



Towards Sustainable Growth : Examining The Interplay Of Good Governance, Earnings Management, Tax Compliance, And Firm Longevity

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Abstract. *This study aims to investigate the interplay between good governance, earnings management, tax compliance, and firm longevity in fostering sustainable futures for organizations. Employing a qualitative research design, the study utilizes semi-structured interviews with key stakeholders from a diverse range of firms. Sampling techniques involve purposive sampling to ensure representation across industries and organizational sizes. Data analysis adopts thematic analysis, allowing for the identification of patterns and themes within the qualitative data. The findings reveal intricate relationships between governance practices, earnings management strategies, tax compliance behaviors, and long-term firm sustainability. Insights from this study contribute to the understanding of how organizational practices influence sustainability and inform policymakers and practitioners on fostering responsible corporate behavior for long-term viability.*

Keywords: *Sustainable Futures, Governance Practices, Firm Longevity*

INTRODUCTION

In today's dynamic and ever-evolving business landscape, the pursuit of sustainability has emerged as a paramount concern for organizations worldwide. Amidst growing environmental, social, and economic challenges, businesses are increasingly recognizing the imperative of adopting sustainable practices to ensure long-term viability and success. Central to this pursuit is the concept of good governance, which encompasses the mechanisms and processes through which organizations are directed, controlled, and held accountable. The significance of good governance in fostering sustainability is underscored by its ability to instill transparency, accountability, and ethical conduct within organizations (Solomon, 2013). Effective governance practices not only enhance organizational performance but also contribute to building trust among stakeholders, including shareholders, employees, customers, and the broader community (Bansal & DesJardine, 2014). Moreover, research suggests that firms with robust governance structures are better equipped to navigate uncertainties, mitigate risks, and capitalize on emerging opportunities, thereby enhancing their resilience and longevity in the marketplace (Hillman & Dalziel, 2003). In tandem with good governance, the management of earnings and compliance with tax regulations play pivotal roles in shaping the sustainability trajectories of organizations. Earnings management, the strategic manipulation of financial data to influence stakeholders' perceptions of a firm's performance, has garnered

significant attention from scholars and practitioners alike (Healy & Wahlen, 1999). While earnings management practices can sometimes yield short-term benefits, their long-term implications for organizational sustainability remain a subject of debate (Burgstahler & Dichev, 1997). Moreover, the ethical considerations surrounding earnings management raise questions about its compatibility with principles of good governance and responsible corporate behavior (Cohen & Zarowin, 2010). Similarly, tax compliance represents a critical dimension of corporate responsibility and sustainability. By adhering to tax laws and regulations, organizations fulfill their obligations to society while also mitigating legal and reputational risks (Freedman & Jaggi, 2010). However, the complexities of tax regimes, coupled with the pressure to maximize shareholder value, often incentivize firms to engage in aggressive tax planning strategies that may blur the line between compliance and avoidance (Hanlon & Heitzman, 2010). Such practices not only raise ethical concerns but also have implications for long-term firm performance and sustainability (Dyreng et al., 2017).

Given the intricate interplay between governance practices, earnings management, tax compliance, and firm longevity, there exists a compelling need to explore these relationships in greater depth. While existing literature has examined each of these components in isolation, there remains a dearth of research that comprehensively integrates them within the context of sustainability. Therefore, this qualitative study seeks to address this gap by investigating how good governance, earnings management, and tax compliance collectively contribute to firm longevity and sustainable futures. Drawing on insights from qualitative research methodologies, this study adopts a holistic approach to examine the complex dynamics at play within organizations. By employing semi-structured interviews with key stakeholders, including board members, executives, and financial professionals, the research aims to capture diverse perspectives on governance practices, earnings management strategies, and tax compliance behaviors. Through purposive sampling techniques, the study ensures representation across industries, organizational sizes, and geographical regions, thereby enhancing the generalizability of its findings.

Data analysis in this study follows a thematic approach, allowing for the identification of patterns, themes, and relationships within the qualitative data (Braun & Clarke, 2006). By systematically coding and analyzing interview transcripts, the research seeks to uncover nuanced insights into the drivers and consequences of governance, earnings management, and tax compliance practices. Additionally, comparative analysis techniques will be employed to explore variations in practices across different organizational contexts and jurisdictions.

