

CORPORATE GOVERNANCE AND RISK MANAGEMENT IN THE DIGITAL ECONOMY

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ARTICLE INFO.

Keywords: corporate governance; risk management; digital economy; cybersecurity; board oversight; digital transformation; organizational resilience; governance frameworks.

Abstract

The rapid expansion of the digital economy has fundamentally transformed the risk landscape faced by modern organizations, increasing exposure to cybersecurity threats, data privacy concerns, and technological disruptions. In this context, corporate governance plays a critical role in ensuring effective risk management and organizational resilience. This study examines the relationship between corporate governance mechanisms and risk management practices in the digital economy, focusing on board oversight, digital competencies, and governance frameworks. Using a sample of firms operating in technology-intensive and digitally transforming industries, the research analyzes how governance structures influence the identification, mitigation, and monitoring of digital risks. The findings reveal that firms with strong governance practices—particularly those with technologically skilled board members, dedicated risk committees, and robust internal controls—are better equipped to manage digital risks and maintain stable performance. The study highlights the strategic importance of aligning corporate governance with digital risk management and provides practical implications for enhancing organizational resilience in an increasingly complex and technology-driven environment.

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Introduction

The rapid advancement of digital technologies has reshaped the global business environment, giving rise to what is commonly referred to as the digital economy. This transformation has created new opportunities for innovation, efficiency, and growth, while simultaneously introducing complex and evolving risks[1]. Organizations today face heightened exposure to cybersecurity threats, data breaches, digital fraud, and technological disruptions, making risk management a central concern for corporate governance[2].

Corporate governance, traditionally focused on ensuring accountability, transparency, and shareholder protection, has expanded its scope to address digital risks and technological uncertainties. Boards of directors are increasingly expected to oversee not only financial and operational risks but also risks associated with digital transformation[3]. This includes ensuring the implementation of robust cybersecurity frameworks, data protection mechanisms, and digital risk management strategies. The integration of governance and risk

management in the digital economy is particularly critical as firms adopt advanced technologies such as artificial intelligence, cloud computing, and big data analytics. While these technologies enhance operational capabilities, they also increase vulnerability to systemic risks and regulatory challenges[4]. As a result, the effectiveness of corporate governance structures-such as board composition, risk committees, and internal control systems-plays a crucial role in determining how well organizations can anticipate, mitigate, and respond to digital risks[4].

Despite the growing importance of this issue, empirical research on the relationship between corporate governance and digital risk management remains limited, especially in the context of rapidly evolving technological environments[5]. This study aims to address this gap by examining how governance mechanisms influence risk management effectiveness in the digital economy. Specifically, it focuses on the role of board digital expertise, the presence of dedicated risk committees, and the strength of internal control systems in enhancing organizational resilience and performance[6].

Research Methodology

In this study, the impact of corporate governance on risk management effectiveness in the digital economy was examined using a quantitative approach. The research sample consisted of 130 companies operating during the period 2019–2023. Key indicators included board members' digital expertise (38.5%), the presence of risk committees (64%), and the effectiveness of internal control systems (72.3 points).

Risk management performance was evaluated using indicators such as risk mitigation efficiency (69.5 points), the number of cybersecurity incidents (an average of 3.2 per year), and the firm stability index (1.18). The analysis employed descriptive statistics, Pearson correlation, and regression models. The results showed that as the quality of governance improves, risks tend to decrease.

The findings confirm that effective corporate governance plays a crucial role in reducing digital risks and ensuring organizational stability.

Analysis And Results

This study is based on a sample of 130 firms operating in digitally intensive industries over the period 2019–2023. The analysis focuses on key corporate governance variables, including board digital expertise, the existence of risk committees, and internal control effectiveness[7]. Risk management performance is measured through indicators such as risk mitigation efficiency, frequency of cybersecurity incidents, and firm stability (proxied by volatility-adjusted returns). Table 1 presents the descriptive statistics of the main variables. On average, 38% of board members possess digital or technological expertise[8]. Approximately 64% of firms have dedicated risk committees, while internal control effectiveness scores average 72 out of 100. The data also indicate moderate levels of digital risk exposure, with an average of 3.2 reported cybersecurity incidents per year[9].

Table 1.

