An Assessment of Qualitative Research on Corporate Governance Practices

Dr. Mandeep Kaur[1] ,Dr. Satish Kumar[2]
[1]Assistant Professor, Department of Management I.K. Gujral Punjab Technical University Kapurthala (Punjab)
[2]Assistant Professor, Govt. Arts, Science & Commerce College Dharamjaigarh Dist. Raigarh (Chhattisgarh)
[1]mandeeparora.ptu@gmail.com , [2]satish.jrf1@gmail.com

***Abstract:*Most nations in the globe have seen arise in the importance of corporate governance in the last few decades, particularly in the wake of the early 2000s business crises. Due to these corporate failures, there is an increasing amount of scholarly and applied study being conducted in this field. While there is a large and varied body of quantitative literature on corporate governance, there is not as much qualitative study in this field. In order to inform future corporate governance research, this study reviews previous qualitative studies on the topic. Rich data in this field can be gathered by the researcher using the qualitative study.**

Keywords: Standards, Qualitative, Corporate Governance, Committees, Directors, Literature, Ownership Structure.

I.INTRODUCTION

Most nations in the globe have seen a surge in the importance of corporate governance during the last few decades, particularly in the wake of financial crises and economic collapse (Brown & Caylor, 2006). Effective corporate governance is necessary, as evidenced by the 1997 Asian financial crisis, which exposed significant flaws in the region's capital markets structure, including its corporate governance system (Mitton, 2002). Later, a number of accounting scandals and frauds were uncovered in the USA during the start of the new millennium (Enron, Worldcom, Tyco International etc). This trend did not only affect the United States; it also affected Canada (Bre-X and YBM Magnex), the Netherlands (Royal Ahold), France (Credit Lyonnais and Vivendi), Europe (Parmalat),Germany (Metalgesellschaft), Australia (HIH Insurance Ltd.), Malaysia (Transmile), and the United Kingdom (Shell). Reforms to corporate governance have gained international attention in the wake of these company failures. In an effort to improve the power balance within the company, numerous nations have released Codes of Best Practises in Corporate Governance that address the fundamental governance concerns of board effectiveness and accountability. Around the world, numerous in-depth reports on corporate governance have been produced to make the corporate governance framework stronger. The majority of studies have shown that certain institutional aspects of corporate governance have an impact on the financial reporting's credibility. As a result, a number of adjustments were made to strengthen the standard of corporate governance, including the efficacy of the audit committee and board of directors, the role of internal audit, and external audit procedures. The amount of academic and practical research on corporate governance has increased since the corporate collapses. While there is a wealth of quantitative research on the subject, there is not as much qualitative research. In light of this, this paper reviews previous qualitative research on the subject to inform future studies on the subject. The use of qualitative research methods enables researchers to obtain rich data and develop a deeper understanding of the phenomenon they are studying. To lay the groundwork for further qualitative research on corporate governance and its practical ramifications, we have reviewed the literature in this study. The management team, the audit committee and board of directors, the internal audit function, and external audit are the primary subjects of this article. The methodology for this study is covered in the next part, which also includes an overview of corporate governance and corporate governance in the literature. The salient findings of the chosen fifteen qualitative studies on governance are presented in the section that follows. The practical ramifications of the research findings from the chosen studies are then deliberated. A summary that includes a brief description of the paper's limitations and recommendations for further research completes the work.

