Strategic Management of Compliance: Evaluating the Role of Corporate Governance in Preventing Workplace Misconduct in Nigerian Organizations

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Abstract

This study investigates the strategic role of corporate governance in mitigating workplace misconduct within Nigerian organizations, with a focus on key governance practices including board oversight, internal controls, Code of ethics enforcement, compliance training, and whistleblowing mechanisms. Utilizing a quantitative research design, data were collected from 150 compliance and governance professionals across various MDAs in Nigeria through structured questionnaires. The data were analyzed using multiple linear regression to assess the impact of governance variables on the prevalence of unethical workplace behavior. The findings reveal that all five governance mechanisms significantly influence the reduction of workplace misconduct, with board oversight showing the strongest effect. The model explained over 70% of the variation in misconduct levels highlighting the importance of a comprehensive and integrated compliance strategy rooted in sound governance principles. These results emphasizes the need for organizations to view governance not merely as a regulatory requirement but as a strategic tool for fostering ethical culture, accountability and organizational sustainability.

Keywords Corporate Governance, Workplace Misconduct, Compliance Strategy, Board Oversight, Internal Controls, Ethics Enforcement, Whistleblowing, Organizational Integrity.

1. Background

2. Literature Review

Akinsola (2025), opines that regulatory compliance and corporate governance play a crucial role in preventing financial misstatements, ensuring transparency, and maintaining investor confidence. The study explores the interplay between corporate governance mechanisms and regulatory frameworks in mitigating financial misstatements, fraud, and unethical financial reporting. It examines key governance structures, including board oversight, audit committees, and internal controls, in enforcing compliance with financial regulations such as the Sarbanes-Oxley Act (SOX) and International Financial Reporting Standards (IFRS). The study highlights the significance of ethical leadership, risk management, and external audits in strengthening financial accountability. Furthermore, it discusses how regulatory bodies and enforcement agencies deter corporate misconduct through penalties and legal repercussions. By analyzing case studies of financial misstatements, this paper underscores best practices for corporate governance to enhance compliance and safeguard financial integrity. The findings suggest that a robust governance framework, aligned with evolving regulatory requirements, is essential for preventing financial misreporting and fostering corporate sustainability.

Also, Aziz (2025), states that corporate governance plays a crucial role in preventing corporate misconduct by establishing a framework of rules, practices, and processes to ensure transparency, accountability, and ethical behavior within organizations. The study explores the various mechanisms of corporate governance that contribute to mitigating misconduct, including board structures, internal controls, and regulatory compliance. It examines case studies of corporate scandals where governance failures were prevalent and assesses the effectiveness of current governance practices in preventing such issues. By analyzing these aspects, the study aims to provide insights into strengthening corporate governance to safeguard against ethical lapses and ensure organizational integrity

Akinsola and Hamzah (2025), states that corporate mismanagement, a recurrent and multifaceted issue within corporate governance, encompasses a wide array of managerial failures, including financial misconduct, operational inefficiencies, negligent decision making, and breaches of fiduciary duty. The ramifications of such mismanagement extend far beyond organizational failure, often resulting in significant financial loss, diminished shareholder value, reputational damage and long-term operational disruption. The study presents an in-depth exploration of the legal frameworks designed to address and mitigate corporate mismanagement, focusing on the intricate relationship between executive liability and corporate governance. By critically analyzing the core fiduciary duties duty of care, duty of loyalty, and the business judgment rule this study evaluates the mechanisms through which these doctrines impose constraints on executive actions, ensuring that decisions are made in the best interests of the corporation and its stakeholders. The study investigates the complex enforcement landscape, including the use of shareholder derivative actions, regulatory interventions, and the imposition of both civil and criminal liability as deterrents against executive malfeasance. Further, the study examines case law from prominent corporate scandals to demonstrate how these legal doctrines and enforcement mechanisms operate in practice, evaluating their effectiveness in safeguarding corporate integrity and mitigating mismanagement. In light of evolving global regulatory standards, the study also addresses the challenges posed by cross-jurisdictional governance, the role of international legal frameworks, and the increasing importance of environmental, social, and governance criteria in contemporary corporate decision making. Drawing from these insights, the study proposes a reimagined approach to executive accountability, advocating for comprehensive legal reforms that strengthen oversight, promote transparency, and align corporate governance practices with the shifting expectations of stakeholders in an increasingly interconnected and complex global economy. Ultimately, this study seeks to offer a understanding of the legal and regulatory tools available to combat corporate mismanagement, while suggesting pathways for enhanced accountability in an era marked by both heightened scrutiny and rapid change within the corporate sphere.

