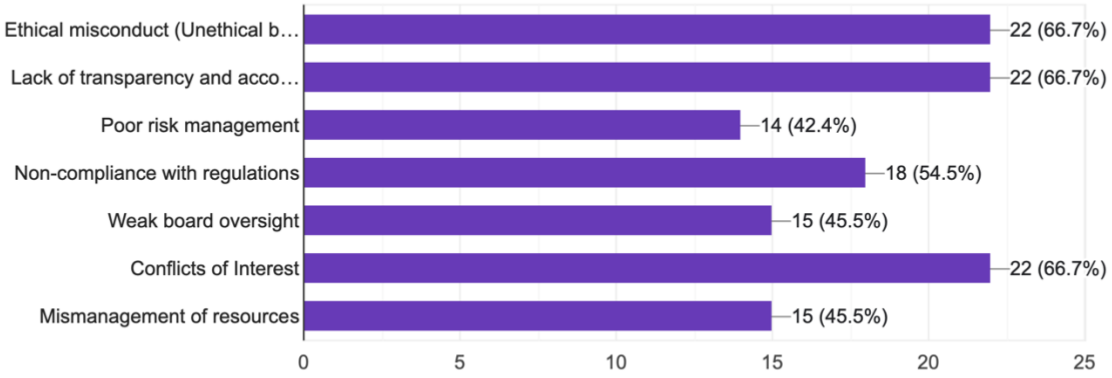


Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey. Scale 1 – no impact at all, 5 – High impact.

The experts were asked: Based on your experience, which aspects of a breakdown in corporate governance are most likely to affect an organization's reputation and credibility negatively? The results indicated that 66.7% of respondents stated that "Conflicts of Interest, Ethical misconduct, and Lack of transparency and accountability " are the most significant factor, while more than 40% stated "Non-compliance with regulations, Mismanagement of resources, Weak board oversight" is also likely to affect organization's reputation and credibility negatively (Figure 11, Table 6). Conflict of interest, ethics violations, insufficient transparency and accountability, and failure to comply with regulations can all lead to the breakdown of corporate governance, which has a detrimental impact on the organization's reputation and credibility.

Figure 11

Which Aspects of a Breakdown in Corporate Governance are Most Likely to Affect an Organization's Reputation and Credibility?



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Table 6

Descriptive Statistics Summary: Which Aspects of a Breakdown in Corporate Governance are Most Likely to Affect an Organization's Reputation and Credibility?

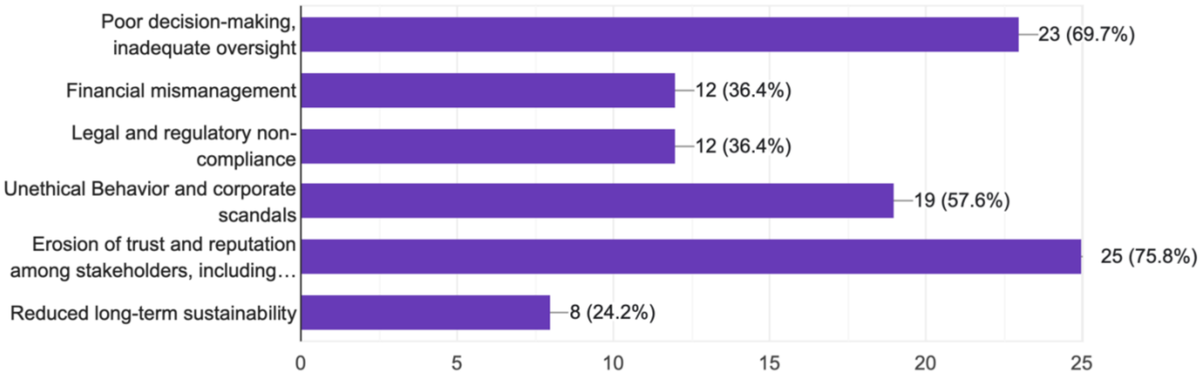
Factor	**Estimated population mean confidence level**				
	Median	**Mode**	**Lower Limit**	**Upper Limit**	**%**
Conflicts of Interest	1	1	0.5315	0.8625	66.7%
Ethical misconduct	1	1	0.4969	0.8364	66.7%
Lack of transparency and accountability	1	1	0.4631	0.8096	66.7%
Non-compliance with regulations	1	1	0.3662	0.7248	54.5%
Weak board oversight	0	0	0.2180	0.5699	45.5%
Other : Mismanagement of resources	0	0	0.2180	0.5699	45.5%
Poor risk management	0	0	0.2463	0.6022	42.4%

Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Further, the experts were asked: what are the most significant consequences of ineffective governance mechanisms on an organization's performance, reputation, and sustainability?. 75% of respondents stated that “Erosion of trust and reputation among stakeholders, including investors, customers, suppliers, and employees” is the most significant factor, while more than 55% stated “poor decision-making, inadequate oversight and Unethical behavior and corporate scandals” are also significant consequences (Figure 12, Table 7). Accordingly, the breakdown of corporate governance mechanisms is harmful to the trust and reputation of the organization, leading to an increase in unethical behavior and scandals.

Figure 12

Most Significant Consequences of Ineffective Governance Mechanisms on an Organization's Performance, Reputation, and Sustainability



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Table 7

Descriptive Statistics Summary: Most Significant Consequences of Ineffective Governance Mechanisms on an Organization's Performance, Reputation, and Sustainability.

Factor	Estimated population mean confidence level				
	Median	Mode	Lower Limit	Upper Limit	%
Erosion of trust and reputation among stakeholders, including investors, customers, suppliers, and employees	1	1	0.6033	0.9119	75.8%
Poor decision-making, inadequate oversight	1	1	0.5315	0.8625	69.7%

Unethical Behavior and corporate scandals	1	1	0.3978	0.7537	57.6%
Financial Mis-management	0	0	0.1904	0.5369	36.4%
Legal and Regulatory non compliance	0	0	0.1904	0.5369	36.4%
Reduced long-term sustainability	0	0	0.0881	0.3967	24.2%

Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Research Question 2

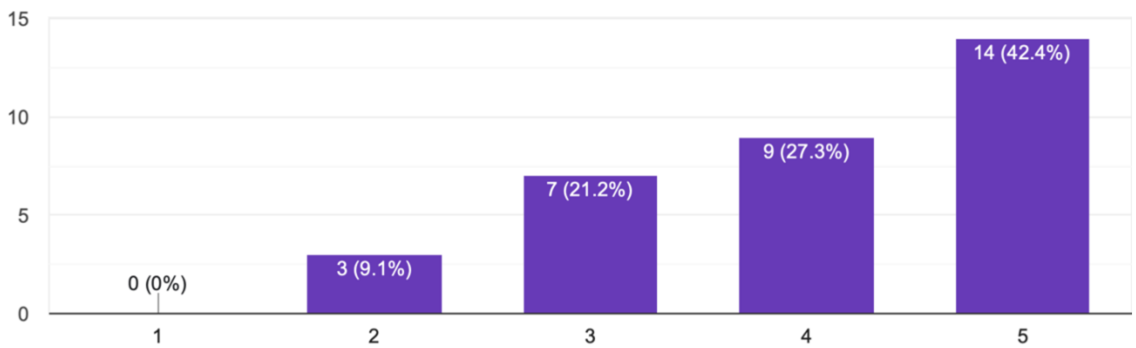
Does the breakdown of corporate governance contribute to unethical behavior in organizations?

Hypothesis 2: When there is a breakdown of corporate governance, it is likely to increase unethical behaviors like corporate fraud and corruption.

The experts were asked for their perspectives on the impact of the breakdown of corporate governance in corporate fraud and corruption using a linear scale. The results indicated that 42% reported that the breakdown of corporate governance is very likely to increase corporate fraud and corruption, whereas 27% indicated it is likely, and 9% think that it is less likely that the breakdown of corporate governance increases corporate fraud and corruption (Figure 13). Therefore, it is reasonable to assume that a breakdown of corporate governance will have an impact on the increase in corporate fraud and corruption.

Figure 13

Beliefs of experts on the Breakdown of Corporate Governance will Likely Increase Corporate Fraud and Corruption

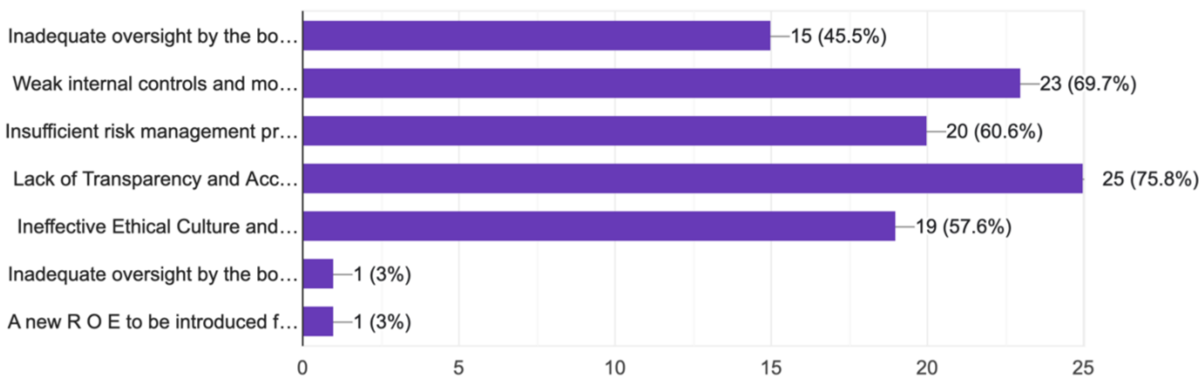


Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey. Scale 1 – not likely at all, 5 – Very likely.

