Criminal Conduct in Corporations: Can Strong Governance Prevent the Fallout on Firm Performance?

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DOI: https://dx.doi.org/10.47772/IJRISS.2025.914MG00142

Received: 03 August 2025; Accepted: 10 August 2025; Published: 09 September 2025

ABSTRACT

Corporate crime remains a pressing issue in today's business environment, undermining organizational integrity, stakeholder trust, and long-term performance. Despite growing regulatory and scholarly attention, the mechanisms by which corporate governance can mitigate the adverse effects of corporate crime on firm performance remain underexplored. This conceptual paper aims to examine the mediating role of corporate governance in the relationship between corporate crime and firm performance. Employing a narrative review methodology, this study systematically collected and synthesized peer-reviewed literature from the Scopus database using a structured search string encompassing terms related to corporate crime, governance, and performance. The study identified key themes and theoretical insights that highlight how internal controls, board structure, regulatory compliance, and ethical leadership function as governance mechanisms to prevent or reduce the negative consequences of criminal conduct. The findings suggest that strong corporate governance not only deters corporate crime but also buffers its impact on firm performance by reinforcing accountability, enhancing transparency, and aligning management decisions with stakeholder interests. The study contributes to theoretical advancement by integrating agency theory and stakeholder theory to develop a framework that explains how governance mediates the dynamics between crime and performance. Practically, it offers actionable insights for regulators, corporate leaders, and policymakers to design effective governance structures that safeguard corporate reputation and financial outcomes. Limitations include the reliance on conceptual synthesis without empirical testing, prompting the need for future empirical research to validate and refine the proposed framework. This study highlights the crucial role of corporate governance in maintaining firm value in the face of misconduct.

Keywords—Corporate Fraud, Corporate Governance, Firm Performance, Board effectiveness, Agency Conflict

INTRODUCTION

Corporate misconduct has become a widespread phenomenon in many industries, posing substantial risks to organizational sustainability, economic stability, and stakeholder trust. Corporate crimes that involve financial scandals, environmental violations, and corruption will have a bad impact on the firm's reputation and performance.

The current business environment with a high level of complexity, competitiveness, digitalization, and globalization has increased the likelihood of unethical conduct, which has led to urgent demand for stronger governance mechanisms (Polidori & Teobaldelli, 2018; Armour et al., 2020). Thus, Corporate governance has become a crucial tool for preventing, detecting, and mitigating criminality within organizations, which can meet high public expectations and legal requirements.

Prior literature emphasizes that internal and external governance mechanisms can mitigate the risks of corporate crime. According to Al-Matari & Mgammal (2019), internal monitoring, such as audit committees and compliance programs, is instrumental in maintaining legal and ethical standards. Board composition, such as ethical leadership and board diversity, has been associated with fewer misconduct as well as improved financial performance (Lee et al., 2018; Salin et al., 2019). External pressures, including stakeholder coordination and regulatory enforcement, reinforce corporate accountability (Cincimino et al., 2025; Horder & Watts, 2021). Although governance is widely promoted as a preventative tool, practical inconsistencies and situational variability weaken a universal strategy. Rizwan & Chughtai (2023) found that there are firms with independent directors and transparency policies but have experienced reputational or financial damage due to misconduct activities. This raised an issue about the effectiveness and consistency of governance practices in maintaining firm performance. Thus, the main objective of this study is to review the existence of corporate governance mechanisms that may reduce firm performance due to criminal actions. This incongruence indicates a serious research gap: the necessity to conceptually explain how governance serves as a mediating variable between criminal behavior and firm performance.

This study is significant for several reasons. First, it integrates multidisciplinary perspectives, including legal compliance, ethics, governance, and performance measurement, to develop a holistic framework. Second, it contributes theoretically by positioning corporate governance not merely as an independent predictor but as a mediating force that buffers or transmits the effects of criminal conduct on firm performance. Third, it has practical implications for policymakers, regulators, and corporate leaders seeking to strengthen internal controls, restore public confidence, and safeguard long-term performance. The proposed framework may also guide future empirical studies and inform government reform in high-risk sectors and jurisdictions.