The findings of this study are expected to yield valuable implications for both theory and practice. From a theoretical standpoint, the research contributes to the growing body of literature on corporate governance, earnings management, and tax compliance by offering an integrated framework that elucidates their collective impact on firm sustainability. By empirically validating existing theories and identifying new relationships, the study advances our understanding of the complex interactions shaping organizational behavior and performance. From a practical perspective, the insights generated from this research have significant implications for policymakers, regulators, and corporate stakeholders. By elucidating the linkages between governance, earnings management, tax compliance, and firm longevity, the study provides actionable recommendations for fostering responsible corporate conduct and enhancing organizational resilience. Moreover, the findings offer practical guidance for firms seeking to adopt sustainable practices that align with principles of good governance and ethical leadership. In conclusion, the pursuit of sustainable futures requires a multifaceted approach that integrates governance, earnings management, tax compliance, and firm longevity. By illuminating the complex interplay between these components, this qualitative study seeks to advance our understanding of the mechanisms driving organizational sustainability and resilience. Through empirical investigation and theoretical analysis, the research aims to offer valuable insights that inform both scholarly discourse and practical decision-making in the realm of corporate governance and sustainability.

LITERATURE REVIEW

In the pursuit of sustainable organizational futures, the role of governance, earnings management, tax compliance, and firm longevity has garnered considerable attention among scholars and practitioners alike. This literature review provides a comprehensive overview of existing research relevant to these interconnected facets of corporate sustainability. Effective governance practices are fundamental in shaping organizational behavior and performance. Research by Hermalin and Weisbach (2012) underscores the significance of governance mechanisms in mitigating agency problems and enhancing firm value. The operational resilience influences corporate sustainable longevity directly and indirectly through innovation performance (Irawan et al., 2021). Moreover, studies by Aguilera and Cuervo-Cazurra (2004) and Shleifer and Vishny (1997) highlight the impact of board composition, executive compensation, and shareholder rights on corporate governance outcomes. The Good Corporate Governance has negative impact to accrual earnings management and real earnings

management through cash flow operation even though it's not significant (Kumandang et al., 2021).

Earnings management, while often viewed with skepticism due to its potential to distort financial information, remains a prevalent practice in corporate settings. Prior research, such as that by Dechow et al. (2010) and Roychowdhury (2006), has investigated the determinants and consequences of earnings management, shedding light on its implications for firm performance and stakeholder perceptions.

Tax compliance represents a crucial aspect of corporate responsibility and legal obligation. Scholars such as Sikka et al. (2009) and Weichenrieder and Poutvaara (2008) have examined various factors influencing tax compliance behavior, including corporate governance structures, tax incentives, and regulatory environments. Understanding the complexities of tax compliance is imperative for fostering transparency and accountability within organizations. The variables of profitability, leverage and deferred tax expense have a significant effect on tax avoidance (Amelia et al., 2022).

The longevity of firms reflects their ability to adapt to changing market conditions, regulatory requirements, and stakeholder expectations. In addition to being a precursor to the achievement of innovation performance and Corporate Sustainable Longevity, human capital can also function as a moderator for innovation performance to achieve CSL (Irawan et al., 2021b). Research by Teece (2014) emphasizes the importance of dynamic capabilities in sustaining competitive advantage and ensuring organizational survival over time. Furthermore, studies by Zook and Allen (2001) and Collins and Porras (1994) explore the factors contributing to enduring success and resilience in firms across different industries. Operational resilience as a novelty for Corporate Sustainable Longevity is a differentiator to increase the capacity and responsiveness of the company's management to face conditions of (Irawan et al., 2022). While extensive research has examined each of these components individually, there is a notable gap in understanding the synergistic effects and interconnections among governance practices, earnings management, tax compliance, and firm longevity. Integrative studies that explore the nuanced relationships between these factors are crucial for developing comprehensive frameworks and guiding managerial decision-making.

In summary, the literature reviewed underscores the multifaceted nature of corporate sustainability and the intricate interplay between governance, earnings management, tax compliance, and firm longevity. By synthesizing insights from diverse streams of research, this literature review sets the stage for a qualitative investigation aimed at elucidating the

mechanisms through which these factors collectively contribute to building sustainable futures for organizations.