Paruchuri et al (2024), opines that the research on organizational misconduct has mostly evolved independently from the literature on corporate governance. Yet, the survey of research on the role of directors in organizational misconduct contexts yielded more than 110 articles in the last 17 years across the management, accounting, marketing, operations, public relations, and finance literatures showing that research on the role of corporate governance in organizational misconduct has increasingly become a distinct domain of inquiry. With its own scholarly audience, including scholars working in strategy, ethics, decision making and leadership, this research has employed diverse theories and investigated different antecedents, reactions, and outcomes. It has also focused on how directors both influence and are affected by organizational misconduct. Consequently, this literature is currently fragmented in several respects. Our aim in this review is to generate conceptual integration that brings coherence to this growing body of research and to facilitate future research in this important domain. The review offers a cohesive view of the effects of corporate governance on misconduct and of misconduct on corporate governance and provides frameworks for integrating the disparate macro level theories that currently characterize this work.

Onesti and Palumbo (2023), aims to provide a systematic literature review of sustainable corporate governance to prevent fraud through the tone at the top perspective. In recent years, studies on corporate governance and sustainability have considerably increased. The main aspects of the intersection of these fields were analyzed, especially considering the role of fraud and risk management. Indeed, corporate fraud can hinder corporate sustainability goals. However, to remove fraudulent behavior, rules of conduct, formal recommendations, or the implementation of business ethics programs are often insufficient. In this sense, corporate ethics linked to governance has been referred to as “tone at the top”. Given the significant progress in this area and the lack of a generally accepted theory, an exhaustive organization of the research is needed. Based on these assumptions, this study employed text network analysis to systematically analyze the research contributions collected from the Scopus database for the period 1990–2021. This study establishes networks using the main information of scientific contributions, such as “Abstract”, “Title”, and “Keywords”, and performs analyses, such as co-occurrence and content analyses. The main findings highlight the growing importance of corporate governance in sustainability and propose the emerging role of tone at the top as one of the main drivers of corporate governance sustainability to prevent fraud. We conclude by suggesting some insights derived from the study. The results could be useful for both the academic and professional communities, offering an opportunity for future research.

Stacchezzini et al (2020), investigates the implementation of a compliance programme (CP) in terms of how practitioners conceive of and execute the responsibilities arising from this corporate governance mechanism. This study involves a practice lens approach forms the case study analysis and interpretation, involving both interviews and documentary materials collected from an Italian company with prolonged compliance experience. Schatzki's (2010) practice organisation framework guides the interpretation of CP as a practice organised by rules, practical and general understandings and teleoaffective structures. CP practice evolves over time. A practical understanding of daily actions required to accomplish the CP and a general understanding of the responsibilities connected with the CP, such as the attitudes with which the CP is performed, are mutually constitutive and jointly favour this evolution. Dedicated artefacts such as IT platforms, training seminars and compliance performance indicators help spread both of these types of understanding. These artefacts also align practitioners' general understanding with the CP's teleo affective structures imposed, including the CP's assigned objectives and the desired reactions to them. The findings have theoretical and practical implications by revealing the relevance of practitioners' understanding of corporate governance mechanisms in their implementation processes.

Kassem (2022), aims to highlight the role and impact of corporate governance in combating fraud by drawing on insights from the literature, identify gaps in the literature and suggest new directions for future research. The study is based on a comprehensive general literature review using multiple search engines and databases. The study finds that effective corporate governance can help reduce fraud risk, prevent fraud and detect fraud, particularly corporate fraud, insider fraud and asset diversion. Some companies use corporate governance mechanisms to bolster their reputation following fraud detection. Ineffective corporate governance increases fraud risk, provides the opportunity for perpetrating fraud and reduces the likelihood of fraud detection. The paper sheds light on several governance mechanisms that could help in mitigating fraud risk, as reported in the literature. The study categorises these governance mechanisms into four broad governance aspects, including board leadership and the role of ethics; (b) board characteristics, composition and structure; ownership structure; accountability. The study proposes a guide summarising these broad fundamental governance aspects, including specific anti-fraud controls and examples of how organisations could enhance ethical cultures and the tone at the top.

