

# The Impact of Internal Communication on the Corporate Governance of Golden Steamboat Company

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## Abstract

Referring to the development of the business of the company for golden steamboat, the aim of my research is to find the factors that influence the internal communication among different branches and indicate the efficient ways of corporation governance. In this study, the impact of internal communication on the corporate governance at the different branches was influenced by different factors, such as the structure and level of the internal supervision system, ability of the management level, and the influence of the external surroundings. Aiming to the previous research at the golden steamboat, I noticed the challenges of the internal communication at the internal environment and made some researches. Most important, the relationship among different branches and the management of the internal environment was obviously demonstrated to the different situations at work. Therefore, a mechanism of the internal communication among different branches played the important role for managing and build the effective system of the communication. The 40 employees and 5 managers of the company participated the research at June via a questionnaire with logistic regression model. It was predicted that a sound internal communication mechanism can be built with the corporation of internal accounting and external auditing. According the results from the questionnaire, there are some recommendations that can improve the effectiveness of the internal communication, such as the correlation of the financial statement, including the requirement of the tax invoice of daily working and financial statement of one period, and communication of the internal management among different level and the complication of the writing paper at one store. Hence, this report would show all the information with the practical way at the long time of the internship, and it will have the vital influence at the long term.

**Keywords:** Internal Communication, Corporate Governance, Internal Accounting, External Auditing, Logistic Regression, Multi-Branch Management

## 1. Introduction

The golden steamboat, as one of the most famous Chinese restaurant which located in Auckland and Hamilton, had four branches to serve traditional Chinese food to local people and it had 7-years history and has a good reputation compared with other restaurants. Based at the advance development of the company, it built other station of the corporation of the company and it existed a store of fruit and vegetable to supply to the restaurants and local customers with the distribution service for customers and restaurants. Therefore, the internal communication among different branches at the company combined with the help of the fruit and vegetable store played important role for enhancing the corporation governance. With the development of the business, the internal communication has become more and more obvious and influenced the actions of the daily working. Therefore, the aim of the study is to find the proper way so that the management can control the effectiveness of the internal control for corporate governance. Referring to the project of the fact, the internal communication of the corporate governance at the golden steamboat was an important role to ensure the operation and actions among different branches.

This research, as the previous research, elaborated the impact of the internal communication of the cooperate governance among different branches.

Corporate governance has an important influence of the internal communication mechanism (Argenti, 1996), which is a significant element to evaluate the efficiency of the internal communication. Hence, internal communication, as a category of the system to enhance the inner management at the company, can improve the capability of the corporate governance at different branches. (Johnson, 2000).

The corporate governance is based on combination of the internal and external control (Papasolomou and Vrontis, 2006). A good internal communication of the corporate governance is related with the internal accounting and

external auditing as an external auditing, which is crucial for operation and management. (Street and Meister, 2004). Moreover, previous reports indicated the importance of corporate governance in company, particularly some companies with branches structure (Melcrum, 2004), including the directors and stakeholders (Punjaisri and Wilson, 2007). Therefore, it would be a good project to enhance the management and operation of the golden steamboat at this research.

Referring to this aim concerning this situation, the internal communication of the corporate governance can be presented by accountability and transparency (Frey and Kreps, 2000). Hence, the auditing has the crucial influence for corporate governance at the role of the financial management (Johnson, 2000) and the operation of the internal control (Papasolomou and Vrontis, 2006). Most important, the managers and directors at company, as the important role of the internal communication, can build the bridge between operation and management (Pettit, Goris, and Vaught, 1997). Furthermore, the project to establish a sound internal communication mechanism would be regarded as a proper and effective method, even though there are shortage of the research and discussion of the relation between relationship between internal accounting and external auditing (Likely, 2004) which will be a positive influence in the future.

Overall, the issue of the internal communication of the corporate governance at the golden steamboat would be influenced by internal accounting and external auditing (Horrigan and Juskiw, 2010), and this research would elaborate this situation and solve this issue with the long-term influence for other companies.

