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IB > Vol.3 No.4, December 2011

OPEN ACCESS

The Fragmentation of Entrepreneurial Function and the Role of External Control on Management Behavior

PDF (Size: 77KB) PP. 339-344 DOI: 10.4236/ib.2011.34045

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ABSTRACT

Starting from the interpretation of corporate governance as the outcome of the fragmentation of entrepreneurial power and the related agency problem, the paper stresses the strict relationship between management control and risk management. This issue implies the need of effective internal and external controls, i.e. board implementation and supervision of a consistent control function and auditing, but the market and public regulatory authorities give the most important external control system. The paper focuses next on the role of the Codes of Conduct, the critical aspects of their effectiveness and other key issues in the governance of corporations highlighted by the last financial and economic crisis.

KEYWORDS

Entrepreneur, Corporate Governance, Managerial Behavior, Ownership Structure, Risk Management

Cite this paper

P. Gottardo and A. Moisello, "The Fragmentation of Entrepreneurial Function and the Role of External Control on Management Behavior," *iBusiness*, Vol. 3 No. 4, 2011, pp. 339-344. doi: 10.4236/ib.2011.34045.

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