Guided by agency theory and stakeholder theory, this study conceptualizes governance as a mediating mechanism that balances managerial discretion with accountability to stakeholders and regulatory bodies. Agency theory posits that governance mitigates conflicts between principals (shareholders) and agents (managers), while stakeholder theory highlights the role of diverse stakeholders, including regulators, employees, investors, and communities in shaping firm behavior and accountability. The remainder of this study is structured as follows: the next section reviews the literature on corporate crime, governance, and firm performance. This is followed by the development of the framework and theoretical propositions. The study concludes with implications, limitations, and suggestions for future studies.

LITERATURE REVIEW

Corporate Crime

Corporate crime encompasses unlawful acts committed by corporate entities or individuals within organizations for financial or competitive gain, often resulting in significant harm to stakeholders, market integrity, and public trust. Internal factors such as weak compliance systems and misaligned managerial incentives create fertile ground for misconduct. According to Polidori and Teobaldelli (2018), internal monitoring is a critical strategy for deterring such behavior, particularly in firms with high market power or opaque organizational structures. Board characteristics also influence the propensity for misconduct; for instance, Lee et al. (2018) found that diversity in board members' education and experience reduces the likelihood of illegal activities, although multiple directorships can have a U-shaped relationship with crime, depending on oversight quality. Additionally, the involvement of organized crime in legitimate businesses has led to regulatory and scholarly focus on criminal infiltration, which Cincimino et al. (2025) note can be curbed by strong stakeholder alliances and legality rating systems that promote lawful behavior and ethical standards.

Corporate Governance

Corporate governance encompasses the mechanisms, relationships, and processes by which corporations are directed and controlled to promote accountability, fairness, and transparency. It serves as a critical mediator between corporate behavior and firm outcomes. Strong governance structures such as independent boards, effective internal audits, and transparent reporting can significantly reduce corporate crime and its adverse impacts. Almeajel (2024) emphasizes the legal foundation of governance, noting the role of statutory frameworks like Australia's Corporations Act 2001 and the Financial Accountability Regime Act 2023 in shaping regulatory compliance. Moreover, Horder and Watts (2021) advocate for the introduction of a general offence of corporate failure to prevent economic crime, arguing that this legal tool would enhance corporate liability and incentivize internal control reforms. Ethical governance is another important component, where human governance is the values and behaviors of top executives to strengthen organizational ethics (Abdullah & Said, 2018). Collectively, these dimensions of governance contribute to resilience against misconduct and form a buffer that can mediate the relationship between criminal conduct and performance outcomes.

Firm Performance

Firm performance, whether measured through financial metrics, market valuation, or stakeholder satisfaction, is highly sensitive to corporate misconduct and governance quality. Criminal prosecution, even when resulting in modest fines, can trigger disproportionate losses in firm value and reputation. Pierce (2018) found that criminal prosecutions led to an average firm value loss of nearly 11%, a figure significantly higher than the monetary penalties imposed, underscoring the reputational damage and investor flight associated with legal action. Calamunci and Drago (2020) report that legal intervention can adverse the consequences of rival firms that are affiliated with organized crime, which can temporarily boost the performance of compliant competitors. However, long-term performance stability requires more external enforcement than internal ethical alignment and proactive governance. Del Bosco and Misani (2011) emphasize the role of corporate social responsibility (CSR) that can help to enhance firm legitimacy, stakeholder satisfaction, and perceived fairness. Consequently, it could reduce vulnerability to criminal threats. The findings from prior studies found that criminal conduct can severely undermine performance, but having a robust governance framework and good ethical practices can serve as protective factors.

METHODOLOGY

Research Design

This study employs a narrative literature review methodology to develop a framework that explores how corporate governance mediates the relationship between corporate crime and firm performance. A narrative review is particularly suitable for conceptual papers aiming to synthesize diverse strands of literature and identify theoretical relationships, rather than test hypotheses through statistical analysis. Unlike systematic reviews that are more rigid in scope and protocol, a narrative review allows for a broader interpretive analysis, integrating empirical findings, theoretical constructs, and regulatory contexts (Ferrari, 2015). The review aims to provide a critical synthesis of scholarly contributions across multiple disciplines, namely corporate governance, financial crime, organizational behavior, and regulatory compliance, by thematically organizing and evaluating key concepts and debates relevant to the study's variables. The flexibility of the narrative approach enables the construction of an informed conceptual model grounded in multidisciplinary insights and current academic discourse.