Descriptive statistics of board diversity and organizational performance

Nº	Variable	Mean	Std. Dev.	Min	Max
1	Board Digital Expertise (%)	38.5	14.2	10	75
2	Risk Committee Presence (%)	64.0	18.5	20	100
3	Internal Control Effectiveness (0–100)	72.3	13.1	45	95
4	Cybersecurity Incidents (annual)	3.2	1.8	0	8
5	Risk Mitigation Efficiency (0–100)	69.5	14.7	40	92
6	Firm Stability Index	1.18	0.42	0.6	2.4

Table 2 reports the Pearson correlation coefficients between governance variables and risk management outcomes. The results indicate that board digital expertise and internal control effectiveness are strongly positively correlated with risk mitigation efficiency (0.44 and 0.48, respectively), while negatively correlated with cybersecurity incidents[10]. This suggests that firms with stronger governance mechanisms experience fewer digital disruptions and more effective risk management[11].

Table 2.

Correlation matrix: governance and risk management performance[12]

Nº	Variable	Risk Mitigation	Cyber Incidents	Firm Stability
1	Board Digital Expertise	0.44**	-0.39**	0.36**
2	Risk Committee Presence	0.31**	-0.28**	0.29**
3	Internal Control Effectiveness	0.48**	-0.42**	0.41**

Multiple regression analysis was conducted to assess the impact of governance variables on risk management effectiveness and firm stability. The results in Table 3 show that internal control effectiveness and board digital expertise have the strongest positive effects on risk mitigation and firm stability, while significantly reducing cybersecurity incidents[13]. The presence of risk committees also contributes positively, though with a relatively smaller effect size. The findings confirm that corporate governance plays a crucial role in managing risks within the digital economy. Board members with digital expertise significantly enhance the firm's ability to identify and respond to technological risks[14]. Strong internal control systems further reinforce this capability by ensuring systematic risk monitoring and mitigation. Additionally, the presence of dedicated risk committees improves coordination and oversight, contributing to more structured and proactive risk management practices[15]. Overall, firms with robust governance frameworks demonstrate higher resilience, fewer cybersecurity incidents, and more stable performance[16]. These results emphasize that in the digital economy, effective corporate governance is not only a matter of compliance but a strategic necessity for managing emerging risks and sustaining long-term organizational success[17].

Conclusion

This study examined the role of corporate governance in enhancing risk management within the digital economy. The findings demonstrate that governance mechanisms-particularly board digital expertise, the presence of dedicated risk committees, and strong internal control systems-significantly improve firms' ability to manage digital risks, reduce cybersecurity incidents, and maintain organizational stability.

The results highlight that as digital transformation accelerates, traditional governance frameworks must evolve to address new categories of risk. Firms that align governance structures with digital capabilities are better positioned to anticipate threats, respond to disruptions, and sustain long-term performance. In this context, corporate governance emerges not only as a control mechanism but as a strategic enabler of resilience and competitiveness in the digital age. Based on the findings, the following recommendations are proposed:

Firstly, companies should enhance board composition by incorporating members with strong digital and technological expertise. This will improve the board's capacity to oversee digital transformation initiatives and manage emerging technological risks effectively.

Secondly, firms should establish dedicated risk management committees or strengthen existing ones to focus specifically on digital risks, including cybersecurity, data privacy, and system vulnerabilities. This will ensure continuous monitoring and proactive risk mitigation.

Thirdly, organizations should invest in robust internal control systems and digital risk management frameworks. The implementation of advanced monitoring tools, real-time risk assessment systems, and cybersecurity protocols is essential for minimizing vulnerabilities.

Fourthly, policymakers and regulatory bodies should update corporate governance codes to reflect the challenges of the digital economy, including mandatory disclosure of digital risks and governance practices related to technology oversight.

Lastly, firms should promote continuous training and capacity building for board members and executives to keep pace with rapidly evolving digital technologies and associated risks. Developing digital literacy at the governance level is critical for effective decision-making. In conclusion, effective corporate governance is a cornerstone of successful risk management in the digital economy. Organizations that proactively integrate governance and digital risk strategies will be better equipped to navigate uncertainty, enhance resilience, and achieve sustainable growth. Future research may explore the role of emerging technologies, such as artificial intelligence, in transforming governance and risk management practices.

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