To understand this concept better, the experts were asked to indicate that the key elements of breakdown in corporate governance are most likely to contribute to unethical behavior, such as fraud and corruption (Figure 14, Table 8). The results indicated that 75% of experts believed that a lack of transparency and Accountability is a major element contributing to unethical behavior, such as fraud and corruption, while only 3% indicated Other factors like inadequate oversight by the board of directors, internal policies, and favoritism. This indicates that a lack of transparency and accountability within organizations has a greater impact on unethical behaviors in organizations.

Figure 14

Key Elements of a Breakdown in Corporate Governance are Most Likely to Contribute to Unethical Behavior, such as Fraud and Corruption



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Table 8

Descriptive Statistics Summary: Key Elements of a Breakdown in Corporate Governance are Most Likely to Contribute to Unethical Behavior, such as Fraud and Corruption.

Factor	**Estimated population mean confidence level**

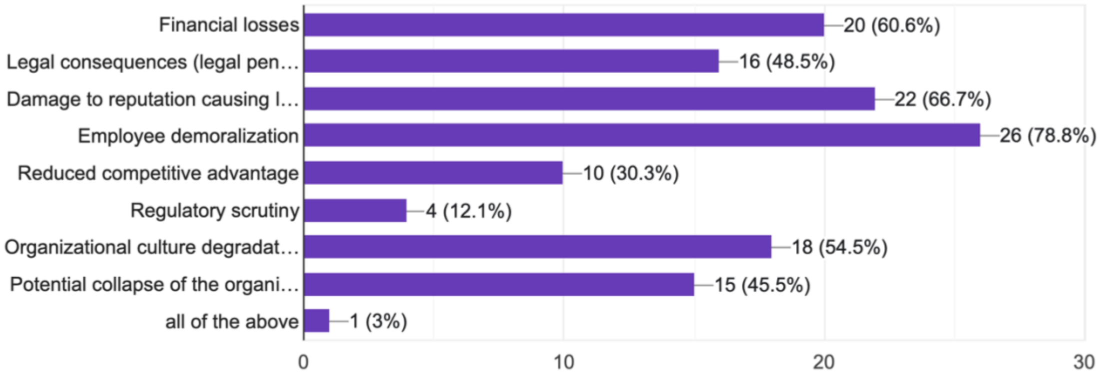
	Median	Mode	Lower Limit	Upper Limit	%
Lack of Transparency and Accountability	1	1	0.6033	0.9119	75.8%
Weak internal controls and monitoring systems	1	1	0.5315	0.8625	69.7%
Insufficient risk management practices	1	1	0.4301	0.7820	60.6%
Ineffective Ethical Culture and Values	1	1	0.3978	0.7537	57.6%
Inadequate oversight by the board of directors	0	0	0.3049	0.6648	45.5%
Internal politics and favoritisms	0	0	(0.0314)	0.0920	3.0%

Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

To understand what could be the consequences of unethical behavior, such as fraud and corruption, within organizations, experts were asked the question: What do you perceive to be the most severe consequences of unethical behavior, such as fraud and corruption, within organizations? The results indicated that 78.8% of experts perceive Employee demoralization, and 12.1% indicated regulatory scrutiny (Figure 15, Table 9). Almost 50% of the experts perceived that damage to business causing loss of business opportunities, Financial losses, Organizational culture degradation, and legal consequences could also be consequences of unethical behavior within organizations. According to the results, unethical behaviors can be severe if corporate governance is compromised, resulting in employees becoming demoralized, decreasing efficiency and productivity, damage to reputation, loss of business opportunities, and financial losses.

Figure 15

Consequences of Unethical Behavior, such as Fraud and Corruption, within Organizations



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

Table 9

Descriptive Statistics Summary: Consequences of Unethical Behavior, such as Fraud and Corruption, within Organizations.

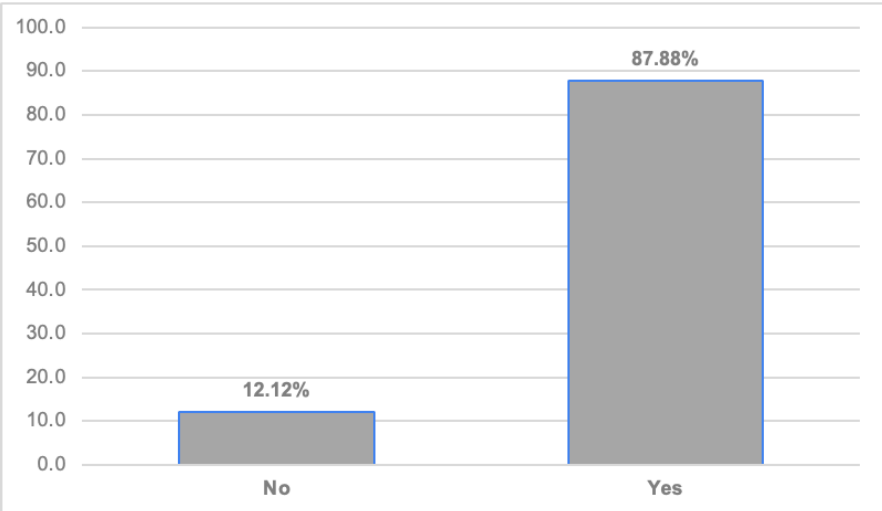
Factor	**Estimated population mean confidence level**				
	Median	**Mode**	**Lower Limit**	**Upper Limit**	**%**
Employee demoralization	1	1	0.6407	0.9351	78.8%
Damage to reputation causing loss of business opportunities	1	1	0.5669	0.8876	66.7%
Financial losses	1	1	0.4301	0.7820	60.6%
Organizational culture degradation	1	1	0.3662	0.7248	54.5%
Legal consequences	0	0	0.3049	0.6648	48.5%
Potential collapse of the organization	0	0	0.3049	0.6648	45.5%
Reduced competitive advantage	0	0	0.1636	0.5031	30.3%
Regulatory scrutiny	0	0	0.0224	0.2806	12.1%

Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

The experts were asked: Do you think external stakeholders (e.g., regulators, government, and customers) can play a role in identifying and addressing ineffective governance mechanisms that may lead to failures and breakdowns of corporate governance? The results indicate that 87.9% answered {Yes}, and only 12.1% answered {No} (Figure 16). The results indicate that external stakeholders need to play a part in addressing corporate governance failures and address the ineffective mechanisms underlying corporate governance failures.

Figure 16

Do you think external stakeholders (e.g., regulators, government, and customers) can play a role in identifying and addressing ineffective governance mechanisms that may lead to failures and breakdowns of corporate governance?

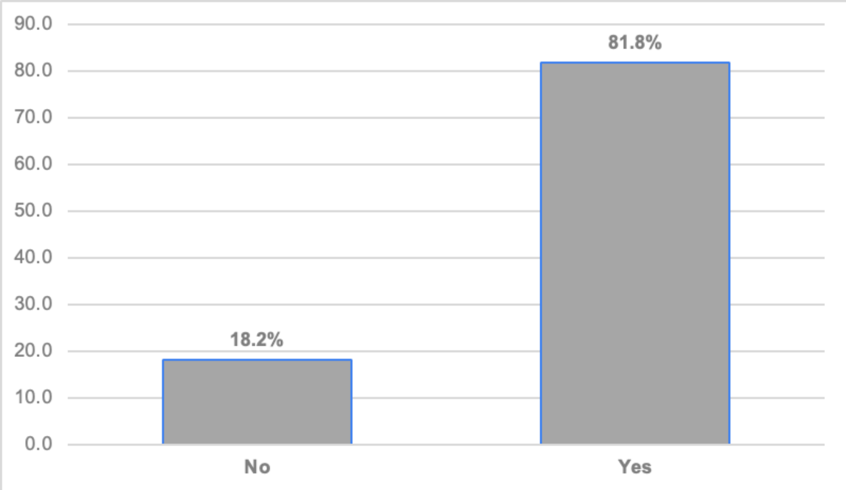


Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

The experts were further asked whether they believe that increasing regulatory requirements and compliance measures can effectively address the causes and effects of the breakdown of corporate governance, where 81.8% agreed to that while 18.2% disagreed (Figure 17). This suggests that compliance measures and increased regulatory requirements may be helpful tools for addressing the causes and effects of corporate governance failures.

Figure 17

Do you believe that increasing regulatory requirements and compliance measures can effectively address the causes and effects of the breakdown of corporate governance?



Note. Created by Author. The data source is Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance Survey.

However, some experts disagree with the notion that increased regulatory compliance requirements and requirements can effectively resolve the causes and effects of corporate governance breakdowns. As a result of many people's confusion between Values (ethics) and Values, corporates and multinational corporations have circumvented the Spirit of Regulations through regulatory and state capture for their own gain.

