

PSYCHOLOGICAL ASPECTS OF CORPORATE GOVERNANCE IN EU COUNTRIES

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Abstract. In the increasingly complex landscape of global business, the role of psychological factors in corporate governance has garnered significant attention, particularly within the European Union (EU). As corporations face diverse challenges, from regulatory compliance to ethical dilemmas and strategic decision-making, understanding the psychological underpinnings that influence these areas becomes crucial. This introduction delves into the psychological dimensions of corporate governance in EU countries, examining how individual and collective behaviors, leadership dynamics, and organizational cultures impact the effectiveness of governance structures. As EU companies operate under a variety of legal frameworks and cultural contexts, the psychological aspects play a pivotal role in shaping governance practices that are not only legally compliant but also ethically robust and strategically effective. The focus on these psychological elements offers a nuanced perspective on how governance can be optimized to meet both the internal needs of the organization and the external demands of a globalized market. This article aims to bridge the gap between traditional corporate governance approaches and the insights provided by psychological research, highlighting the value of integrating psychological principles into the governance frameworks of EU corporations.

This article aims to explore the psychological dimensions of corporate governance within EU countries, focusing on

how psychological factors influence governance practices and the overall performance of organizations. It seeks to identify key psychological traits and mechanisms that impact corporate governance and propose strategies to harness these insights for improved governance outcomes.

Preliminary findings suggest a strong relationship between transformational leadership styles and increased management effectiveness in terms of compliance and ethical standards.

Cognitive biases significantly influence financial and strategic decision-making, with overconfidence and anchor bias being the most common.

Corporations that place significant emphasis on ethical culture and psychological safety tend to exhibit higher levels of compliance and adaptive management practices.

The results highlight the importance of psychological training and awareness for corporate leaders and governing bodies. Integrating psychological assessments into board member hiring and training processes can improve governance outcomes. The study also discusses the implications of these findings in light of the existing EU regulatory framework and cultural diversity.

Therefore, psychological factors play a decisive role in the formation of effective corporate governance in the EU. It recommends that EU corporations integrate psychological knowledge into their management systems to improve decision-

making, ethical compliance and overall organizational sustainability. Future research should continue to explore these psychological aspects in different cultural contexts within the EU in order to improve governance models.

The main recommendations are:

- Inclusion of psychological training: regular psychological awareness training for board members, focusing on cognitive biases and ethical decision-making.

- Adoption of psychological assessment: integration of psychological assessment tools

in the selection and development of corporate leaders and management teams.

- Enhancing organizational culture: Development of policies to foster an ethical and psychologically safe organizational culture.

This research aims to bridge the gap between traditional corporate governance practices and modern psychological insights, thereby fostering a more comprehensive approach to corporate governance in the EU.

Keywords: corporate governance; psychological factors; leadership styles; organizational culture; decision-making biases.

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