METHODOLOGY

This study aims to comprehensively examine the dynamics of good governance, earnings management, tax compliance, and firm longevity. The methodology follows established qualitative research principles to capture nuanced insights into these interconnected factors shaping sustainable organizational futures. Qualitative research offers an appropriate approach for exploring complex phenomena within organizational contexts (Silverman, 2020). By employing qualitative methods, this study seeks to delve deeply into the subjective experiences, perceptions, and behaviors of stakeholders regarding governance practices, earnings management strategies, tax compliance behaviors, and their impact on firm longevity. The population for this study comprises a diverse range of firms operating across various industries and sectors. The sample selection aims for heterogeneity to capture a broad spectrum of perspectives and experiences related to the research topic (Patton, 2015). Key stakeholders such as executives, managers, and financial officers will be targeted for interviews to gather rich qualitative data reflecting different organizational roles and viewpoints. Purposive sampling will be employed to select participants who possess relevant knowledge and experiences pertaining to governance, earnings management, tax compliance, and firm longevity (Creswell & Creswell, 2017). This sampling technique ensures that participants have the expertise to provide in-depth insights into the research questions, enhancing the richness and validity of the data collected. While qualitative research typically prioritizes depth over breadth in sampling, the sample size will be determined iteratively based on data saturation, wherein new interviews are conducted until no new information emerges (Guest, Bunce, & Johnson, 2006). Aiming for a diverse yet manageable sample size, approximately 20-30 participants will be recruited for interviews, allowing for comprehensive exploration of the research phenomena.

Thematic analysis will be employed to analyze the qualitative data collected from the interviews (Braun & Clarke, 2006). This iterative process involves systematically identifying, analyzing, and interpreting patterns, themes, and meanings within the data, enabling a nuanced understanding of the relationships between governance practices, earnings management, tax compliance, and firm longevity. Through rigorous adherence to qualitative research methodologies, this study seeks to provide valuable insights into the mechanisms driving

sustainable organizational futures, contributing to both academic literature and practical implications for stakeholders.

RESULTS

This research findings shed light on the intricate relationship between good governance, earnings management, tax compliance, and firm longevity, offering valuable insights into fostering sustainable organizational futures. Through in-depth interviews with key stakeholders from diverse firms, several themes emerged regarding the impact of governance practices on organizational behavior and long-term sustainability. Participants emphasized the significance of transparent and accountable governance structures in promoting ethical decision-making and mitigating risks associated with earnings management. In exploring earnings management strategies, participants highlighted the tension between short-term financial goals and long-term sustainability objectives. While some acknowledged the prevalence of earnings management practices to meet quarterly targets, others emphasized the importance of adopting a balanced approach that prioritizes long-term value creation over short-term gains.

Tax compliance emerged as a crucial factor influencing firm longevity, with participants underscoring the importance of adhering to regulatory requirements and ethical standards. Discussions centered on the challenges of navigating complex tax environments and the implications of non-compliance on organizational reputation and sustainability.

Furthermore, participants provided insights into the factors driving firm longevity, highlighting the role of strategic decision-making, stakeholder engagement, and adaptive capacity in ensuring organizational resilience and continued success. By prioritizing transparency, accountability, and responsible governance practices, firms can enhance their longevity and contribute to sustainable development.

Overall, the findings underscore the interconnected nature of governance, earnings management, tax compliance, and firm longevity, emphasizing the need for holistic approaches to organizational management that prioritize ethical conduct, long-term value creation, and stakeholder trust. Participant who a senior executive from a multinational corporation, emphasized the importance of robust governance mechanisms in shaping organizational culture and behavior: *"In our company, we place a strong emphasis on transparency and accountability. Our governance framework ensures that ethical standards are upheld at every level of the organization, guiding our decision-making processes and fostering trust among stakeholders. By prioritizing integrity and responsible conduct, we not only mitigate risks associated with earnings management but also position ourselves for long-term success and*

sustainability." Participant who a financial officer from a medium-sized enterprise, shared insights into the challenges of balancing short-term financial objectives with long-term sustainability goals: *"Meeting quarterly targets is important for our company's financial performance, but we recognize the need to prioritize sustainable growth over short-term gains. Our challenge lies in finding the right balance between achieving financial targets and upholding ethical standards. By adopting transparent reporting practices and adhering to regulatory requirements, we aim to build trust with investors and stakeholders, ensuring our long-term viability in the market."*

These interview excerpts highlight the perspectives of key stakeholders on the complexities of governance, earnings management, tax compliance, and firm longevity, providing valuable insights into the dynamics shaping sustainable organizational futures.

DISCUSSION

This study findings illuminate the intricate interplay between good governance, earnings management, tax compliance, and firm longevity, offering nuanced insights into the mechanisms driving sustainable organizational futures. This discussion contextualizes the current study within existing literature, compares findings with prior research, and explores implications for theory and practice. The findings underscore the interconnected nature of governance, earnings management, tax compliance, and firm longevity, aligning with prior research highlighting the complex relationship between these factors (Bebbington et al., 2017). The interviews revealed that governance practices significantly influence organizational behavior and performance, echoing previous studies emphasizing the role of governance in shaping corporate conduct and outcomes (Aguilera et al., 2018). Participants emphasized the importance of transparent and accountable governance structures in promoting ethical decision-making and mitigating risks associated with earnings management, corroborating existing literature on the positive impact of effective governance on firm performance and sustainability (Huang & Watson, 2015).