Furthermore, they opined that enacting stricter regulatory requirements and compliance measures could improve the façade but not lead to significant changes. Corporate governance may improve if regulations are followed, but this does not necessarily prove to be true. There are several factors at play here, including corporate culture, tone at the top, and promoting values. As such impulse towards ensuring a proper level of governance should be sent by the stakeholders. This would mitigate the risk of overregulation by preventing 'on-the-paper' only compliance.

Case Study: Collapse of Theranos, Inc.

This study uses a process tracing approach to examine the causes and mechanisms of Theranos' collapse. Theranos' corporate governance collapse, effects, and whether it contributes to unethical behavior will be analyzed using primary and secondary data. After a brief introduction and timeline of Theranos' history, the flawed corporate governance of the company is determined.

Introduction to the Company

In the healthcare technology industry, Theranos was hailed as a unicorn promising to revolutionize blood tests. Theranos was founded by Elizabeth Holmes in 2003, and she served as CEO until 2018 (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). According to United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani. (2020), Between September 2009 and June 2016, Ramesh Balwani held the position of President and CEO of Theranos and a member of its Board of Directors. Incorporated under the laws of the State of Delaware, Theranos was headquartered in Palo Alto, California. Theranos has attracted investors of all types, including individuals, entities, business partners, board members, and individuals who have invested through firms created exclusively to invest in Theranos securities (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). Investor funds were deposited into Comerica Bank, the company’s corporate bank account.

According to United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani (2020), the company's mission was to improve patient outcomes and reduce healthcare costs through innovative methods of drawing blood, testing blood, and interpreting results. A stealth mode was employed by Theranos during its first ten years, with little public awareness as Theranos developed proprietary technologies for doing clinical tests without withdrawing blood from patients' arms using small drops of blood (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). Using a small lancet, Theranos also claimed they developed a method for drawing capillary blood from the finger and storing it in a device called a "nanotainer" and a proprietary device, “TSPU” (Theranos Sample Processing Unit), Edison, and MiniLab to analyze blood samples collected in nanotainers quickly and accurately. In 2013, Theranos launched a public awareness campaign. According to Rago (2013), Holmes said that Theranos could run a variety of tests, including multiple follow-up tests, at once, using a single blood sample.

Several high-profile investors contributed millions to Theranos, including Betsey DeVos, the Walton family, and Rupert Murdoch (Carreyrou, 2018).

Figure 18

Theranos Timeline

Note. Created by Author. *Note* – Timeline created based on O'Brien (2022).

https://www.cnn.com/2022/01/04/tech/elizabeth-holmes-rise-and-fall/index.html and Rowley

(2023). https://www.lofficielusa.com/pop-culture/elizabeth-holmes-theranos-scam-timeline-the-dropout-hulu

Theranos Case Analysis

Table 10

Overview of the Collapse of Theranos

<table>
<tr><td colspan="2">Overview of the Collapse of Theranos
Casual Puzzle
To understand what causes the breakdown of corporate governance causing the collapse of once considered a unicorn in the healthcare technology industry, Theranos, Inc.</td></tr>
<tr><td colspan="2">Main Characters
- Elizabeth Holmes, the Founder, and CEO of Theranos Inc, has been accused of wire fraud and conspiracy.
- Ramesh Balwani, Former President of Theranos, has been accused of wire fraud and conspiracy.
- Board of Directors of Theranos, high profile in politics and business, less subject expertise.
- Tyler Shultz, a former employee at Theranos, a Whistleblower.
- The Wall Street Journal harshly criticized Theranos' which led to regulatory interventions.
- Centers for Medicare and Medicaid Services (CMS) conducted investigations against Theranos.
- The Securities and Exchange Commission (SEC) conducted Investigations against Theranos.</td></tr>
<tr><td colspan="2">Hypothesis</td></tr>
<tr><td>Independent Variables
H1. Ineffective governance mechanisms lead to failures and breakdown of corporate governance in Theranos</td><td>Dependent Variables
H2. The breakdown of corporate governance at Theranos, cause an increase of unethical behaviors like corporate fraud and corruption.
H3. The breakdown of corporate governance at Theranos caused a negative impact on the organization’s reputation and credibility.</td></tr>
</table>

Note. Created by Author.

Hypothesis Testing

***Hypothesis 1*: Ineffective governance mechanisms can lead to failures and breakdown of corporate governance.**

CEO Elizabeth Holmes played a significant role in Therano's downfall. Overstating the capabilities of Theranos' blood-testing technology in her presentation, she asserted that a few drops of blood could do an extensive range of tests (United States v. Elizabeth Holmes et al., 2018). Investors, regulators, and the public were provided false information about the technology's capabilities (United States v. Elizabeth Holmes et al., 2018). As a Stanford dropout who started up Theranos, Holmes lacks the scientific background necessary to lead a company offering complex medical tests, despite her charisma and vision. Undoubtedly, poor decision-making and ethical practices were attributed to a lack of qualified leadership.

Balwani and HolmesBalwani had fraudulently marketed Theranos' technology, and Holmes had fraudulently marketed Theranos' technology. According to United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani (2020), Holmes claimed Theranos developed an innovative and proprietary blood analyzer, referred to by several names, such as TSPU, Edison, and minilab. Using finger stick blood samples, they claimed the analyzer could perform a wide range of clinical tests more accurately, reliably, and faster than conventional methods. While Holmes and Balwani knew many of their comments about the analyzer were misleading, they still made them (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). There were many reports of failed tests at Theranos, which were then altered to represent more accurate results. The company's top management also provided investors with false financial projections. Holmes did not specify what Theranos' technology does, nor was it peer-reviewed (United States v. Elizabeth Holmes et al., 2018). By deceptive means such as direct communication, marketing materials, media statements, financial statements, and model presentations, Holmes and Balwani defrauded potential investors (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). By misrepresenting Theranos' use of Theranos' own devices during its patient testing, Holmes and Balwani deceived investors. This reflects a lack of ethical leadership, which is known to be one of the fundamental elements of poor governance (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020).

Her dual role as chair and CEO gave Holmes extraordinary power over the company (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). One reason for the company's governance problems is its CEO's power concentration (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). In addition to former U.S. Secretaries of State Henry Kissinger and George Shultz, former Secretary of Defense William Perry and former Senators Sam Nunn and Bill Frist serve on Theranos' board. Despite its prestige, this board lacks enough medical and scientific expertise to oversee the company's technological claims (Pflanzer, 2015). There were no medical experts, academics, or CEOs of medical companies who were usually experts in hematology, blood analysis, or medical devices on Theranos' board (Pflanzer, 2015).

Table 11

Board of Directors of Theranos (2003 – 2015)

Elizabeth Holmes	CEO and chairman of the board of Theranos
Sunny Balwani	President and COO of Theranos
George P. Shultz	Former US secretary of state
Gary Roughead	Retired US Navy admiral
William J. Perry	Former US secretary of defense
Sam Nunn	Former US senator who served as chairman of the Senate Armed Services Committee and the Permanent Subcommittee on Investigations
James N. Mattis	Retired US Marine Corps general
Richard Kovacevich	Former CEO of Wells Fargo
Henry A. Kissinger	Former US secretary of state
William H. Frist	Heart and lung transplant surgeon and former US senator
William H. Foege	Former Director of the Centers for Disease Control and Prevention
Riley P. Bechtel	Chairman of the board of the Bechtel Group Inc., a construction company

Note. Created by Author. Details obtained from Pflanzer (2015). https://www.businessinsider.com/theranos-board-of-directors-2015-10

Company's operations, several of those members were moved into a board of counselors, which later became a scientific and medical advisory board (Theranos n.d.). This board lacked the knowledge to oversee and understand the company's operations. In addition, this raises the question of what steps the board might have taken in the event of employee-reported discrepancies or the Wall Street Journal investigation (Pflanzer, 2015). Theranos lacked adequate internal controls. The company's testing technology was in question, and employees raised concerns, but these concerns went unanswered, indicating internal control failures. Theranos had a culture of secrecy (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). The company discouraged employees from sharing information with each other (Lauren, 2021). Without transparency in its governance structure, the company misled investors, partners, and the public about its technology.

A lack of transparency was evident in both internal and external operations at Theranos. Lack of transparency prevented employees from questioning the accuracy or viability of the technology. Theranos' practices have been criticized by several employees. The healthcare tech sector and start-ups often have nondisclosure agreements, but resigning employees were subject to more restrictive agreements (Carreyrou, 2018). When speaking out, attorneys repeatedly threatened to sue (Carreyrou, 2018). Tyler Shultz, the company's most prominent whistleblower, informed John Carryeou about its problems (Kincaid, 2017). In response to Shultz' concerns, Holmes directed him to Theranos' head of biomath, Daniel Young. Shultz proved Holmes' media claims false, but Young countered them. Shultz asked for information on Theranos' validation methods in a confidential email from the Health Department, and they informed him that the practice was illegal both state and federal (Carreyrou, 2018). As a result of Balwani's accusations, Tyler resigned (Carreyrou, 2018). Theranos employee Erika Cheung found faulty results had been discarded while working there for six months. Despite her best efforts, Balwani questioned her competence (Lauren, 2021). Concerns at the company led Cheung to resign after six months. Theranos' private investigators harassed Cheung. Several pieces of evidence indicate that employees who left were subjected to strict NDAs, and those who refused were sued (Lauren, 2021). Furthermore, this is related to whistleblower protections, where Tyler Shultz and Erika Cheung have both resigned under pressure. Internal controls are weak when whistleblowers are not protected.