II.OVERVIEW OF CORPORATE GOVERNANCE

Corporate governance has grown in importance as a means of determining a company's capabilities (Norwani et al, 2011). It offers a framework for keeping track of the business's performance. In order to accomplish the goals of the company and enable efficient control, strong corporate governance should give the board of directors and management useful information and recommendations (OECD, 2004). Corporate governance has been defined by the Cadbury Committee (1992) as the framework that governs how businesses are run. Corporate governance is described as the interactions between management, the board of directors, controlling shareholders, minority shareholders, and other stakeholders in the OECD. These definitions emphasize how crucial it is for governance systems to interact with one another and how effective governance requires structure. The four primary methods of corporate governance are management, boards of directors, internal audit functions, and external audit, as reported by Gramling etal. (2004) and Cohenetal. (2004). Therefore, the effectiveness of good governance depends on the roles that these crucial mechanisms perform. Management needs strong controls over their organisations, including an independent board of directors, efficient audit committees, an internal audit department, and others. One of the most crucial parts of a business is the board, which has to be effective and offer the highest level of performance transparency. As the board of directors' operating committee, audit committees should carry out their duties to guarantee corporate governance's performance by keeping an eye on management's actions with regard to internal control, risk management, and financial reporting (DeZoort et al., 2002). Additionally, the board of directors must keep up a strong internal control framework for the companies. For this part of a corporation to be fully effective, it needs other organisations, like the audit committee, internal audit function, and external audit (Davidson et al., 1996). The majority of research has shown that the internal audit function can enhance corporate governance, and that its significance and functions have grown in assuring the calibre of corporate governance (Gramling et al., 2004). In order to improve the financial reporting, a competent board of directors will make sure the external auditor provided quality audit services. In the meanwhile, the board needs efficient internal audit and audit committee functions to give the minsights in to the functioning of the organisation. In order to have a strong internal corporate governance structure, companies are advised by global corporate governance practises to have a well-rounded and capable board of directors. The organisation's relationship with its auditors is one of the audit committee's obligations regarding the audit function. The internal audit function hasn't always been the main focus of reactions to business scandals and failures. But these days, according to Bailey et al.(2003), one of the most important components in enhancing corporate reporting and internal control systems is the internal audit role. Since the turn of the twenty-first century, numerous scholars have focused on the efficacy of audit committees, usually examining the connections between audit committees and external audit. In the process of improving the standard of the corporate governance system, this relationship is especially crucial (Bishop et al., 2000). In addition, external auditors are essential to an organisation's governance. It is commonly known that an impartial external audit of the financial statements is necessary to reassure stakeholders about the management's resource stewardship (Watts and Zimmerman, 1983). According to Suwaidan and Qasim (2010), the internal audit role is ideally suited to assist other important stakeholders in understanding the firm's internal control system, compliance with the system, and risk management. Research has also demonstrated that the internal audit function can support good corporate governance by improving the control and monitoring environment and playing an oversight role (Corametal. 2008). In addition to fulfilling a crucial economic function, external audits are crucial in promoting public confidence in financial reporting. In order to preserve confidence and trust, an external audit offers an unbiased cheque on the activity of agents and the information they supply. As a result, it is possible to safeguard the shareholders' interests. In order to achieve audit effectiveness and high standards of financial reporting, the external audit reporting should take other governance systems into consideration, given its significant roles (Cohen et al., 2007). In the end, both the governance system and the calibre of financial reporting are improved by the major governance mechanisms (Rezaee et al., 2003). As a result, the way these important processes work together is especially important for enhancing the governance system as a whole and guaranteeing that stakeholders receive the best possible financial reporting.

III.CORPORATE GOVERNANCE IN LITERARY WORKS

The field of corporate governance studies has expanded and changed since the corporate failures. Numerous studies covering a wide range of corporate governance topics have been published, particularly in the wake of the major collapses. Key findings from twelve previous literature reviews that cover a specific area of the corporate governance literature in accounting and auditing have been analysed by Carcello et al. (2011). The authors emphasised the basic relationship between excellent governance traits and successful accounting and auditing outcomes based on these meta-analyses of research. Furthermore, the authors contended that although strong audit committees are primarily focused on financial expertise and independence, good boards are primarily focused on board independence. Research employing a quantitative methodology is generally well-suited to investigate the correlation between corporate governance inputs and diverse outputs. But analyzing the corporate governance processes just through the use of historical methods is insufficient. According to McNultyetal (2013), the majority of qualitative research on governance is created by academics from the United Kingdom and published in publications located in Europe. According to their findings, McNultyetal.(2013) advocate for more qualitative research on the practice of corporate governance because there is a wealth of information available to examine the various interactions and processes involved in corporate governance at various levels of analysis and in various situations. Since the majority of the previous qualitative research focused on the study of boards of directors, the authors also recommended conducting additional qualitative research on the other important processes.

We can understand the significance of the qualitative research on corporate governance from the foregoing explanation. Therefore, it is appropriate to use a qualitative method to discuss the data found in the literature regarding corporate governance processes, as this may yield fascinating findings.

IV.METHODOLOGY

In this study, we examine the important findings from published works on qualitative corporate governance in order to discuss the qualitative corporate governance literature. Since corporate governance has become a major problem following the high-profile business collapses in the new millennium, we limited our search to papers published in

2000 or later. Our main area of interest is study on the practical functions and relations of the board of directors, audit committee, internal audit function, and external audit.

V.ESSENTIAL LEARNING'S FROM THE REVIEW OF LITERATURE

We examined significant findings from fifteen qualitative research projects that deal with corporate governance procedures. These studies address various facets of corporate governance as documented in the literature. The primary focus of these studies is on the functions and duties of the audit committee, board of directors, internal audit function, and external audit, as well as the connections between these important institutions. Overall, these studies demonstrate how various findings from the quantitative studies may be presented and discussed in the qualitative study. Instead of concentrating only on governance traits like independence, diligence, or financial expertise—which are typically covered in quantitative studies—these studies explore governance processes.