Key Steps in Conducting a Narrative Review

This study's narrative review followed a series of systematic and flexible steps, as illustrated in Figure 1. The primary data source was the Scopus database, chosen for its extensive coverage of peer-reviewed journals, books, and conference proceedings in social sciences, business, and legal studies. The review commenced with the identification of key research themes: corporate crime, corporate governance, and firm performance. These themes were combined with Boolean operators and search strings to ensure the retrieval of relevant literature. The data was limited to only peer-reviewed articles published between 2010 and 2025 to ensure recency and scholarly rigor. In addition, studies that offered conceptual, theoretical, or empirical findings on the variables of interest were selected.

The screening process involved a three-stage selection protocol: (1) title and abstract review to assess

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue XIV August 2025 | Special Issue on Management

relevance, (2) full-text review to evaluate methodological quality and contribution, and (3) thematic categorization according to the constructs being explored. Articles were further evaluated based on citation impact, relevance to the theoretical framing, and contextual diversity. The final amount consisted of 25 high-quality sources from journals indexed in Scopus, including *Journal of Management in Engineering*, *European Journal of Law and Economics*, *Criminal Law Review*, and *Scandinavian Journal of Management*. The findings from this narrative review were synthesized to identify emerging patterns and gaps, which were then used to construct the proposed conceptual framework and derive theoretical propositions.

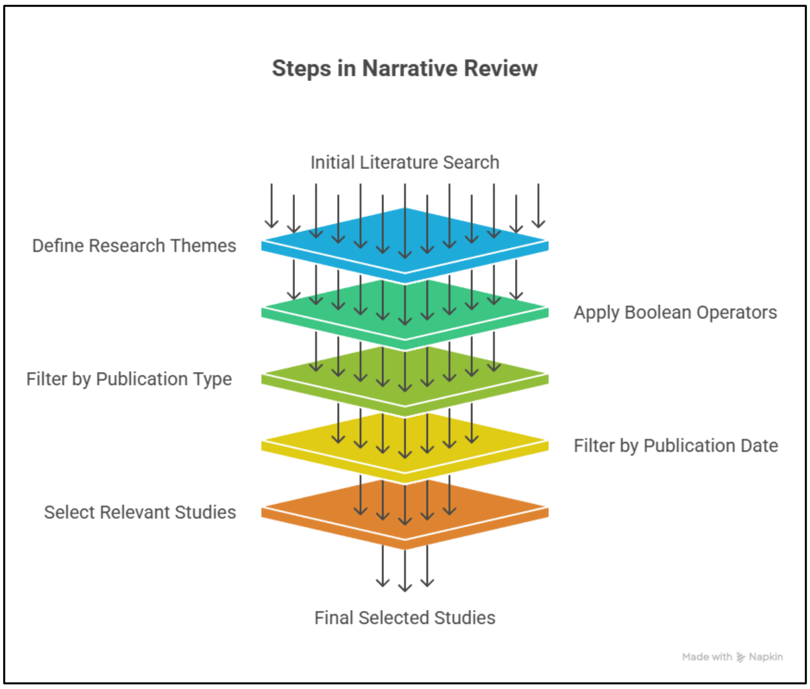

Fig. 1 Steps in Narrative Review

Data Collection and Review Strategy

This study employed a systematic and interpretive approach for data collection and analysis to aid in the narrative literature review and development of the framework. The process involved at this phase was to collect, assess, and synthesize academic findings that explain the relationship between corporate crime, corporate governance, and firm performance. Data collection was conducted using the Scopus database, a comprehensive and multidisciplinary scholarly indexing platform widely recognized for its quality and peer-reviewed academic content. To ensure the inclusion of relevant and high-impact literature, a search string was developed combining core keywords and related terms using Boolean operators (AND, OR), and confined to the title, abstract, and keyword fields to maximize relevance and precision. The final search string used was:

(("corporate crime" OR "white-collar crime" OR "financial crime" OR "corporate misconduct" OR "fraud") AND ("corporate governance" OR "governance" OR "board oversight" OR "internal control" OR "compliance" OR "regulation") AND ("firm performance" OR "financial performance" OR "shareholder value" OR "organizational performance"))

This query retrieved publications from 2010 to 2025 that intersect all three domains of interest. To maintain quality and relevance, only peer-reviewed journal articles written in English were considered. After executing the search, the initial yield of articles was screened through a multi-stage filtering process. In the first stage, articles were filtered based on title and abstract review to exclude unrelated studies, such as those focused purely on criminology or public-sector governance. In the second stage, the full texts of shortlisted articles were evaluated based on their contribution to theory development, methodological robustness, and conceptual relevance. Articles offering cross-disciplinary insights (e.g., from law, management, and accounting fields) were prioritized. This process resulted in a final sample of 25 core articles used in the synthesis.

To analyze and synthesize the selected literature, an integrative thematic analysis approach was employed.

Unlike meta-analysis or systematic coding, this approach allows for the interpretive identification of recurring themes, conceptual patterns, and theoretical linkages across diverse studies. The process began with open reading and annotation of each article, during which key ideas, constructs, and theoretical lenses were extracted. The content was then organized into thematic categories aligned with the three key constructs: (i) corporate crime, (ii) corporate governance, and (iii) firm performance. Within these categories, sub-themes were identified, such as *internal monitoring*, *board diversity*, *regulatory frameworks*, *ethical leadership*, *reputational damage*, and *CSR*. Each theme was then reviewed to identify interconnections and mediating relationships, particularly how governance mechanisms influence the impact of crime on performance.

Additionally, the review incorporated a theoretical mapping component, tracing the application of theories such as agency theory, institutional theory, and stakeholder theory in explaining governance effectiveness. This allowed the study to bridge fragmented literature and develop a holistic conceptual framework. The integrative thematic analysis not only captured the richness of the existing scholarship but also helped highlight gaps and inconsistencies, such as the varying impact of board independence on performance or the role of cultural and legal contexts in shaping governance effectiveness. The results of this analysis directly informed the development of the conceptual model and theoretical propositions presented in the following section.

Key Findings from the Narrative Review

This section presents the key findings derived from the narrative review, synthesized into thematic categories that represent the mechanisms through which corporate governance can prevent or mitigate the effects of criminal conduct on firm performance. These themes were identified through integrative thematic analysis and supported by evidence from 25 selected peer-reviewed articles. The findings are summarized in Table 1 and elaborated in the subsequent discussion.

Table1 **Key** Themes and Findings from The Narrative Review

Theme	Description of Key Findings	Key References
Internal Monitoring & Compliance	Strong internal monitoring and structured compliance programs reduce the incidence of financial crimes and misconduct, especially in high-risk industries.	Polidori & Teobaldelli (2018); Armour et al. (2020)
Board Characteristics & Diversity	Diverse and experienced boards improve governance quality and are more capable of preventing misconduct. Education and experience diversity are particularly effective.	Lee et al. (2018)
Human Governance & Ethical Leadership	Ethical leadership, integrity, and the personal values of top executives serve as preventive barriers against corporate financial crimes.	Abdullah & Said (2018); Wan Husain et al. (2023); Calamunci & Drago (2020)
Transparency & Disclosure	Transparency through corporate disclosures and informative websites promotes better governance and discourages misconduct, although its link to firm performance is mixed.	Salin et al. (2024); Hu et al. (2019)
External Stakeholder Involvement	Collaboration with external actors (e.g., social movements, regulators)	Cincimino et al. (2025)

	strengthens governance structures and shields firms from organized crime influence.	
Legal & Regulatory Frameworks	National legal tools, such as Legality Ratings and judicial actions, support ethical business practices and improve firm performance in high-crime contexts.	Cincimino et al. (2025); Calamunci & Drago (2020)
Firm Performance Impacts	Firms experience value loss during prosecutions, but proactive governance and enforcement produce positive spillovers and long-term gains.	Calamunci & Drago (2020); Asghar et al. (2020); Wang et al. (2024)
Sustainability & ESG Governance	ESG practices reduce violation risks and enhance legitimacy and long-term value by aligning with stakeholder expectations.	Wang et al. (2024); Cincimino et al. (2025)