Theranos didn't meet compliance with regulatory requirements. To conduct tests on patients, the company used its technology without obtaining the required approvals and certifications. This resulted in violations of established regulations, compromising the safety of patients. The United States Securities and Exchange Commission (SEC) and the U.S. Food and Drug Administration (FDA) investigated Theranos' practices (U.S. Food & Drug Administration, 2015; SEC.gov, 2018). The Securities and Exchange Commission (SEC) investigated Theranos' fundraising activities. In March 2018, the SEC charged Balwani and Holmes with massive fraud (SEC.gov, 2018). In addition to its blood-testing technology, U.S. officials investigated Theranos' practices. Whistleblowers and media reports prompted an FDA inspection of Theranos' California laboratories in 2015 (U.S. Food & Drug Administration, 2015) (Annex 1). Federal regulators notified Theranos of significant violations of federal regulations governing clinical laboratories. Quality control, accuracy, and reliability of the testing methods employed by the company have been questioned by the FDA.

A lack of effective governance mechanisms contributed to Theranos' governance failures. During the court proceedings, data was gathered to reflect Theranos' governance mechanisms, and the newspaper articles provide information about Theranos' board of directors, internal controls, transparency within the company, the CEO's actions, whistleblower treatment, and non-compliance with regulation. As a result of ineffective governance mechanisms, Theranos' corporate governance has been compromised. The ineffectiveness of the governance mechanisms contributed to the collapse of the company.

Hypothesis 2**: When there is a breakdown of corporate governance, it is likely to increase unethical behaviors like corporate fraud and corruption.**

The "Starw-in-the-wind" test was used to identify many early signs of unethical behavior due to the breakdown of corporate governance. Demonstration of the analyzer given to potential investors was misleading, false claims were made about its capabilities, and conspiracies were formed to convince investors and patients. Using the "Smoking-gun-test," Holmes and Balwani's corporate fraud and conspiracy actions were explained.

According to United States v. Elizabeth Holmes, et al. (2018) Final Verdict Form (Annex 2), a jury found Elizabeth Holmes guilty of three counts of wire fraud and one count of conspiracy for defrauding investors at Theranos, Inc. It was demonstrated during the trial that Holmes misled investors and potential investors. The evidence indicates Holmes knew the analyzer was inaccurate and reliable, only capable of performing a limited number of tests, slower than some competitors, and, in some respects, could not compete with conventional machines (U.S. v. Elizabeth Holmes, et al., 2018). Many of Theranos' blood tests were conducted using traditional machines purchased by third parties. Theranos' revenue and break even in 2014 were misrepresented by Holmes, who told investors Theranos would generate over $100 million in 2014 and $1 billion in 2015, despite knowing the company would generate modest or negligible revenue in both years (U.S. v. Elizabeth Holmes, et al., 2018).

In addition, Holmes misrepresented Theranos' relationship with the Department of Defense as profitable and revenue-generating and that Theranos technology had been deployed on the battlefield when, in reality, Theranos only earned limited revenue **(**U.S. v. Elizabeth Holmes, et al., 2018; United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). Theranos was falsely validated by Holmes by presenting logos implying endorsement by several pharmaceutical companies. Holmes falsely claimed pharmaceutical companies thoroughly validated Theranos. Aside from that, Holmes falsely represented to investors that Theranos Walgreens rollout was about to increase when in fact, it was stalling (Carreyrou, 2015; U.S. v. Elizabeth Holmes et al., 2018).

As the company's COO, Ramesh Balwani approved false and misleading descriptions of the company in a Wall Street Journal article in 2013 about Theranos having devices that could automate and miniaturize over 1,000 laboratory tests more quickly, efficiently, and accurately than conventional methods (United States of America v. Elizabeth

A. Holmes and Ramesh "Sunny" Balwani, 2020). According to him, Theranos' technology eliminates multiple lab trips due to its ability to simultaneously run various tests, including follow-up tests, from a single micro-sample (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). To convince both patients and investors of the validity of his claims, Balwani falsely represented the analyzer's capabilities. Blood analyzers were offered to the public by Theranos for use in performing a variety of tests, resulting in numerous incorrect diagnoses (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). An HCG test performed by Theranos in a case of multiple miscarriages strongly suggested a miscarriage, whereas conventional methods showed a viable pregnancy, and the mother delivered a healthy baby. According to the United States Attorney's Office press release, Theranos President Sentenced to More Than 12 Years For Fraud That Jeopardized Patient Health And Bilked Investors Of Millions (2022), many pregnant women received incorrect HCG results from Theranos. An employee of Theranos reporting having taken blood-thinning medication for blood clots found that previous conventional tests were very different from those at Theranos. A doctor adjusted the employee's medication, resulting in a false report by Theranos Technology (United States Attorney's Office, 2022). Their elaborate scheme to defraud investors continued despite repeated failures of their technology, according to trial evidence. Theranos induced dozens of investors to invest hundreds of millions of dollars through consistent but false representations about the analyzer's progress and abilities (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020).

Balwani used false pharmaceutical endorsements and fantastical revenue projections to convince Walgreens and Safeway to invest in Theranos (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). Balwani benefited spectacularly from the fraud, according to the evidence presented at trial. Nearly 30 million shares of Theranos were owned by Balwani at the time of the fraud, which was over 6% of the company. Several electronic funds transfers and payments from investor bank accounts were made to Theranos, according to the United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani (2020).

Table 12

Payments for the Purchase of Advertisements Soliciting Patients and Doctors for Theranos Laboratory Business

COUNT	DATE	ITEM WIRED	WIRED FROM	WIRED TO
3	12/30/2013	$99,990	Investor #1's Charles Schwab/Wells Fargo Bank account	Theranos's Comerica Bank account
4	12/31/2013	$5,349,900	Investor #6's Pacific Western Bank account	Theranos's Comerica Bank account
5	12/31/2013	$4,875,000	Investor #2's Texas Capital Bank account	Theranos's Comerica Bank account
6	2/6/2014	$38,336,632	Investor #3's Citibank account	Theranos's Comerica Bank account
7	10/31/2014	$99,999,984	Investor #4's Northern Chicago Bank account	Theranos's Comerica Bank account
8	10/31/2014	$5,999,997	Investor #5's JP Morgan Chase account	Theranos's Comerica Bank account

Note. United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani (2020). https://cand.uscourts.gov/wp-content/uploads/cases-of-interest/usa-v-holmes-et-al/USA-v.-Holmes-18-CR-00258-Dkt-469-Third-Sup-Indictment.pdf

A false and misleading statement about the technology of Theranos clearly constitutes corporate fraud. This misrepresentation also inflated the company's valuation by misleading investors, partners, and the public. Though no evidence of bribery was found, unethical favoritism was observed. It was easy for CEO Holmes and COO Balwani to make unethical decisions and continue acting unethically with Board members with little or no industry or technical experience. The smoking gun test confirms that Theranos' ineffective governance mechanisms caused the company to adopt unethical practices such as false claims, fraud, and conspiracy against investors. An increase in unethical behavior at Theranos is clearly associated with the breakdown of corporate governance.

***Hypothesis 3*: When there is a breakdown of corporate governance, there will be a negative impact on an organization's reputation and credibility.**

A collapse of corporate governance was related to damage to Theranos' credibility and reputation through "Smoking Gun" testing. Reputation and credibility were damaged by governance failures within Theranos. This led Walgreens and Safeway to end their partnerships, conduct criminal investigations, and close the company. Fraud charges have been filed against the CEO. A pioneer of innovation, the company was viewed as a symbol of corporate fraud by the public (Lauren, 2021). There was a backlash against Theranos after the Wall Street Journal reported on the company's deceit and fraud in 2015. Erika Cheung, a former Theranos employee, wrote CMS, the federal regulatory agency, in 2015 about the problems at the lab (Carreyrou, 2015). After a surprise inspection, the agency discovered that Theranos did not use its own blood testing machines and that the Edison device was unreliable (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). In October 2015, a WSJ internal article revealed that Theranos was not using its own machines or devices for blood tests. This incident severely damaged Theranos' reputation. Following the WSJ report, several regulatory bodies investigated Theranos, ultimately sanctioning it (Grossman,2016). After its clinical laboratory testing certificate was revoked, the company was banned from owning or operating laboratories for two years (United States of America v. Elizabeth A. Holmes and Ramesh "Sunny" Balwani, 2020). These sanctions have further damaged Theranos' reputation and credibility. Due to an inability to find a buyer, Theranos closed its doors in September 2018 (Guardian, 2018). Several charges of fraud were filed against Holmes and Ramesh Balwani by the Securities and Exchange Commission (SEC) (Guardian, 2018).

