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## **CORPORATE GOVERNANCE FAILURES – CAUSALITY AND CONSEQUENCES<sup>1</sup>**

***Abstract:** The article describes the importance of corporate governance in business for the countries and individual companies; it deals with corporate governance failures and weaknesses (remuneration/incentive systems, risk management practices, the performance of boards, and exercise of shareholder rights) before the economic and financial crisis and opportunities for its improvement. The authors present the implementation of corporate governance principles in business sphere as a very important incentive for foreign investor's decisions and for influencing the quality of business environment. The paper deals with the corporate governance principles and influence on the increasing of level of competitiveness, law, regulations, and with acceptance of the importance of control mechanism (audit, rating – misleading or misused, shareholders, stakeholders, and gatekeepers). Further, authors deal with the prevention of the failures of corporate governance (paying attention to good and bad growth) company support to constructive engagement with their shareholders, with the adequacy of corporate governance principles in excessive risk taking, in accounting standards and regulatory requirements and in remuneration systems, and reflect on the importance of qualified board oversight. The authors consider the causes of the global economic crisis, which they see as a crisis of confidence and are trying to find some links between the causes of the crisis and the lack of corporate governance.*

**Keywords:** corporate governance, economic crisis, corporate failure

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### **Introduction**

Corporate governance is a frequently used phenomenon, but the first activities in this sphere could be traced three or four decades back. The term “corporate

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