The findings from the narrative review showed that strong corporate governance mechanisms are important barriers to criminal activities in companies and can significantly mitigate its adverse consequences on firm performance. A primary mechanism involves the implementation of internal monitoring systems and structured compliance programs, which are particularly effective in high-risk industries where the incentives for misconduct are substantial. These systems enhance accountability, thereby reducing both the opportunity and motivation for illegal behavior (Polidori & Teobaldelli, 2018; Armour, Gordon, & Min, 2020).

Board diversity that composes different educational backgrounds and industry experience able to demonstrate the capability of oversight. According to Lee et al., (2018), the existence of board diversity in the organizations is more vigilant and proactive in detecting misconduct and holding management accountability. Furthermore, having good human governance and ethical leadership could contribute significantly to organizational culture and reduce the likelihood of criminal activity. Their values act as behavioral compass that guide employees' actions and foster ethical decision-making (Abdullah & Said, 2018; Wan Husain et al.,2023; Calamunci & Drago, 2020)

Additionally, transparency mechanisms such as corporate disclosure and informative website also support better governance. Although the relationship between transparency and firm performance is consistently inverse, enhancing disclosure generally fosters the level of confidence and reduces the possibility of fraudulent conduct (Salin, Ismail, & Smith, 2024; Hu, Dou, & Wang, 2019).

Engaging with external stakeholders such as regulatory bodies, social organizations, and investors provides an additional layer of protection. These groups of stakeholders act as external monitors, promoting accountability and resilience against criminal infiltration. Cincimino, La Rosa, & Paternostro (2025) and Calamunci & Drago (2020) found instruments such as the legality Rating system and the judicial administration of organized crime-affiliated firms illustrate how institutional interventions can strengthen firm integrity and boost investor confidence. However, criminal prosecutions frequently result in immediate reduction in firm value and performance.

Thus, organizations that implement robust governance mechanisms and proactively engage with enforcement agencies are more likely to experience long-term performance improvements. The integration of environmental, social, and governance (ESG) can mitigate risk, strengthen reputational capital, and promote sustainable development (Asghar et al., 2020; Wang, Chen, & Wang, 2024).

In conclusion, the narrative review provides robust evidence that corporate governance mechanisms are both

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue XIV August 2025 | Special Issue on Management

preventive and remedial with respect to corporate criminal conduct. While no single governance strategy offers complete protection, the synergistic implementation of internal monitoring, diverse board oversight, ethical leadership, transparency, stakeholder engagement, and regulatory support creates a comprehensive governance ecosystem. This ecosystem effectively discourages corporate crime, protects firm performance, and promotes sustainable long-term growth. These findings form the empirical and conceptual foundation for the framework presented in the next section, which integrates these governance mechanisms into a holistic model that explains how strong governance mediates the relationship between corporate crime and firm performance.

Development Of Theoretical Framework

This study employed agency theory and stakeholder theory as underpinning theories for the three variables, namely corporate crime, firm performance, and corporate governance. Agency Theory posits that conflicts arise when managers (agents) prioritize personal interests over those of shareholders (principals), often resulting in opportunistic behaviors such as fraud or corporate misconduct (Jensen & Meckling, 1976). This theory provides a strong foundation for understanding how weak governance mechanisms create loopholes for corporate crime. Stakeholder theory, on the other hand, expands the governance perspective by emphasizing the role of diverse stakeholders, including regulators, employees, investors, and communities, in shaping firm behavior and accountability (Freeman, 1984). This theory is especially relevant in environments where external monitoring and societal expectations influence ethical decision-making and transparency in firms.