A grand jury indicted Holmes and Balwani on June 14, 2018, in connection with two multimillion-dollar schemes to promote Theranos (U.S. v. Elizabeth Holmes, et al., 2018). As former executives of Theranos, Holmes and Balwani have been charged with wire fraud, in violation of 18 U.S.C. 1343, and conspiracy to commit wire fraud, in violation of 18 U.S.C. 1349. Fraudulent representations about the capabilities of their company led to their charges

(U.S. v. Elizabeth Holmes, et al., 2018). Separate trials were conducted for Holmes and Balwani. The legal action permanently damaged the company's credibility in the tech industry. Holmes received 135 months in federal prison (11 years, 3 months) for defrauding investors in Theranos, Inc. Her sentence included three years of supervision after her release from prison in addition to the 135-month prison term (U.S. v. Elizabeth Holmes, et al., 2018).

According to the official Statement of U.S. Attorney Stephanie Hinds on the Sentencing of Ramesh “Sunny” Balwani (2022), the federal court sentenced Balwani to 155 months in prison for misleading investors about Theranos' blood analysis technology. He was also sentenced to three years of supervision after his release after serving 155 months in prison. The court ordered Balwani to surrender to prison on March 15, 2023 (United States Attorney’s Office, 2022). Theranos founder and CEO Elizabeth Holmes and former COO Ramesh Balwani were ordered to pay $452 million each to Theranos' wire fraud conspiracy victims in May 2023 (Alexander, 2023). Holmes began her 11-year prison sentence at Texas State Prison on May 31, 2023 (Alexander, 2023). Therefore, hypothesis 3 is accepted as it is evident that the breakdown of corporate governance at Theranos was directly linked to a negative impact on the company's reputation and credibility and ended up with the company's closure.

Discussion

Expert-lead Survey

Upon analysis of the survey results, it has been identified that poor leadership, lack of transparency, conflict of interest, and inadequate board oversight are the most common causes of corporate governance failures within organizations. In addition, this study shows that weak ethical culture, short-term financial focus, insufficient risk management policies, and inadequate communication channels are the factors most likely to contribute to governance breakdowns. The survey results indicate that effective governance mechanisms significantly prevent corporate governance breakdown in organizations. In contrast, ineffective governance mechanisms like lack of transparency and accountability, weak board of directors, weak internal controls, insufficient risk management practices, and non-qualified board and/or committee members are most frequently associated with corporate governance failures. It is essential to highlight that the survey results suggest that inadequate leadership, lack of clear objectives and goals, outdated or poorly designed policies, and ineffective, poor communication are critical factors in implementing ineffective governance mechanisms.

The reputation and credibility of an organization are severely affected by conflicts of interest, ethical misconduct, lack of transparency and accountability, and non-compliance with regulations. The expert perspective is that when there are ineffective governance mechanisms in place, an organization's performance, reputation, and sustainability could suffer. In addition, erosion of trust and reputation among stakeholders, including investors, customers, suppliers, and employees. Poor decision-making and inadequate oversight could also contribute to unethical behavior and corporate scandals. Lack of transparency and accountability, a weak internal control and monitoring system, and a weak ethical culture and values contribute to unethical behavior within organizations like fraud and corruption. It could lead to demoralized employees, damaged reputations, loss of business opportunities, financial losses, organizational and cultural degradation, legal consequences, and, finally, organization collapses. Therefore this survey study confirms that Ineffective governance mechanisms can lead to failures and breakdown of corporate governance (H1). When there is a breakdown of corporate governance, it is likely to increase unethical behaviors like corporate fraud and corruption (H2), and there will be a negative impact on an organization's reputation and credibility (H3).

External stakeholders like regulators, government, and customers can also play a role in identifying and addressing ineffective governance mechanisms that lead to failures and breakdowns of corporate governance. It is suggested that the causes and effects of corporate governance breakdown could be effectively addressed by increasing regulatory requirements and compliance measures.

Case Study

An unsatisfactory corporate governance system played a significant role in Theranos' failure, which was characterized by poor and unethical leadership, a low level of expert oversight, a secrecy culture, and a lack of transparency at the highest levels. A robust and effective governance mechanism is essential for the maintenance of corporate integrity, as demonstrated by this case study.

Causes of the Breakdown of Corporate Governance in Theranos

Poor, Unethical Leadership. Leadership, including Elizabeth Holmes, the CEO and founder, and Ramesh Balwani, the COO and chairman, fostered a centralized power culture, hindering proper governance. In addition to marginalizing whistleblowers, the CEO, and COO do not promote employee feedback. Holmes and Balwani misled investors, partners, and the public about the company's blood testing technology. When false representations are made about a company's capabilities, it is due to a breach of ethical leadership.

Lack of Transparency. In Theranos, transparency was another problem. It maintained high levels of secrecy regarding its proprietary technology. Unlike most medical technology companies, Theranos did not publish peer-reviewed studies demonstrating its testing methods' effectiveness. Rather than undergo external review, Theranos bypassed this process. False claims were therefore made without challenge about the technology's capabilities.

Inadequate Board Composition. Theranos board members included political figures and those without scientific backgrounds. A lack of relevant industry and scientific expertise prevented the board from adequately examining Theranos' technology. No system of checks and balances was in place to supervise management claims. The main reason for that is that the board of directors did not have the right amount of diversity nor the appropriate level of scientific and medical expertise.

Effects of the Breakdown of Corporate Governance in Theranos

Increased Unethical Behaviours.

Misrepresentation.

Holmes and Balwani misled investors, customers, and regulators about their technology. While aware of the limitations of the technology, they maintained that just a few drops of blood were sufficient for an accurate test to attract investors. Despite knowing its technology could not be trusted, Theranos released it anyway and produced false reports. Unethical behavior was evident in this act that placed patient safety at risk.

Fraud and Conspiracy.

Theranos claimed proprietary technology was being used while using traditional machines. This deception leads to fraudulent behavior. False pharmaceutical endorsements and unrealistic revenue projections were the hallmarks of Theranos' wire fraud.

Damage to Reputation and Credibility.

Loss of Investor Trust and Capital.

The Wall Street Journal articles and the regulatory investigation resulted in a public scandal that tarnished Theranos' reputation. Sanctions and legal proceedings eroded any remaining credibility the company might have had. Having revealed Theranos' technology has eroded investor trust. It resulted in hundreds of millions of dollars in losses for investors when a $9 billion company became worthless.

Legal Consequences.

Federal agencies charged Holmes and Balwani. For defrauding investors, Holmes was sentenced to 135 months in prison; Balwani to 155 months for misleading investors about Theranos' blood analysis technology. Furthermore, each of them was ordered to pay $452 million to Theranos' wire fraud conspiracy victims. Legal repercussions clearly indicated the extent of the governance breakdown.

Public Health Risk.

As a result of Theranos' flawed blood testing technology, physicians made incorrect diagnoses of patients' health conditions. Governing failure has had a very serious and direct impact here.

Reflections of the Survey Study and the Case Study

The case study's findings align with the descriptive statistical study's findings, confirming the relationship between the dependent and independent variables of hypotheses 1, 2, and 3. The findings of the descriptive analysis reflect the finding of the case study, making Leadership, Transparency, Accountability, Board Composition, Internal controls, and regulatory oversight as major components of maintaining robust corporate governance within organizations.

The survey study suggests new parameters that Conflict of interest and poor executive compensation structure has been mentioned as significant factors causing the breakdown of corporate governance, while the Theranos case study identifies Public Health Risks as a serious and direct impact of the failure of corporate governance within organizations, especially in biotechnology or health care sectors. The case study and also the expert's suggestions include cultivating a strong ethical culture at a workplace where people are encouraged to take part in open discussions and constructive criticism, which will create a stage within organizations to strengthen good governance. The case study's primary and secondary resources act in favor of this claim, but further research needs to be done to confirm this claim. The descriptive statistics identify regulatory noncompliance not as a cause but as an effect of the breakdown of corporate governance within organizations. Experts further suggest that not only the public policies that could potentially reduce the risks of the breakdown of corporate governance but also the privacy policies and enforcement of regulations to be followed by the people and meaningful retribution for those who don’t. According to corporate governance experts who took part in the survey, adherence to regulations does not necessarily lead to improved corporate governance. Promoting values and promoting corporate culture is important. It is, therefore, important that stakeholders send an impulse toward ensuring good governance. Organizations will avoid compliance based on paper only, and overregulation should decrease.

This case serves as a cautionary example of how a company's failure to keep stakeholders' interests in mind and balance them with its own interests can have extremely detrimental effects on the company, as discussed in Stakeholder Theory. There is no doubt that Theranos' fraudulent practices have undermined consumer trust, and relationships have been compromised, as a consequence of which legal proceedings have been initiated, financial losses have been incurred, reputational damage has been sustained, and potential harm to patients has been caused. Company stakeholders include shareholders, employees, customers, suppliers, communities, and many others. It is, therefore, essential to take responsible measures and think about how these parties' interests are balanced. For a company to be successful and sustainable over the long run, it is imperative that it maintains positive relationships with all stakeholders.

By examining Theranos, we can gain a better understanding of governance structures. In line with the Anglo-American Approach to Corporate Governance, Theranos followed a typical single-tier board structure common in the United States. Corporate governance practices at Theranos have been scrutinized. Having owned a majority of Theranos shares and serving as the company's chairman, Holmes controlled the company. There was no independent oversight or checks and balances in the company's governance structure. Therefore, Holmes maintained control over the company's board and avoided accountability, resulting in fraudulent claims about its product. Clearly, the European two-tier board system may benefit Theranos. Designed to prevent power concentrations and to maintain a more balanced decision-making process, the two-tier system emphasizes stakeholder representation and independent oversight. By including representatives from different stakeholder groups on the supervisory board, there may be a reduced risk of fraud and unethical behavior.