## 2. Information Collection Methods

Referring to this research, I intend to use the combination of quantitative research with the questionnaire and qualitative method with the face-to-face talk to discover the impact of the influence between internal accounting and external auditing, which can get involved of more concise data. Concerning this combination of the method, qualitative research can get the information of the comprehension of causes and incentives, and the quantitative research can be used to evaluate the challenge of the methods with different values. Moreover, the qualitative research offers the assistance of enhancement for points and the situation via general approaches with the finite amounts, such as individual interviews and observation. In another dimension, quantitative research can demonstrate the practicable values with majority of the population via measurement of the statistics, including the formulation and model, such as a range forms of surveys. Therefore, this research used these two method to accomplish the collection of the data. Moreover, the scale of the qualitative and quantitative questions is 8:2. The reason is that qualitative questions are the element to analyse the relation and influence of the different factors which take up the main impact of this research, and the quantitative questions are the crucial element at the specific situations and problems for the cooperation of the different factors.

### (1) Data Collection

In this program, the financial report from the company was collected as the primary research, and the questionnaires and interviews were designed and tested at 4<sup>th</sup> June. In terms of the data at this research, the data of 40 employees and 5 employers from questionnaires and interviews were conducted at 10<sup>th</sup> June.

Table 1. The Sample Collection

Sample	Items	Approach
Managers at the golden steamboat	4	Questionnaire interview
Employees at the golden steamboat	40	Questionnaire interview

### (2) Data Analysis

Referring to this report, the data utilises a logistic regression model to analyse the relationship of different factors of internal communication for corporate governance. The formulas of this method are shown in equation (1) and (2):

$$\begin{aligned}
 \text{Prob (Internal communication)} &= \beta_0 + \beta_1(\text{branches}) + \delta(\text{Control variables}) \quad (1) \\
 \text{Prob (Internal communication)} &= \alpha_0 + \alpha_1(\text{branches}) + \alpha_2(\text{Accounting}) + \alpha_3(\text{Auditing}) \\
 &+ \gamma(\text{Control variables}) \quad (2)
 \end{aligned}$$

This research selected the independent variables which stated at table 2 to show the relationship of the internal communication for corporate governance at the company.

Table 2. The Description of the Variables

Variables	Calculation
Broad independence	An indicator variable of the operation of the branches
Auditing	An indicator variable to ensure the external environment
Accounting	An indicator variable to control the internal environment
Operation	An indicator variable to operating the company
Management structure	Proportion to get involved in management system of corporate governance
Managers	An indicator variable to hold the main position
Loss	Proportion to reports negative earnings
Profit	Proportion to report the growth of the industry

In conclusion, the research for this report was investigated from 4<sup>th</sup> to 10<sup>th</sup> June, 2017. The process of the data collection was conducted and adopted via questionnaires and interviews. Therefore, the combination of the methods was suitable with the objective of this investigation to find the impact of the internal communication and give some recommendations at the long term.

### (3) Limitations and Ethical Consideration

In this study, there were some limitations. Firstly, the sample was insufficient with a narrow scope. Secondly, the data was collected from 4 stores with finite amount. Lastly, the questions were finite for different factors of internal communication and external supervision.

Moreover, it existed several ethical considerations. Firstly, all participants would complete the whole questionnaires and interviews. Moreover, all participants had access to think about the consideration of participation. Furthermore, it would no risk for respondents to participate the research. Moreover, agreement forms would be signed before get involved into the research. Lastly, all research would maintain secret for individuals, businesses, and social department.

## 3. Discussion

### (1) Expected Results

In terms of the factors of internal communication for corporate governance at the different branches, it would demonstrate two aspects via the research of different factors, including the board independence, management structure, managers, loss, profits, and internal accounting, external auditing and operation. From the positive view, internal accounting may play a vital part for internal communication of operation, and external auditing might be likely to indicate a positive effect for operation. In another demission, the management structure may exist a little effect of internal communication for operating. Moreover, the movement of loss and profits would be an obvious influence to enhance the operation of corporate governance, and the level of management at company might influence the demonstration of the management structure and the daily work of the operation, which two kinds of factors have little impact for internal communication. Therefore, the connection of the two points will demonstrate the importance of the internal control system. An effective internal control system will prevent the crisis of the financial statement and gain interests for family firms.