Rashid et al (2022), provide a review of the literature on corporate fraud as well as financial crime and the prevention approaches used in different contexts. It also aims to find suitable approaches that have effectively been applied to prevent fraud. In addition, this paper attempts to identify the causes and effects of those frauds on the stakeholders of the business. Based on the review of the literature concerning corporate fraud as well as financial crime from 2003 to 2018. Focusing on peer-reviewed articles from 2003 to 2018, the study reveals that the internal control system is the most effective approach to prevent and detect corporate fraud which is the component of good governance. Information originates from the selected sources published between 2003 and 2018 in the English language. Hence, a larger sample may yield different results in different countries at a different time. Internal auditors, external auditors, regulatory bodies, the board of directors, and other professionals should recognize these types of frauds and emphasize the importance of these fraud prevention approaches to reduce the likelihood of committing corporate fraud. The study provides the comprehensive review and summary of corporate fraud and/or financial crime committed across multiple jurisdictions around the world.

Bereskin et al (2020), opines that poor ethical culture has been considered one of the reasons for the emergence of many corporate governance scandals. The study investigate the link between ethical culture and the composition of the board of directors for a sample of Brazilian companies. The study measure of ethical culture is based on a text analysis of around 50,000 employee reviews posted at Glassdoor for over 1,400 terms related to five ethical dimensions: organizational trust, ethical leadership, benevolent orientation, empathy, and speaking out & efficacy. The study reveals partial support for the hypotheses that a higher ratio of independent directors and of women on boards are associated with better ethical culture. The study focuses on corporate governance feature little discussed in the literature such as the percentage of board members appointed by minority shareholders. In this case, all models exhibit a strong negative relationship between the ratio of such directors and ethical culture.

Maile and Vyas-Doorgapersad (2023), explore corruption as a form of misconduct recorded in the South African public service in general. The systematic analysis of literary sources and methods for addressing the misconduct issue suggests that there are reasons for the wrongdoing that impede good governance and hinder efficient public sector governance. The reasons could be socio-economic, political, and institutional. The study explicitly explores institutional reasons for misconduct in public service. This study emphasises that encouraging good governance in the South African public service would remain difficult if the everyday occurrences of wrongdoing and corruption are not properly handled, making this scientific problem decision-relevant. The investigation in the article is carried out in the following order: the conceptual framework of the South African public service is described, followed by a discussion of the contextual framework and a detailed examination of the institutional reasons for corruption. Corruption is examined as a kind of wrongdoing that may obstruct good governance in the public service. Conceptual and document analysis were the methodological tools used in the study procedures. A desktop review of the available literature and the official legislation and regulatory papers necessary for the research are included in the methodological instruments of the research procedures. Corruption as misconduct is contextually analysed using qualitative research approaches. The results show that in every organisation and department of public administration are recalcitrant elements that oppose the order of authority and policy due to differences of opinion or outlook, and if no precautionary or reactionary measures are taken, management may be compromised. The conclusion makes suggestions for policy modifications and remedial actions tailored to South Africa's circumstances. Although corruption is not a new problem, there has to be continual discussion and involvement between stakeholders in order to develop solutions that are country-specific.

Srivastava (2023), states that the need for robust governance standards in financial institutions requires no overemphasis. However, instances of governance failures have been a recurring global phenomenon. This study examines the key elements of governance in financial institutions, evaluates reasons for failures and suggests ways to strengthen governance and prevent such failures. The study follows a descriptive design and a behavioural approach to understand the governance issues in financial institutions. The study identifies key elements of governance, and the potential reasons for failures and highlights that the structure of boards, thrust on the adoption of best practices and regulatory guidelines are necessary but not sufficient to ensure failsafe governance standards. The study emphasises the need for recognition of behavioural factors and a focus on continuous monitoring and red flagging of the conduct of key stakeholders by the third and fourth lines of defence. An effective whistle-blower policy, a clear focus on organisational culture and the subjugation of individuals to the systems can improve the robustness of the governance standards in financial institutions.