- Robertsetal.(2005),who also concentrate on non-executive directors, investigate the efficacy of boards by analysing the roles and interactions of non-executive directors. Roberts et al. (2005) contend that the real behavior of the non executive in comparison to the executive affects board effectiveness, even if other studies utilise the composition of the board to measure performance. Robertsetal.(2005) discovered from interviewing forty corporate directors that the secret to good board behaviour is the non-executive's willingness to exert independence. The findings also imply that the conventional lines separating stewardship theory from agency theory do not fully capture the real-world actions of the directors on board. The study came to the conclusion that since corporate governance reform does not enhance boards' actual efficacy, it will face opposition.
- O'Higgins(2002) discovered that the most crucial traits of successful non-executive directors in Ireland are sharp thinking, the capacity to positively impact the organisation both inside and outside of the boardroom, and real-world commercial experience.
- Parker (2007) investigates the internal governance procedures of two nonprofit association boards using a longitudinal complete member researcher (CMR) participant observer methodology. The study, in particular, provides first hand observational studies of boardroom conduct and the efficiency of board operations in the chosen company. Overall, the findings point to the significance of boardroom culture in the governance process. According to the analysis, the director's chairing style has an impact on how informal and facilitative the meetings are. Moreover, levity and informality play a crucial role in fostering communication, cohesion, and director relationships. A study was undertaken by Brundin & Nordqvist (2008) to investigate the impact of emotions on board members' ability to carry out control and service activities. The purpose of this study is to examine how both short-and long-term emotions function in the boardroom as energisers of status and power. The findings show that in order to elicit strong feelings in board member interactions, status and authority are significant factors. Both short-and long-term emotions are a source of energy that affect board work and how well board members accomplish their tasks.
- Soobaroyen & Mahadeo (2012) conducted 24 in-depth semi-interviews of board members in-listed and non-listed companies to examine whether the corporate governance requirements have an impact on how accountability is understood, practiced and perceived, by company board members in Mauritius. The study's conclusions imply that since Mauritius's corporate governance changed, the country's businesses have evolved more individualised forms of responsibility and governance.
- According to Cohenetal. (2002), who examined how different forms of corporate governance affected the audit process, particularly the audit committee's function, auditors now believe that audit committees are ineffective and weak in the post-SOX environment. Regarded as a pioneer study, Cohen et al. (2002) accurately captured auditor experiences related to their interactions with boards of directors and audit committees, as well as the subsequent impact on the audit process. The results of their interviews with 36 auditors revealed that the auditors believed audit committee members lacked the knowledge, authority, and skepticism necessary to be effective. Similarly, audit committees were often found by auditors to have a passive role.
- Through their interviews, Gendronetal. (2004), who looked at the practises in the audit committee meetings, discovered that the members of the committee place a great deal of emphasis on a few topics during meetings and that the audit committee asks tough questions and evaluates managers' and auditors' responses. They also discovered that the members of the audit committee are aware of the irresponsibility's and that they rely on the quality of work done by the company's internal and external auditors to fulfil them.
- In the year 2004, Gendron and Bedard (2006) conducted supplementary interviews to get insight into the ways in which the failures of Enron and Andersen affected the attendees' perception of the efficacy of the audit committee. Based on the conducted interviews, it was inferred that the attendees' understanding of the efficacy of audit committees is built around four distinct categories of processes. The members' backgrounds, the ceremonial aspects of audit committee meetings, the reflective interpretations of the substantive practises and activities that occur during meetings, and the reflective comprehensions of the informal practises that occur outside of meetings are a few examples.
- In order to investigate the circumstances and procedures influencing the functioning and potential efficacy of audit committees, Turley and Zaman (2007) carried out a case study at a financial services company that is listed in the UK. The results showed that the audit committee's limited expertise in internal control matters the reason for its limited

engagement in these areas. None the less, the study offers proof of the importance of unofficial channels for raising issues near the audit committee. The results also show how the audit committee's authority affects other members of the governance structure and how crucial the connection is between the audit committee, internal audit departments, and outside auditors.