The theoretical framework developed for this study positions which is corporate crime as the independent variable that negatively influences firm performance (dependent variable), with corporate governance serving as a mediating mechanism. The framework integrates thematic insights from the literature that highlight how board diversity, internal compliance systems, ethical leadership, and stakeholder engagement can disrupt the link between misconduct and declining firm value (Armour et al., 2020; Wan Husain et al., 2023). Theoretical insights from both agency and stakeholder theories are operationalized in this model: agency conflicts are addressed through structural governance mechanisms, while stakeholder alignment is achieved through transparency and ESG initiatives. By synthesizing empirical evidence and theoretical models, the framework suggests that when governance systems are effectively implemented, the damaging effects of corporate crime on firm performance can be significantly mitigated (Polidori & Teobaldelli, 2018; Wang et al., 2024).

The framework offers practical implications for firms, regulators, and policymakers. It emphasizes the importance of embedding ethical leadership and robust governance systems as part of risk mitigation strategies. Practically, firms can apply this model by investing in board training, compliance audits, and ESG governance to deter misconduct and improve resilience during legal or reputational crises. Policymakers can draw from the framework to design regulatory tools such as legality ratings and whistleblower protections that reinforce governance from outside the firm. In conclusion, the integration of agency and stakeholder perspectives enables a holistic understanding of how governance mediates the crime-performance link, providing both theoretical clarity and practical direction for promoting sustainable and ethical corporate behavior. Given the preceding discussions, Figure 2 illustrates the proposed theory of the study:

Fig. 2 Proposed Theoretical Framework

Proposition Development

Corporate Crime Affects Firm Performance

Corporate crime has far-reaching consequences for firm performance, with significant evidence indicating that criminal conduct can negatively impact firm value, stakeholder trust, and long-term competitiveness. Prosecutions related to corporate misconduct can lead to an immediate decline in firm value by as much as 11%, a loss that often exceeds the monetary fines themselves and reflects the reputational and operational damage inflicted by such events (Pierce, 2018). Although some studies suggest negligible long-term effects of convictions, the initial market response and shareholder reactions are consistently negative (Pierce, 2018). The influence of organized crime, particularly in high-risk sectors, also leads to spillover effects that distort competition and create legitimate concerns for unaffiliated firms (Calamunci & Drago, 2020).

In contrast, strong corporate governance mechanisms such as effective board oversight, internal compliance systems, and ethical leadership can serve as buffers, reducing the likelihood of criminal behavior and mitigating its fallout (Polidori & Teobaldelli, 2018; Lee et al., 2018). Legal and regulatory frameworks, including the introduction of legality ratings and new accountability statutes, further reinforce these internal mechanisms and ensure firms maintain robust ethical standards (Almeajel, 2024; Horder & Watts, 2021). Additionally, firms that invest in human governance and CSR initiatives tend to reduce the risk of misconduct by aligning executive behavior with societal expectations (Del Bosco & Misani, 2011; Abdullah & Said, 2018). Nevertheless, the impact of corporate crime on firm performance remains a critical concern, especially in the absence of proactive governance structures. Thus, we propose that:

Proposition 1: Corporate crime has a negative effect on firm performance

Corporate Crime Affects Corporate Governance

Corporate crime has a significant impact on the development and reinforcement of corporate governance mechanisms, as organizations faced with criminal behavior are pushed to react by strengthening oversight processes, accountability systems, and compliance procedures. The occurrence of criminal activities in corporate settings, such as white-collar crime and financial crime, reveals governance weaknesses that typically call for structural changes like stricter internal controls, independent board oversight, and stronger stakeholder engagement (Cincimino et al., 2025). Internal monitoring mechanisms become essential in industries susceptible to exploitation of market dominance, where executives have incentives to engage in illegal activities unless governance systems are effectively enforced (Polidori & Teobaldelli, 2018). Additionally, board diversity in composition, such as mixed educational background and experience, has been found to reduce the risk of corporate wrongdoing by promoting more extensive thinking in decision-making (Lee et al., 2018). Regulatory policies, such as Australia's Financial Accountability Regime Act 2023, highlight the role of legally enforceable corporate governance obligations in deterring economic crime and enhancing corporate accountability (Almeajel, 2024). Additionally, ethical instruments such as Legality Ratings and corporate social responsibility actions serve as prevention measures for reinforcing governance against criminal infiltration (Cincimino et al., 2025; Del Bosco & Misani, 2011). Hence, corporate crime not only destabilizes current governance frameworks but also serves as an effective force for the reform and enhancement of corporate governance practices. Thus, we propose that:

Proposition 2: Corporate crime has a significant and positive impact on corporate governance

Corporate Governance Affects Firm Performance

Good corporate governance is central to improving firm performance, especially by reducing the negative impact of criminal behavior in organizations. Vigilant internal monitoring systems, strong board composition, stakeholder involvement, and regulatory compliance are some of the effective governance mechanisms that act as a necessary defense against operating and reputational risks that normally emanate from corporate wrongdoing (Polidori & Teobaldelli, 2018; Cincimino et al., 2025). Empirical research indicates that educational and experiential diversity in boards prevents unethical practices and enhances strategic monitoring, thus supporting organizational resilience and sustainability (Lee et al., 2018). In addition, strong governance structures are underpinned by legal and institutional tools such as the Financial Accountability Regime Act 2023 in Australia, which enforces greater levels of corporate accountability and transparency of performance (Almeajel, 2024). Companies that incorporate corporate social responsibility (CSR) in their governance also earn stakeholders' trust and legitimacy, which translates to enhanced market valuation and lower exposure to crime-related repercussions (Del Bosco & Misani, 2011). Although the immediate impact of corporate crime conviction on shareholders' wealth might seem minimal, prosecutions have been found to diminish firm value significantly, highlighting the protective role played by strong governance (Pierce, 2018). Finally, good governance not only prevents wrongdoing but also propels operational efficiency, investors' confidence, as well as long-run profitability. Thus, we propose that:

Proposition 3: Corporate governance has a significant and positive effect on firm performance

The Mediating Role of Corporate Governance between Corporate Crime and Firm Performance

Corporate crime poses a significant threat to firm performance by undermining investor confidence, damaging reputations, and inviting legal penalties, yet the extent of this impact is often shaped by the quality of corporate governance in place. While corporate prosecutions can reduce firm value by nearly 11%, surpassing direct fines substantially (Pierce, 2018), firms with stronger governance mechanisms such as internal monitoring, board diversity, and stakeholder involvement are better equipped to detect and mitigate the fallout of such criminal conduct (Polidori & Teobaldelli, 2018; Lee et al., 2018; Cincimino et al., 2025). Regulatory bodies and legal frameworks such as the Financial Accountability Regime Act 2023 reinforce governance standards that promote transparency and resilience, reducing the long-term effects of misconduct on financial outcomes (Almeajel, 2024). Ethical governance approaches, including corporate social responsibility and the cultivation of human governance traits among top executives, also contribute to a culture that deters misconduct and buffers the firm against performance shocks resulting from crime (Del Bosco & Misani, 2011; Abdullah & Said, 2018). As a result, corporate governance functions not only as a control mechanism but also as a strategic mediator that conditions how corporate crime translates into firm performance outcomes. Thus, we propose that:

Proposition 4: Corporate governance mediates the relationship between corporate crime and firm performance

CONCLUSION

This study concludes that corporate crime negatively impacts firm performance, but the presence of strong corporate governance can mediate this relationship and mitigate the adverse effects. The findings provide theoretical insight by enriching the understanding of how governance mechanisms function not only as control structures but also as strategic buffers that absorb the shocks of misconduct. Practically, the study highlights the importance for firms to invest in robust governance systems, including internal controls, ethical leadership, and regulatory compliance, to safeguard long-term performance. However, the study is limited by its reliance on secondary data and conceptual modeling, which may not capture the full complexity of corporate behavior across diverse industries and legal environments. Future research should explore empirical validations using cross-country data, longitudinal analysis, and in-depth case studies to better understand context-specific dynamics and the evolving role of governance in deterring financial crime.

ACKNOWLEDGEMENT

The authors would like to express their sincere gratitude to the Kedah State Research Committee, UiTM Kedah Branch for the generous funding provided under the Tabung Penyelidikan Am. This support was crucial in facilitating the research and ensuring the successful publication of this article.

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