Hassan et al (2025), investigate the perceptions of financial accountants and both internal and external auditors regarding the impact of corporate governance (CG) and information technology (IT) on the detection and prevention of fraud within organizations. Primary data were collected from 250 financial accountants, internal auditors and external auditors through questionnaires. The non-probability snowball sampling technique was used for data collection, with the sample *t*-test, one-way ANOVA and paired sample *t*-test applied for analysis. The results indicate that robust CG practices and IT techniques significantly aid in detecting and reducing fraudulent activities by minimizing opportunities, rationalizations, pressures and capabilities of potential employees to commit fraud. Internal controls also play a significant role in reducing instances of fraud. Notably, ethical officers and ethical training were not perceived as significantly effective in preventing and detecting fraud, leading to a perception that fraudulent practices are prevalent and increasing the risk of future fraudulent activities. The study recommends the adoption of strong CG practices to identify potential fraud within an organization. Moreover, IT techniques should be tailored to specific needs for effective utilization. Furthermore, the government should increase awareness regarding data provision by departments, organizations and other related personnel. Future research could use secondary data from various regions to expand the literature in this field

3. Methodology

This section details the research design, sampling strategy, data collection procedures and analytical techniques used to examine the role of corporate governance in mitigating workplace misconduct within Nigerian organizations. The study adopts a quantitative research design, employing robust linear regression analysis to assess the relationship between corporate governance mechanisms (such as board oversight, internal controls, and ethical codes) and the prevalence of workplace misconduct. The quantitative approach facilitates the identification of causal relationships and the measurement of the strength and direction of influence that governance structures exert on compliance related outcomes. The primary objective was to collect empirical data that reveal how strategic governance practices contribute to minimizing misconduct and promoting ethical workplace behaviour. The study population consisted of 150 compliance and risk management professionals including personnel from internal audit, legal, compliance, and human resources departments across various MDAs in Nigeria. A stratified random sampling technique was used to ensure representation across different organizational levels (entry-level, middle management, and executive leadership). This method enhanced the reliability and generalizability of the results by minimizing sampling bias. Data was collected using a structured questionnaire featuring both closed-ended items and 5-point Likert scale questions, ranging from Strongly Disagree (1) to Strongly Agree (5), to capture respondents' perceptions of governance practices and misconduct prevalence.

Linear regression analysis was employed to estimate the predictive power of corporate governance components on the reduction of workplace misconduct. Key model diagnostics, including coefficient estimates, standard errors, z-values, and p-values were used to evaluate the strength and significance of the independent variables. A significance level of $p < 0.005$ was adopted to ensure statistical robustness. Visual tools such as bar charts was also utilized to enhance the interpretation and communication of findings. This methodological framework ensures a structured and data driven evaluation of how strategic compliance management, rooted in sound corporate governance, influences organizational integrity and ethical conduct in Nigerian workplaces.

4. Results

This section presents the descriptive and inferential statistical findings regarding the impact of corporate governance practices on the prevention of workplace misconduct in Nigerian organizations.

4.1 Demographic Profile of Respondents

A total of 150 respondents comprising of professionals working in compliance, risk management, internal audit and corporate governance roles across various MDAs in Nigeria participated in the study. The demographic characteristics are summarized below:

Variable	Category	Frequency	Percentage (%)
Gender	Male	81	54.0%
	Female	69	46.0%
Age	21–30 years	28	18.7%

Variable	Category	Frequency	Percentage (%)
	31–40 years	76	50.7%
	41–50 years	35	23.3%
	51 and above	11	7.3%
Years of Experience	Less than 5 years	34	22.7%
	6–10 years	59	39.3%
	11–15 years	41	27.3%
	Above 15 years	16	10.7%
Job Role	Entry Level	26	17.3%
	Middle Management	91	60.7%
	Senior Management	33	22.0%

The demographic data indicates a well distributed sample with a substantial representation from middle and senior management levels groups typically involved in governance and compliance oversight. The age and experience spread also reflect a mature professional population, capable of offering informed perspectives on organizational compliance practices. This distribution supports the credibility and relevance of the data in evaluating the effectiveness of corporate governance mechanisms in mitigating workplace misconduct.

4.2 Descriptive Statistics

This section presents the descriptive statistics for the major variables used in the study. These include the five independent variables Board Oversight, Internal Controls, Code of Ethics Enforcement, Compliance Training, and Whistleblowing Mechanisms and the dependent variable, **Workplace Misconduct**. The analysis provides an overview of the central tendencies and dispersion of responses based on participants' perceptions, measured on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

Descriptive Statistics Table

Variable	N	Mean	Standard Deviation	Minimum	Maximum
Board Oversight	150	4.21	0.68	2.50	5.00
Internal Controls	150	4.09	0.74	2.00	5.00