Lessons Learnt

A case study like Theranos can teach businesses, investors, and regulators a lot, and the expert opinions add real-time value as the experience shared in this study is from within and outside Canada, representing different sectors like technology, government, public services, manufacturing, transport and logistics, education, agriculture, etc. An essential lesson from Theranos' case study is the need for transparency, solid oversight, good corporate culture, and robust regulatory frameworks.

Ethical Leadership

There is no doubt that ethical leadership is one of the cornerstones of corporate governance, which plays a crucial role in the success of the organization, which, if neglected, can have serious consequences. The principles of ethical leadership must be promoted and maintained in organizations for them to be successful. There should be a clear understanding of the ethical responsibilities of leaders, and these leaders should be held accountable for the actions they take.

Distribution of Power

Wielding an unusual amount of power playing dual capacity roles in higher management levels makes power concentrate to one or two key people, and concentrating power gives the power to control the information flow within the company and dominate the decision-making process. This type of imbalance can be avoided by separating key roles and distributing power, which will lead to informed decision-making among the leaders of the organization.

Transparency is crucial

To maintain ethical standards, it is essential to maintain transparency in business operations, particularly when dealing with proprietary technologies. Companies should foster a culture of transparency that permits the public to review and scrutinize key business processes and operations. Peer review and third-party validation are becoming increasingly important for science and health companies, particularly those in the biotechnology sector.

Clear Accountability Structures

A lack of accountability was evident, breaking the corporate governance; thus, the corporate governance process should be strengthened by establishing clear accountability structures and separating roles within the organization.

Composition and Oversight of the Board of Directors

Lack of relevant expertise hinders the board's ability to investigate or verify the company's claims, making the composition of the board of directors crucial to determining the effectiveness of oversight over a company. The board should be made up of members who have experience in the relevant industry. To provide effective governance for a company, a board of directors must have a balance between skills and industry expertise.

Effective Internal Controls

It is evident in the case study that Theranos, which exemplified an unwelcome culture of secrecy, caused transparency and open communication to be inhibited. It was difficult to voice concerns because employees were discouraged and even penalized. This is why organizations should establish robust internal controls, reporting mechanisms, and a culture encouraging employees to report problems. Employees must feel comfortable raising concerns without fear of retribution for good governance.

Corporate Culture and Ethical Standards

Creating an environment in which questioning and accountability are encouraged is an effective means of preventing unethical behavior at work. Open cultures that promote exploration and protect whistleblowers are essential for maintaining ethical standards.

Supervision by Regulators

To keep pace with technological advances, regulations need to be robust. Corporate governance and stakeholder trust depend heavily on compliance with regulatory requirements. By regularly reviewing and updating their systems, organizations can ensure regulatory compliance.

Whistleblower Protection

Organizations should protect whistleblowers, take any concerns raised seriously, and investigate them as soon as possible.

Conclusion

Studying the causes and effects of corporate governance breakdowns provides valuable insight into those factors contributing to the failure of corporate governance. Ultimately, it emphasizes the importance of sound governance practices in ensuring a company's sustainability and success. Throughout the survey and case study, the themes of ethical leadership, stewardship, and transparency reflect the theoretical framework discussed in the literature review. However, there is still much to be explored to gain a deeper understanding of corporate governance breakdowns in different industries. This preliminary study focused on understanding the causes and effects of corporate governance breakdowns. Further research could examine the effectiveness of specific strategies for strengthening corporate governance. It would be interesting to further investigate in which ways conflicts of interest role as an aspect of corporate governance breakdowns and their influence on an organization's reputation and credibility. Apart from that, investigating the effectiveness of existing regulations in preventing governance breakdowns can serve as valuable insights into how regulatory bodies can improve governance standards and enforcement mechanisms, particularly in new industries, emerging technologies, and the increasing integration of technology into business operations, among other things. It is found in this study that cultural and contextual factors influence expert opinions on corporate governance in different parts of the world. Identifying best practices that are applicable to different regions and industries requires investigating cultural norms, societal expectations, and legal frameworks. The long-term effects of governance breakdowns should also be tracked through longitudinal studies. To restore trust and stability, companies and regulators should assess recovery strategies, reputation-rebuilding efforts, and governance reforms. Integrity and transparency, as well as more robust governance practices, can be achieved by investigating these areas in depth.

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Analysis%20for%20Public%20Management%20and%20Policy.%20&lr&pg=PA1#v=onepage&q=Ringquist,%20Evan%202013.%20Meta-Analysis%20for%20Public%20Management%20and%20Policy.&f=false

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Appendices

Appendix 1: U.S. Food & Drug Administration Report

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FOOD AND DRUG ADMINISTRATION

DISTRICT ADDRESS AND PHONE NUMBER
1431 Harbor Bay Parkway
Alameda, CA 94502-7070
(510) 337-6700 Fax: (510) 337-6702
Industry Information: www.fda.gov/oc/industry

DATE(S) OF INSPECTION
08/25/2015 - 09/16/2015*

FEI NUMBER
3006231732

NAME AND TITLE OF INDIVIDUAL TO WHOM REPORT ISSUED
TO: Ramesh (NMI) Balwani, President and Chief Operations Officer

FIRM NAME
Theranos, Inc.

STREET ADDRESS
7333 Gateway Blvd.

CITY, STATE, ZIP CODE, COUNTRY
Newark, CA 94560

TYPE ESTABLISHMENT INSPECTED
Medical Device Manufacturer

This document lists observations made by the FDA representative(s) during the inspection of your facility. They are inspectional observations, and do not represent a final Agency determination regarding your compliance. If you have an objection regarding an observation, or have implemented, or plan to implement, corrective action in response to an observation, you may discuss the objection or action with the FDA representative(s) during the inspection or submit this information to FDA at the address above. If you have any questions, please contact FDA at the phone number and address above.

The observations noted in this Form FDA-483 are not an exhaustive listing of objectionable conditions. Under the law, your firm is responsible for conducting internal self-audits to identify and correct any and all violations of the quality system requirements.

DURING AN INSPECTION OF YOUR FIRM WE OBSERVED:

OBSERVATION 1

Devices for which listing is required have not been listed.

Specifically, your [redacted] Capillary Tube Nanotainer (CTN) is a blood specimen collection device [redacted] and as such the [redacted] CTN is a Class II medical device. You have not listed the [redacted] CTN as a Class II medical device, and you are currently identifying it as a Class I exempt medical device. You are currently shipping this uncleared medical device in interstate commerce, between California, Arizona, and Pennsylvania.

OBSERVATION 2

Procedures for receiving, reviewing, and evaluating complaints by a formally designated unit have not been adequately established.

Specifically, your two written procedures, "Customer Complaints, Document Number SOP-00174, Revision A, Effective Date 07/02/2014", and [redacted] Document Number CS SOP-05071, Revision A, Effective Date 03/27/2015" do not accurately describe the entire complaint handling procedure that you currently employ to receive, review, and evaluate customer complaints. The procedure that you verbally described during the current inspection is as follows:

[redacted]

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EMPLOYEE(S) SIGNATURE
Mary R. Hole, Investigator
Yung W. Chan, Investigator
Stayce E. Beck, Investigator

DATE ISSUED
09/16/2015

FORM FDA 483 (09/08) PREVIOUS EDITION OBSOLETE INSPECTIONAL OBSERVATIONS PAGE 1 OF 6 PAGES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FOOD AND DRUG ADMINISTRATION

DISTRICT ADDRESS AND PHONE NUMBER
1431 Harbor Bay Parkway
Alameda, CA 94502-7070
(510) 337-6700 Fax: (510) 337-6702
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Newark, CA 94560

TYPE ESTABLISHMENT INSPECTED
Medical Device Manufacturer

In written procedure "Customer Complaints, Document Number SOP-00174, Revision A, Effective Date 07/02/2014", Section 6.1.1 states that [redacted]

[redacted] Document Number CS SOP-05071, Revision A, Effective Date 03/27/2015", Section 8.1.1 states the [redacted] Section 7.1 of the same written procedure contains [redacted] This procedure does not provide instructions for forwarding complaints to the [redacted] or Theranos QA for product investigation and assessment of MDR reportability.

Your written procedures do not describe your complaint handling as you verbally described it during the inspection. The Theranos QA complaint log that you provided contained no logged complaints; however, the [redacted] complaint log that you also subsequently provided contained CTN-related complaints.

OBSERVATION 3

Complaints involving the possible failure of a device to meet any of its specifications were not reviewed, evaluated, and investigated where necessary.

Specifically, a complaint that was reported to you via NCR-01926 on 01/30/2015 was not handled as a complaint in compliance with your written procedure "Customer Complaints, Document Number SOP-00174, Revision A, Effective Date 07/02/2014". NCR-01926 was a report of a complaint from your [redacted] that there were "difficulties in inspecting CTN specimen quality. Reports were that walls of [redacted] parts were too opaque to be able to see clotting clearly". You did not identify this as a complaint and you did not investigate it as a complaint, nor did you investigate if this complaint required the filing of MDRs. This complaint was not documented in your complaint log.