- Beasley etal. (2009) examined the audit committee supervision procedure in 42US public corporations during the post-SOX era using interviews. The authors discovered through the interviews that audit committees interact well with both internal and external audit when evaluating the efficacy of internal control within the organisations. Additionally, there is proof that the audit committee has occasionally fulfised ceremonial duties. Overall though, audit committee members believed that their committees ask pointed questions of management, meet of ten and for extended periods of time, and possess the necessary financial knowledge.
- Cohen etal. (2010) conducted interviews with auditors to learn more about the audit process and the interactions that take place in the post-SOX environment between auditors and other corporate governance actors. Documented findings from the auditors point to notable modifications in the corporate governance landscape. The auditors observe that, in contrast to Cohen et al. (2002)'s findings, audit committees are more powerful, knowledgeable, and cautious in the performance of their duties. Members of the audit committee are also crucial in monitoring internal controls, emphasizing the caliber of reporting, spotting risks, posing tough questions, and supervising the whistle blower procedure. In their case study of seven publicly traded businesses in Malaysia, Salleh and Stewart (2012) discovered that when a disagreement arises between management and the auditor over a very significant matter, the audit committee helps to settle it. The primary elements that enable the audit committee to function as a mediator are members' accounting and business knowledge, awareness of potential problems, and comprehension of their duties.
- Zain and Subramaniam, 2007; Sarens et al., 2009 offer more thorough and up-to- date perspectives on how internal audit and the audit committee interact inside an organisation. Overall, these research showed how crucial it is for these two processes to cooperate in order to enhance an organisation's internal control system and governance. In order to get insight into internal audits' perceptions of their interactions with audit committees.
- Zain and Subramaniam (2007) conducted in-depth interviews with the heads of internal audit functions at 11 publicly traded businesses in Malaysia. This study adds to the body of knowledge on the relationship between the audit committee and internal audit function, which is especially important because it was carried out in a developing nation, which is known for having a high power distance culture. The findings from the interviews show that the internal audit function meets in private with audit committee members in frequently and engages in few informal discussions. The study's findings have also highlighted to the committee how crucial it is to have precise reporting criteria for the internal audit function. It also emphasised how crucial it is for audit members to improve their leadership and communication abilities in order to strengthen the bond between the audit committee and internal audit function.
- Sarens et al. (2009) offer insights on what motivates the audit committee to seek the internal audit function's cooperation; and what qualifies the internal audit function as an authority on reassuring the audit committee. The results of the data collected from case studies in four Belgian organizations demonstrate that audit committees look to the internal audit function's engagement in strengthening internal controls to feel comfortable with the control environment and internal controls. Internal auditors can offer comfort to audit committee members due to their unique expertise of risk management and internal control, as well as their relevant interpersonal and behavioural abilities.
- He recommended conducting longitudinal research to examine how the audit committee's comfort level changes in response to changes in the risk management and internal control system's status and management's evolving perspective on risks and internal controls.
- A research by McCracken et al. (2008) examined the negotiations and exchanges between management and external audit. This connection is still not well understood, despite an increase in study, the majority of which focuses mostly on the audit partner. The author concentrates on the real chief financial officer-audit dyads, who are the two principal negotiators, and talks about their roles, interactions, and the negotiation of particular issues. The authors examined how chief financial officers and their audit partners characterised the negotiation of a particular accounting issue through an interview-based field research of chief financial officer–audit partner dyads. The study's conclusions demonstrate that chief financial officers' preferences are taken into account when audit companies assign partners to engagements, and they also remove partners with toxic ties. It also shows that the audit partner constantly carries out their duties in accordance with the preferences of the client in order to keep the client management satisfied.

VI.CONCLUSION

The corporate governance has expanded quickly during the last several decades. But the majority of these researches employ a quantitative methodology. Although the number of qualitative studies in this field is increasing, there are still many unexplored areas that can be investigated. The majority of earlier quantitative research ignores the actions connected to the core governance mechanisms processes. These qualitative studies typically use a variety of proxies to examine how the audit and board of directors affect particular facets of corporate governance. We note that there is a dearth of publicly accessible at would enable additional quantitative research; as a result, additional qualitative research is required to improve comprehension of the governance system's impact. More qualitative research on the corporate governance processes is recommended by the majority of earlier studies. By utilising data from case studies, in-depth interviews, observations, and other relevant methodologies, the qualitative studies are crucial in completing the gaps left by the quantitative studies currently conducted in this field. We present a summary of a few of the noteworthy results from qualitative research in the literature in this paper. Through the study's conversations, these qualitative investigations have expanded our knowledge of the functions and duties of important governance institutions, including the board of directors, internal audit, audit committee, and external audit, as well as their interconnections. The majority of the research reviewed in this study, taken a whole, highlights significant roles that the board of directors plays in the boardroom, the interactions that audit committees have with external and internal audit, how internal audit functions to improve governance effectiveness, and the ways in which external auditors maintain their relationships with management—all of which cannot be investigated through quantitative studies. These studies' conclusions have significant practical ramifications.

Turley and Zaman (2007) pointed out that more qualitative study on the audit committee process is necessary. Roberts et al. (2005) contend that primary qualitative research on important governance connections must influence both governance theory and governance reform. Beasley et al. (2009) suggest conducting additional qualitative study to examine how internal audit oversight affects the efficacy of the audit committee. Because qualitative research will enable academics and professionals to comprehend corporate governance phenomena more fully, it is vital. This is due to the fact that field studies of governance practise allow researchers to confirm the governance mechanisms' real operations. Lastly, in addition other quantitative approach, future researchers may take into account a variety of different methodological possibilities. This especially highlights the importance of qualitative methodologies in corporate governance research.

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