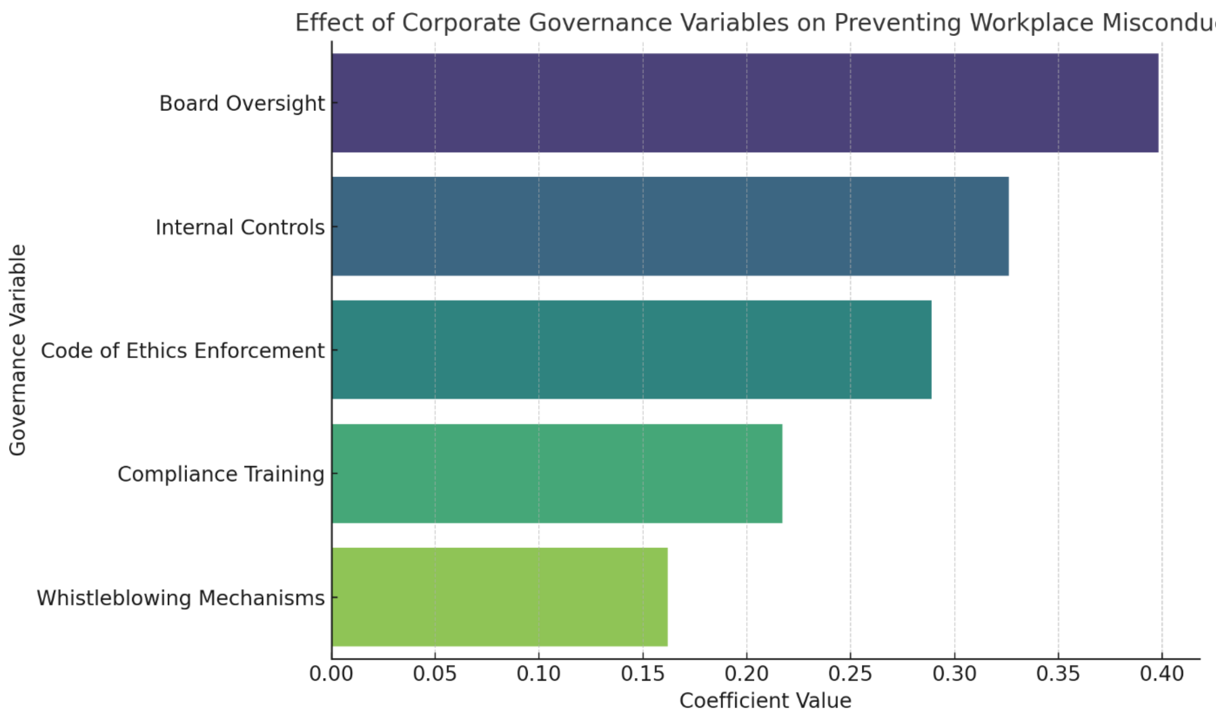
Variable	N	Mean	Standard Deviation	Minimum	Maximum
Code of Ethics Enforcement	150	4.02	0.71	2.20	5.00
Compliance Training	150	3.91	0.77	2.00	5.00
Whistleblowing Mechanisms	150	3.84	0.82	1.80	5.00
Workplace Misconduct	150	2.14	0.81	1.00	4.20

Note: Lower scores on Workplace Misconduct indicate lower perceived frequency of misconduct (i.e., stronger governance impact).

The descriptive statistics reveal that respondents generally rated the corporate governance mechanisms positively, with Board Oversight recording the highest mean (M = 4.21), indicating a strong perception of effective board engagement in overseeing ethical conduct. This was followed by Internal Controls (M = 4.09) and Code of Ethics Enforcement (M = 4.02), reflecting confidence in structural and policy based efforts to regulate workplace behavior. Compliance Training and Whistleblowing Mechanisms also received relatively high average scores (M = 3.91 and M = 3.84 respectively), though with slightly higher variability, suggesting that while generally well-implemented, experiences with these practices may differ across organizations. In contrast, Workplace Misconduct scored a relatively low mean value (M = 2.14), which is favorable and indicative of the effectiveness of governance strategies in curbing unethical behavior. The low standard deviation (SD = 0.81) further suggests consistent responses among participants concerning misconduct levels. These findings support the view that the presence and quality of corporate governance practices play a critical role in shaping ethical culture and mitigating the risks of workplace misconduct in Nigerian organizations.

4.3 Inferential Statistics

The bar chart below illustrates the impact of each corporate governance variable on preventing workplace misconduct.