OBSERVATION 4

Corrective and preventive action activities and/or results have not been documented.

Specifically, you undertook several corrections of your Quality Management System procedures and records without documenting the investigations of causes of the nonconformities, the actions needed to correct or prevent recurrence of similar quality problems, the verification or validation of corrective actions, and the dissemination of information about the quality problems to responsible parties. During this inspection you undertook to correct procedures and records for your

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Stayce E. Beck, Investigator

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
FOOD AND DRUG ADMINISTRATION

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Alameda, CA 94502-7070
(510) 337-6700 Fax: (510) 337-6702
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DATE(S) OF INSPECTION
08/25/2015 - 09/16/2015*

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TYPE ESTABLISHMENT INSPECTED
Medical Device Manufacturer

Complaint Handling, supplier qualifications, DHRs, and internal audits without opening CAPAs to document your investigation into the causes of these deficiencies and their impact on your Quality Management System, an analysis and plan of what corrections were required, whether the corrections impacted other areas of your Quality Management System, and the dissemination of the information about these issues to your firm's employees.

For example, during this inspection you were unable to produce documented supplier qualifications, and you corrected the deficiency by assembling the required supplier qualification documents for your suppliers. You did this without opening a CAPA that investigated the probable cause for not having supplier qualification documentation, or to investigate if these suppliers had met your quality requirements the entire time in the past when you had purchased materials from them with which you had manufactured your finished products, or if your purchasing department personnel required training to ensure future compliance with this required quality activity, and training that may be required by other employees making purchases so that they understand the probable quality impact on products made with materials sourced from unapproved suppliers. This correction of your lack of documented supplier qualification was not documented in a CAPA that contained an effectiveness plan to ensure that the correction you undertook would reduce or eliminate any future recurrence of this situation.

OBSERVATION 5

Software validation activities and results for computers or automated data processing systems used as part of production and the quality system have not been documented.

Specifically, you use an unvalidated Excel spreadsheet to document the results of the [redacted] during the [redacted] for your [redacted] CTN and [redacted] CTN manufacturing. For example, you record the [redacted] in the [redacted] for [redacted] Lot Numbers [redacted] however, you recorded the individual raw data in an unvalidated Excel spreadsheet that [redacted] This unvalidated spreadsheet does not specify what [redacted] is being recorded, or the [redacted] or the identity of the person making the [redacted] This unvalidated Excel spreadsheet does not document a QA review of the data. The spreadsheet is not included with the [redacted] as part of the Device History File.

OBSERVATION 6

The evaluation of potential suppliers was not documented.

Specifically, your written procedure, [redacted] Document Number SOP-00171, Revision B, Effective Date 07/08/2015" lays out the procedure for [redacted]"; however, you did not have documented approved supplier qualifications for at least [redacted] of the suppliers on your Approved Supplier List until after the start of the current inspection.

For example, your supplier of [redacted] had no documented approved supplier qualification until after the start of this inspection, yet you purchased a [redacted] that you use in the manufacture of your [redacted] CTNs from this

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Mary R. Hole, Investigator
Yung W. Chan, Investigator
Stayce E. Beck, Investigator

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
FOOD AND DRUG ADMINISTRATION

DISTRICT ADDRESS AND PHONE NUMBER
1431 Harbor Bay Parkway
Alameda, CA 94502-7070
(510) 337-6700 Fax: (510) 337-6702
Industry Information: www.fda.gov/oc/industry

DATE(S) OF INSPECTION
08/25/2015 - 09/16/2015*

FEI NUMBER
3006231732

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TO: Ramesh (NMI) Balwani, President and Chief Operations Officer

FIRM NAME
Theranos, Inc.

STREET ADDRESS
7333 Gateway Blvd.

CITY, STATE, ZIP CODE, COUNTRY
Newark, CA 94560

TYPE ESTABLISHMENT INSPECTED
Medical Device Manufacturer

supplier. On 06/19/2015 you issued Purchase Order Number [redacted] to your supplier of [redacted] and on 07/16/2015 you received [redacted] of [redacted] from this vendor; however, you had no documented approved supplier qualification for this supplier of [redacted] until 09/07/2015.

OBSERVATION 7

Records of acceptable suppliers have not been adequately established.

Specifically, not all the suppliers of your goods and services are included on your [redacted] Section 6.1.1 of your written procedure, [redacted] Document Number SOP-00170, Revision B, Effective Date 07/08/2015" states [redacted] however, on 08/14/2015 you purchased [redacted] that is used in the manufacturing of your CTNs via Purchase Order Number [redacted] from a supplier that is not listed on your [redacted]

OBSERVATION 8

Procedures for device history records have not been adequately established.

Specifically, Sections 6.1 and 6.1.5 of your written procedure "Device History Record (DHR), Document Number SOP-00151, Revision A, Effective Date 01/28/2014" state [redacted]; however, your [redacted] documenting the manufacture of your Capillary Tube Nanotainers (CTNs) do not include a copy of the primary identification label that was applied to the finished product. For example, your [redacted] for the manufacturing of [redacted] CTN Lot numbers [redacted] do not include copies of the primary identification label that was applied to the bags of finished [redacted] CTNs manufactured with those lot numbers.

OBSERVATION 9

Quality audits have not been performed.

Specifically, you have not monitored your Quality Management System through internal quality audits; you had no documented internal quality audit schedule to monitor your Quality Management System until after the start of this inspection. Section 6.1.1 of your written procedure, "Internal Quality Audit, Document Number SOP-00177, Effective Date 07/02/2014" states [redacted]; no internal audits were performed in [redacted] none have been performed so far in 2015. Section 6.1.1.1 of the same written procedure states [redacted] reference 7.1" [7.1 = TMP-00032 [redacted]

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Appendix 1 - Contd. : ***U.S. Food & Drug Administration Report.***

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FOOD AND DRUG ADMINISTRATION

DISTRICT ADDRESS AND PHONE NUMBER	DATE(S) OF INSPECTION
1431 Harbor Bay Parkway Alameda, CA 94502-7070 (510) 337-6700 Fax:(510) 337-6702 Industry Information: www.fda.gov/oc/industry	08/25/2015 - 09/16/2015* FEI NUMBER 3006231732

NAME AND TITLE OF INDIVIDUAL TO WHOM REPORT ISSUED
TO: Ramesh (NMI) Balwani, President and Chief Operations Officer

FIRM NAME	STREET ADDRESS
Theranos, Inc.	7333 Gateway Blvd.
CITY, STATE, ZIP CODE, COUNTRY	TYPE ESTABLISHMENT INSPECTED
Newark, CA 94560	Medical Device Manufacturer

[redacted] at the start of this inspection, your TMP-00032 [redacted] was blank..

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FORM FDA 483 (09/08) PREVIOUS EDITION OBSOLETE **INSPECTIONAL OBSERVATIONS** PAGE 5 OF 6 PAGES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FOOD AND DRUG ADMINISTRATION

DISTRICT ADDRESS AND PHONE NUMBER	DATE(S) OF INSPECTION
1431 Harbor Bay Parkway Alameda, CA 94502-7070 (510) 337-6700 Fax:(510) 337-6702 Industry Information: www.fda.gov/oc/industry	08/25/2015 - 09/16/2015* FEI NUMBER 3006231732

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Theranos, Inc.	7333 Gateway Blvd.
CITY, STATE, ZIP CODE, COUNTRY	TYPE ESTABLISHMENT INSPECTED
Newark, CA 94560	Medical Device Manufacturer

Observation Annotations

Observation 1:	Under consideration.	Observation 2:	Promised to correct within 7 days.
Observation 3:	Promised to correct within 7 days.	Observation 4:	Promised to correct within 7 days.
Observation 5:	Promised to correct within 7 days.	Observation 6:	Promised to correct within 7 days.
Observation 7:	Promised to correct within 7 days.	Observation 8:	Promised to correct within 7 days.
Observation 9:	Promised to correct within 7 days.		

*** DATES OF INSPECTION:**
08/25/2015(Tue), 08/26/2015(Wed), 08/27/2015(Thu), 08/28/2015(Fri), 09/01/2015(Tue), 09/02/2015(Wed), 09/04/2015(Fri), 09/08/2015(Tue), 09/10/2015(Thu), 09/16/2015(Wed)

	EMPLOYEE(S) SIGNATURE	DATE ISSUED
SEE REVERSE OF THIS PAGE	Mary R. Hole, Investigator Yung W. Chan, Investigator Stayce E. Beck, Investigator	09/16/2015

FORM FDA 483 (09/08) PREVIOUS EDITION OBSOLETE **INSPECTIONAL OBSERVATIONS** PAGE 6 OF 6 PAGES

Appendix 2: *United States v. Elizabeth Holmes et al. (2018)* 18-CR-00258-EJD. Final Verdict Form.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

UNITED STATES OF AMERICA, Plaintiff, v. ELIZABETH A. HOLMES, Defendant.	Case No. 5:18-cr-00258-EJD-1 **FINAL VERDICT FORM**

United States District Court Northern District of California

We, the members of the Jury in the above-entitled case, unanimously find the defendant, Elizabeth Holmes:

1. Guilty [GUILTY / NOT GUILTY] of the charge of Conspiracy to Commit Wire Fraud against Theranos investors in violation of 18 U.S.C. § 1349, as charged in Count One of the indictment.