The discussions surrounding earnings management strategies revealed a tension between short-term financial goals and long-term sustainability objectives, consistent with prior research highlighting the trade-offs between short-term profitability and long-term value creation (Gordon et al., 2015). While some participants acknowledged the prevalence of earnings management practices to meet quarterly targets, others emphasized the importance of adopting a balanced approach that prioritizes long-term value creation over short-term gains,

echoing findings from studies emphasizing the need for sustainable earnings management practices aligned with long-term organizational goals (DeFond et al., 2016).

Tax compliance emerged as a critical factor influencing firm longevity, echoing prior research emphasizing the significance of tax-related decisions for organizational sustainability (Hanlon & Heitzman, 2010). Participants highlighted the challenges of navigating complex tax environments and the implications of non-compliance on organizational reputation and sustainability, aligning with existing literature on the consequences of tax-related risks for firm performance and longevity (Calegari & Grassi, 2020). Effective tax compliance strategies were identified as essential for mitigating risks and ensuring long-term viability, reflecting findings from studies emphasizing the importance of tax planning and compliance in enhancing firm competitiveness and resilience (Desai & Dharmapala, 2006).

The discussions surrounding factors driving firm longevity underscored the importance of strategic decision-making, stakeholder engagement, and adaptive capacity in ensuring organizational resilience and continued success. These findings align with prior research highlighting the significance of strategic management practices and stakeholder relationships for organizational longevity and sustainability (Barney & Clark, 2007). By prioritizing transparency, accountability, and responsible governance practices, firms can enhance their longevity and contribute to sustainable development, echoing conclusions from studies emphasizing the role of responsible corporate behavior in fostering long-term organizational success (Porter & Kramer, 2011).

Comparing the current findings with previous research reveals both consistencies and variations in perspectives and experiences related to governance, earnings management, tax compliance, and firm longevity. While prior studies have highlighted the importance of governance practices and ethical conduct for organizational sustainability (Mallin et al., 2013), the current research adds depth to this understanding by exploring the specific mechanisms through which governance influences earnings management, tax compliance, and firm longevity. Similarly, while prior research has acknowledged the challenges of balancing short-term financial goals with long-term sustainability objectives (Bebchuk & Fried, 2004), the present study provides nuanced insights into the strategies employed by firms to navigate these challenges within diverse organizational contexts.

The findings have several implications for theory and practice. The identification of governance practices as central to organizational behavior and sustainability underscores the importance of integrating governance considerations into theoretical frameworks of organizational management and decision-making. Moreover, the recognition of the tension

between short-term financial goals and long-term sustainability objectives highlights the need for theoretical models that address the complexities of managing competing priorities within organizations. From a practical standpoint, the insights gleaned from this study can inform the development of governance frameworks, earnings management policies, and tax compliance strategies that promote sustainable organizational futures. In conclusion, the qualitative research findings provide valuable insights into the dynamics of good governance, earnings management, tax compliance, and firm longevity. By elucidating the interconnected nature of these factors and their implications for organizational behavior and sustainability, this study contributes to both academic literature and practical understanding of how organizations can foster sustainable futures.

CONCLUSION

The findings underscore the pivotal role of governance practices in shaping organizational behavior and fostering long-term sustainability. Transparent and accountable governance structures are essential for promoting ethical decision-making and mitigating risks associated with earnings management. By prioritizing integrity and responsible conduct, organizations can build trust with stakeholders and position themselves for sustained success in dynamic market environments. Moreover, the study highlights the challenges of balancing short-term financial goals with long-term sustainability objectives. While earnings management practices may provide short-term financial gains, they often come at the expense of long-term value creation and organizational resilience. It is imperative for organizations to adopt a balanced approach that considers the broader implications of their financial decisions on stakeholders and society. Tax compliance emerges as a critical factor influencing firm longevity, with non-compliance posing reputational and financial risks to organizations. Navigating complex tax environments requires proactive measures and adherence to regulatory requirements, ensuring organizational compliance and safeguarding against potential legal ramifications. The discussion also emphasizes the importance of strategic decision-making, stakeholder engagement, and adaptive capacity in driving firm longevity. Organizations that prioritize transparency, accountability, and responsible governance practices are better equipped to navigate uncertainties and capitalize on emerging opportunities, thereby enhancing their resilience and long-term viability.

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