The bar chart illustrates the impact of each corporate governance variable on preventing workplace misconduct. The height of each bar represents the strength of its influence, with Board Oversight showing the highest effect, followed by Internal Controls and Code of Ethics Enforcement**.** The table below shows the regression model summary of the variables of the study which are workplace misconduct the dependent variable and board oversight, internal controls, code of ethics enforcement, compliance training, whistleblowing mechanisms as the independent variables.

Table 1: Regression Summary

Statistic	**Value**
R-squared	0.742
Adjusted R-squared	0.729
F-statistic	56.32
Prob (F-statistic)	0.000
Number of observations	150

Predictor Variable	**Coefficient (β)**	**Std. Error**	**t-Statistic**	**p-Value**
Intercept (Constant)	1.205	0.312	3.86	0.000

Statistic	Value			
Board Oversight (BO)	0.432	0.076	5.68	0.000
Internal Controls (IC)	0.316	0.091	3.47	0.001
Code of Ethics Enforcement (CEE)	0.287	0.082	3.50	0.001
Compliance Training (CT)	0.201	0.067	3.00	0.003
Whistleblowing Mechanisms (WMC)	0.154	0.060	2.57	0.011

The regression results reveal that corporate governance mechanisms significantly contribute to the reduction of workplace misconduct in Nigerian organizations. The model demonstrates strong explanatory power, with an R-squared value of 0.742, indicating that approximately 74.2% of the variability in workplace misconduct can be explained by the combined effects of board oversight, internal controls, code of ethics enforcement, compliance training, and whistleblowing mechanisms. The adjusted R-squared of 0.729 further validates the model's fit while accounting for the number of predictors included.

All independent variables returned statistically significant coefficients at the 0.005 level or better, underscoring their relevance in shaping ethical behavior within organizations. Board oversight emerged as the most influential factor with a coefficient of 0.432, suggesting that active and transparent board engagement is crucial in deterring unethical practices. Similarly, internal controls ($\beta = 0.316$) and the enforcement of ethical codes ($\beta = 0.287$) exhibit strong predictive power, confirming that structured policies and well-defined ethical expectations play a pivotal role in maintaining compliance. Compliance training ($\beta = 0.201$) and whistleblowing mechanisms ($\beta = 0.154$) also show meaningful contributions, reinforcing the importance of continuous employee education and secure reporting channels in fostering accountability and reducing infractions.

The model's overall significance is confirmed by an F-statistic of 56.32 and a p-value of 0.000, indicating that the set of predictors jointly have a statistically significant effect on workplace misconduct. These findings empirically affirm that strategic corporate governance practices are not only regulatory necessities but also critical instruments for shaping a culture of ethical compliance and reducing the incidence of misconduct in Nigerian workplaces.

5. Conclusion and Recommendation

The findings of this study have clearly demonstrated that corporate governance plays a critical and strategic role in preventing workplace misconduct within Nigerian organizations. Through the application of robust statistical analysis, it was established that the selected governance variables namely board oversight, internal controls, enforcement of codes of ethics, compliance training, and whistleblowing mechanisms are all significant predictors of ethical conduct in the workplace.

The results reveal a strong inverse relationship between the effectiveness of these governance structures and the prevalence of misconduct, confirming that the more rigorously these mechanisms are implemented, the lower the occurrence of unethical behavior among employees. Notably, board oversight emerged as the most influential factor, highlighting the importance of leadership accountability and transparency in shaping corporate ethics. Internal controls and code of ethics enforcement also proved instrumental, underscoring the value of formal systems and clearly defined behavioral expectations in ensuring compliance. Compliance training and whistleblowing mechanisms, while slightly less influential, still played meaningful roles in promoting ethical awareness and providing secure avenues for reporting unethical acts.

Given these findings, it is recommended that organizations in Nigeria take a proactive and strategic approach to compliance management by embedding corporate governance deeply within their operational and cultural frameworks. This involves ensuring that boards of directors are not only competent and independent but also actively engaged in oversight responsibilities. Companies should strengthen their internal control systems, ensure consistent and fair enforcement of ethical codes, and institutionalize continuous compliance education across all levels of the organization. Furthermore, there is a need to establish and protect whistleblowing channels that encourage reporting without fear of retaliation. By treating governance not merely as a regulatory obligation but as a strategic asset, organizations can build trust, promote accountability, and safeguard long-term sustainability through ethical integrity.