Referring to the internal communication, this research might get into investigate the importance of this issue and state that how to build the effective approaches to enhance the internal communication to develop the operation of the corporate governance. At one hand, some proper solutions of the internal communication would reduce the risk of the character of the management level at different branches. At the other hand, it would be too strict for employers and employees to adjust the actions for developing the operation of the corporate governance. Overall, there would be valuable and credible to develop the accomplishment of the system of the internal communication for corporate governance among different branches at golden steamboat.

In general, the research would be conducted by using questionnaire with logistic regression model. The internal communication of corporate governance among different branches would have an important influence for the operation of the company with the good improvement of the internal accounting and external auditing.

### (2) The Discussion of the Process of the Research

In terms of the primary of the research from the financial report, the environment of the finance for this company was analysed as the observation. Referring to the secondary research, the qualitative research with the exploration of the reasons and objectives, aimed to improve the points which lead to the movement of the assumption of the quantitative research at this research (Cassel and Symon, 2004). Moreover, qualitative research enhanced the

questions by using the general approach, which divided as different ways, such as individual interviews and observation. Therefore, the quality of the research at this study was quite academic to conduct and demonstrate the results (Barnes and Walker, 2010).

Furthermore, this research helped the researchers to explore and evaluate the variables with the combination of the two methods of research. It would be a good transmission to measure and analyse figures and values to attach the points and views (Fontana and Frey, 2000).

Referring to previous proposal, it was a good point to use the combination of the methodology at the research to indicate the findings with statistic data (Berry, 1981). Moreover, the qualitative questions with questionnaires demonstrated the relationship to affect the internal communication for corporate governance, and the quantitative research accomplished the details of information from interview and observation, which was crucial to build the proper and effective solutions to advance the operation of the corporate governance at the company.

In terms of the logistic regression, it predicted the probability of the variables between the internal accounting and external auditing, compared with the linear regression can find the relationship between data. On the other hand, the logistic regression presented the logistic curve with the operation of the internal communication, which is similar with the linear regression aimed to find the target variables rather than probability. Therefore, the logistic helped me to find the connection of the variables to enhance the internal communication for corporate governance at the different branches. Moreover, logistic used the large likelihood of the variables to report the logistic efficiency with the equation to evaluate the goodness of the logistic model and finish the test of the likelihood ration. There are logistic function and logistic distribution to curve the trend of the results, which means that it contains different variables to condition and hold the possibility of the assumption. According to the data from the research, the sample data used to analysed by logistic regression to estimate the balance from the secondary research. It is a formal mathematical specification which is fit for equivalent variables from the assumption of the serious of data points. Therefore, the function of the logistic regression was obvious at this research.

In terms of the process of the research, it conducted as the timeline and plans at the primary research proposal. This research started at march at March until June. At the beginning of the research, I stated the issue working on golden steamboat and collected all kinds of information from working environment, such as financial report, talking with other staffs, and observation of the changes and challenges at the company and interviews of the management level. Furthermore, I truly determined the topic intend to investigate at the end of April. In addition, the determination of the research methodology was conducted at the middle of the May, and I started to design at the end of the May, which conduct the questions with a questionnaire. At the period from 4<sup>th</sup> to 12<sup>th</sup> June, I finished the measurements and analyses of my research as the statistic method. Moreover, the questionnaire was accomplished via emails and the interviews was conducted as face-to-face talking.

Referring to the results from the research, it had different importance for different variables to measure the influence of the internal communication. Moreover, it existed the different weight and rationales for different factors to affect the operation of the company, which was showed as follow.