2. Not Guilty [GUILTY / NOT GUILTY] of the charge of Conspiracy to Commit Wire Fraud against Theranos paying patients in violation of 18 U.S.C. § 1349, as charged in Count Two of the indictment.

3. ________ [GUILTY / NOT GUILTY] of the charge of Wire Fraud against Theranos investors, in violation of 18 U.S.C. § 1343, in connection with a wire transfer of $99,990 on or about December 30, 2013, as charged in Count Three of the indictment.

4. ________ [GUILTY / NOT GUILTY] of the charge of Wire Fraud against Theranos investors, in violation of 18 U.S.C. § 1343, in connection with a wire transfer of $5,349,900 on or about December 31, 2013, as charged in Count Four of the indictment.

5. ________ [GUILTY / NOT GUILTY] of the charge of Wire Fraud against Theranos investors, in violation of 18 U.S.C. § 1343, in connection with a wire transfer of $4,875,000 on or about December 31, 2013, as charged in Count Five of the indictment.

6. Guilty [GUILTY / NOT GUILTY] of the charge of Wire Fraud against Theranos investors, in violation of 18 U.S.C. § 1343, in connection with a wire transfer of $38,336,632 on or about February 6, 2014, as charged in Count Six of the indictment.

7. Guilty [GUILTY / NOT GUILTY] of the charge of Wire Fraud against Theranos investors, in violation of 18 U.S.C. § 1343, in connection with a wire transfer of $99,999,984 on or about October 31, 2014, as charged in Count Seven of the indictment.

United States District Court Northern District of California

8. Guilty [GUILTY / NOT GUILTY] of the charge of Wire Fraud against Theranos investors, in violation of 18 U.S.C. § 1343, in connection with a wire transfer of $5,999,997 on or about October 31, 2014, as charged in Count Eight of the indictment.

10. Not Guilty [GUILTY / NOT GUILTY] of the charge of Wire Fraud against Theranos paying patients, in violation of 18 U.S.C. § 1343, in connection with a wire transmission of Patient E.T.'s laboratory blood test results on or about May 11, 2015, as charged in Count Ten of the indictment.

11. Not Guilty [GUILTY / NOT GUILTY] of the charge of Wire Fraud against Theranos paying patients, in violation of 18 U.S.C. § 1343, in connection with a wire transmission of Patient M.E.'s laboratory blood test results on or about

Appendix 2. Contd. : *United States v. Elizabeth Holmes, et al. (2018) 18-CR-00258-EJD. Final Verdict Form.*

United States District Court
Northern District of California

May 16, 2015, as charged in Count Eleven of the indictment.

12. Not Guilty [GUILTY / NOT GUILTY] of the charge of Wire Fraud against Theranos paying patients, in violation of 18 U.S.C. § 1343, in connection with a wire transfer of $1,126,661 on or about August 3, 2015, as charged in Count Twelve of the indictment.

Dated: 1/3/22

Jury Foreperson

Appendix 3: Expert-Lead Survey Questionnaire

Collecting Expert Experience and Perceptions on Causes and Effects of the Breakdown of Corporate Governance

Q 1. Are you providing your expert experience and perceptions as an expert from Academia or from Industry?

☐ Academia ☐ Industry ☐ Both Academia and Industry

Q.2. How many years of experience do you have in the relevant area of expertise in academia or industry?

☐ 0-5 years

☐ 6 – 10 years

☐ 11 – 15 years

☐ 16 years or more

☐ none

Q.3. What best describes you,

☐ A college/university lecturer of business management, business ethics, Strategy, HR, and/or corporate affairs.

☐ An industry expert with experience in business management, business ethics, Strategy, HR, and/or corporate affairs.

☐ Other (please specify)

Q.4. If you are an industry expert, in which industry/industries do you have experience related to this study?

☐ Education

☐ Financial

☐ Government

☐ Manufacturing

☐ Public Service

☐ IT

☐ Other

☐ Two or more industries

Q.5. Are you sharing your experience related to Canada or outside Canada?

☐ Canada

☐ Outside Canada

☐ Both Canada and Outside Canada

Q.6. Please specify which province/province if your experience is in Canada and/or which country/countries if your experience is outside Canada.

Q.7. During the past 5-10 years, how frequently have you observed a breakdown of corporate governance in the organizations you have worked with or advised?

☐ 0 times ☐ 1-2 times ☐ 3-6 time ☐ 7 or more times

Q.8. On a scale of 1-5, how significant do you believe corporate governance's role is in an organization's overall success?

1-Not important at all

2- slightly important

3- Important

4-Somewhat important

5-Very important

Q.9. In your experience, what are the most common causes of the breakdown of corporate governance within organizations? (Select all that apply)

☐ Poor leadership

☐ Lack of transparency

☐ Inadequate board oversight

☐ Conflicts of Interest

☐ Regulatory non-compliance

☐ Other (please specify)

Q.10. Which of the following factors do you think are most likely to contribute to a breakdown of corporate governance? (Select only three)

☐ Short-term financial focus

☐ Weak ethical culture

☐ Insufficient risk management practices

☐ Limited board diversity

☐ Inadequate communication channels

☐ Other (please specify)

Q.11. Do you believe that increasing regulatory requirements and compliance measures can effectively address the causes and effects of the breakdown of corporate governance?

☐ Yes ☐ No

Q.12. If you select If you select "No" to the previous question, please explain.

Q.13. On a scale of 1-5, how important do you think effective governance mechanisms (board composition, board committees like audit, remuneration, etc.) are in preventing breakdown of corporate governance?

1-Not important at all

2- slightly important

3- Important

4-Somewhat important

5-Very important

Q.14. Based on your experience, which ineffective governance mechanisms have you observed to be most frequently associated with failures and breakdowns of corporate governance? (Select all that apply)

☐ Inadequate board composition

☐ Weak Board of Directors

☐ Non- qualified board and/or committee members

☐ Weak internal controls

☐ Insufficient risk management practices

☐ Lack of Transparency and Accountability

☐ Poor Executive compensation structures

☐Other (please specify)

Q.15. What do you believe are the most significant consequences of ineffective governance mechanisms on an organization's performance, reputation, and sustainability? (Select only three)

☐ Poor decision-making, inadequate oversight

☐ Financial mismanagement

☐ Legal and regulatory non-compliance

☐ Unethical Behavior and corporate scandals

☐ Erosion of trust and reputation among stakeholders, including investors, customers, suppliers, and employees

☐ Reduced long-term sustainability

☐ Other (Please specify)

Q.16. In your opinion, what are the key factors contributing to implementing ineffective governance mechanisms within organizations? (Select only three)

☐ Inadequate leadership

☐ lack of clear objectives and goals

☐ Ineffective, poor communication

☐ Outdated or poorly designed policies

☐ Ineffective board structure and composition

☐ Other (Please specify)

Q.17. Do you think external stakeholders (e.g., shareholders, regulators, and customers) can play a role in identifying and addressing ineffective governance mechanisms that may lead to failures and breakdowns of corporate governance?

☐ Yes ☐ No

Q.18. On a scale of 1-5, do you believe a breakdown of corporate governance is likely to increase corporate fraud and corruption?

1-Not likely at all

2- slightly likely

3- Likely

4-Somewhat likely

5-Very likely

Q.19. In your experience, which elements of a breakdown in corporate governance are most likely to contribute to unethical behavior, such as fraud and corruption? (Select all that apply)

☐ Inadequate oversight by the board of directors

☐ Weak internal controls and monitoring systems

☐ Insufficient risk management practices

☐ Lack of Transparency and Accountability

☐ Ineffective Ethical Culture and Values

☐ Other (please specify)

Q.20. What do you perceive to be the most severe consequences of unethical behavior, such as fraud and corruption, within organizations? (Select top 4 consequences)

☐ Financial losses

☐ Legal consequences (legal penalties, fines, sanctions, criminal charges, etc.)

☐ Damage to reputation causing loss of business opportunities

☐ Employee demoralization

☐ Reduced competitive advantage

☐ Regulatory scrutiny

☐ Organizational culture degradation

☐ Potential collapse of the organization

☐ Other (please specify)

Q.21. On a scale of 1-5, how significant do you believe the impact of a breakdown of corporate governance is on an organization's reputation and credibility?

1-Not important at all

2- slightly important

3- Important

4-Somewhat important

5-Very important

Q.22. Based on your experience, which aspects of a breakdown in corporate governance are most likely to affect an organization's reputation and credibility negatively? (Select all that apply)

☐ Ethical misconduct (Unethical behavior, such as fraud, corruption, and other illegal activities)

☐ Lack of transparency and accountability (Inadequate disclosure of information, opaque decision-making processes, and insufficient responsibility for actions)

☐ Poor risk management

☐ Non-compliance with regulations

☐ Weak board oversight

☐ Conflicts of Interest

☐ Mismanagement of resources

☐ Other (please specify)

Q.23. With your experience, what measures or best practices would you recommend for organizations to implement to minimize the risk of unethical behavior stemming from a breakdown of corporate governance?