As shown above the table, there are baseline as the balance of the 5% of the research. Form the questionnaire of the staff part, the questions of the recruitment and compensation stated the influence of the management structure, the questions of job responsibility and training indicated the importance of the managers, and the questions of the communication considered the influence of the operation. Referring to the questionnaire of the part for management, the questions of the design of system and book-keeping and the financial report calculated the influence of the internal accounting, the questions of disclosure of unusual transaction and the reconciliation of the accounts stated the importance of the external accounting, and the questions of the segregation of duties and the review of the accounting estimates presented the broad independence, and the questions of the monitoring stated the influence of the loss and profits. Most important, I talked with the employers and stakeholders to analyse the details of the situation which would be useful to evaluate the influence of the different factors. There are the results with the combination consideration of the research shown on the table.

Table 3. The Statistic of the Data

Description	The variables to measure	Calculation of the Y	Calculation of the N
Recruitment and compensation	Management structure	3.5*40	1.5*40

Job responsibility, training, and employee performance	Managers	7.2*40	2.8*40
Communication	Operation	3.1*40	1.9*40
Design of the system, book-keeping and financial reporting	Internal accounting	3.2*4	6.8*4
Disclosure of unusual transaction	External auditing	1.8*4	3.2
Segregation and the review of accounting estimates	Broad independence	0.2*4	0.8*4
Monitoring	loss	0.6*4	1.4*4
	Profits	0.7*4	1.3*4

In logistic method, I stated all data to the equation to calculation all weights among different factors. With the function of the statistic method, I discovered that the weight over 5% was called the big influence of the variables. Furthermore, the internal accounting and external auditing played the important roles for developing the operation of the company. There are the percentages of different factors through the calculation.

Table 4. The percentage of the variables

	Percentage	Mean	Median
The internal accounting		14.3%	15.67%
The external auditing		8.43%	10.2%
Management structure		3.67%	4.24%
Managers		4.15%	3.58%
Broad independence		4.39%	4.72%
loss		3.48%	3.21%
Profits		3.51%	3.58%
Operation		4.89%	5.32%

Overall, the internal accounting and external auditing played the important roles for the development of the internal communication for corporate governance among different branches.

### (3) The Explanation of the Results

Corporate governance, as the important internal communication system to evaluate the operation of the company (Argenti, 1996), has the big influence to achieve the effectiveness of internal communication. Balakrishnan (2009) demonstrated that it is crucial for companies to supervise the report and statement at the company. Internal communication has the great influence of the effectiveness of operation (Chen, 2008). Therefore, the internal communication improves the management and supervision of the corporate governance at company (Christensen, 2002), and it can measure and advance the corporate governance among different branches at company. (Johnson, 2000). Hence, the research to investigate the internal communication is an important way to enhance the development of the operation, and there are two significant factors which can affect the internal communication through the research, that is internal accounting and external auditing.

Referring the previous study, the factors of internal communication for corporate governance at the different branches had been divided two parts (Punjaisri and Wilson, 2007), which is important for operating (Hinds, 1995). At the one hand, the board independence at different branches, the management structure, profits and losses play the negative impact for internal communication (Droppers, 2006). At the other hand, the consideration of the auditing at different branches and allocation of the accountancy have the positive influence for internal communication (Lievens and Moenaert, 2000).

In terms of the corporate governance, there are some research states that corporate governance presented a mechanism directed accountability and transparency (Frey and Kreps, 2000). At the one side, the auditors play an important impact for corporate governance (Johnson, 2000) to develop the operation (Papasolomou and Vrontis, 2006). On the other side, the managers who are responsible for accountancy in companies connected the operation of the corporate governance (Pettit, Goris, and Vaught, 1997). Therefore, the internal accounting and external auditing can influence the operation of the corporate governance.

Furthermore, the internal communication has a ritual role to improve the profits (Young and Post, 1993) and promoting the operation among different districts which shows the indirect relations between operation and profits.

Moreover, the evidence shows that it is no negative influence between internal accounting and external auditing (Tourish and Hargie, 2000).

Therefore, my research shows some similar results compared with some previous research and it shows the academy of the methods with the help of the statistic, which can be applied at long term.

#### **(4) Solutions**

Referring to the structure of the corporate governance divided internal control and external control, an effective internal communication of corporate governance connects with the internal accounting as the proper approach to achieve the internal control and external auditing as the method to achieve the external control (Street and Meister, 2004). Therefore, the solutions to establish a proper internal communication mechanism need to be stated, even though there are insufficient discussion of the relationship between internal accounting and external auditing (Pandey and Garnett, 2006).

As the first part of the results from the analysis of the internal accounting, the proper accountancy can be built with the supervision, such as the record of the tax invoice from the stores of the suppliers and all kinds of cheque to enhance the operation of the daily working. At the second part of the results from the findings of the external auditing, the supervision of the financial report and the disclosure of the accounts shows the importance of the external control among different branches. Therefore, the connection of the two approaches can solve the problem I stated and an effective internal communication for advancing the corporate governance can prevent the risk of the company and enhance the team cooperation to develop operation at golden steamboat.

#### **4. Conclusion**

To conclude, this report contained four main part of the investigation with the development of this project. Firstly, the impact of the internal communication for corporate governance at different branches in golden steamboat shows the importance of the development of company, which was influenced by the management structure and operation system. It was reflected that different factors have the different influence to internal communication and the internal accounting and external auditing play the important roles for advancing the corporate governance. Furthermore, the different aspects to affect the internal communication at different branches reflects a correlation and cooperation of the internal accountancy and external auditing. The importance of internal accounting reflects the regulations of the internal management of the different level form one store and the role of the external auditing indicated the importance of the supervision of the external environment among different branches. Moreover, the method to enhance a sound solutions of internal communication reflects the significance of the internal communication at the company and importance of the corporate governance. Referring to the two types of the research methods to accomplish the project, it would help all level of the participants to have the knowledge of the results and put forward to other companies and businesses to develop the better internal communication for operating and supervising. Finally, the results of this research offer sufficient recommendations and suggestions to improve the internal communication for corporate governance at different branches in golden steamboat and other businesses. The explanation of the suggestions and recommendations would give some lessons and advices suitable with majority of the businesses, which makes this project more important and more impressive. With the meaning of the long term from this research, it offers the good connections between internal accountancy and external auditing and fills the gap at the research of the internal communication for corporate governance. Therefore, this study demonstrates an overview of the impact to influence the internal communication of corporate governance at different branches, and presents the solutions and approaches to enhance the effectiveness of the internal communication and operation of the corporate governance.

According to the discussion of the study, this research focused on the improvement of the internal communication with the development of the internal accountancy and external auditing at the influence of the corporate governance at different branches, aiming to state some suggestions to build a proper internal communication to depend on a statistic model with reasonable methods. Furthermore, as an approach of mathematic statistic, the logistic regression analyses the different factors with the movement of the independent variables via equations and give the weight of the factors at the results of the impacts of all elements, so that the findings are reasonable and reliable for integrating and applying. Therefore, this research is complete finished the objectives and aims from the process of the whole research.

#### **5. Recommendations**

Referring to the recommendations, this study filled a gap which could give instruction of the impact of the internal communication among different branches between the aspect of the influence of the internal accounting and external auditing. Furthermore, there are extensive information from different variables to research the impact of

the internal control for corporate governance among different branches. In addition, the research is quite balanced with the combination of quantitative and qualitative research. In the long term, this report reflects the positive effect of the internal communication for corporate governance at the different kinds of businesses and the operation of the good internal communication with the high-quality management of the internal accounting and external auditing.

In terms of suggestions, it has effective solutions to operate at the company. Firstly, the daily accounting statement, such as the document of the tax invoice and daily accounts payment, can be stated as the written style with the supervision at the company. Secondly, the requirement of the supply from different companies can be regulated by managers at the different branches and give the statistic management to supervise and operate. In addition, the regulations and procedures of training and planning between employers and employees would be a good way to ensure the effectiveness of the internal communication at different level. Furthermore, the management level of the company would establish the effective auditing group to supervise the different aspects of the corporate governance at the companies, especially, the summary of the annual financial statement and auditing documents. Finally, the stakeholders and advisers should pay much attention to the demonstration of the loss and profits at the financial report.

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