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# Integrating Corporate Governance and Managerial Control in Financial Decision-Making: A Three-Pillar Conceptual Framework

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**ABSTRACT**

Corporate investment, financing, and dividend decisions are susceptible to information asymmetry and conflicts of interest, highlighting the importance of effective corporate governance and managerial control. Weak governance structures and inadequate internal controls often undermine financial accountability and organizational performance. This study aims to examine how corporate governance and managerial control interact in supporting effective financial decision-making and to develop an integrative conceptual framework. The study employs a thematic narrative literature review by synthesizing classical theoretical perspectives, including agency theory, stewardship theory, resource dependence theory, and stakeholder theory, alongside recent empirical studies published through 2025. The analysis also incorporates the levers of control framework, the COSO internal control framework, and documented corporate cases to identify recurring governance and control issues. The findings highlight the complementary roles of corporate governance and managerial control. Corporate governance establishes accountability and oversight, while managerial control translates strategic objectives into operational practices through monitoring and evaluation. This study proposes a three-pillar integrative framework comprising structural oversight, operational control, and organizational integrity. The framework offers theoretical and practical implications for strengthening financial accountability, improving decision-making processes, and promoting ethical organizational practices. Future empirical research is encouraged to examine its applicability across different industries and organizational contexts.

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## INTRODUCTION

Corporate financial decisions play an important role in maintaining business sustainability, economic stability, and public confidence. Investment, financing, and dividend decisions determine how companies allocate resources,


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obtain capital, and distribute financial returns. These decisions affect not only shareholders but also employees, creditors, customers, and other stakeholders who depend on corporate financial performance. Effective corporate governance is therefore essential to ensure that managerial decisions remain accountable and responsible (Mensah et al., 2024; Nguyen & Nguyen, 2024). The quality of financial decision-making also influences organizational resilience and the ability of companies to respond to economic uncertainty. Consequently, strengthening governance and managerial control is important for protecting stakeholder interests, maintaining financial accountability, and supporting sustainable economic development (Octavio et al., 2025).

A major problem in corporate financial management arises when managers possess greater information and decision-making authority than shareholders and other stakeholders. This condition creates opportunities for conflicts of interest, inefficient resource allocation, excessive risk-taking, and inadequate financial supervision. Weak internal controls and ineffective board monitoring can further increase the possibility of financial mismanagement (Amanamah, 2024; Hussain et al., 2023). These problems become more serious when organizations prioritize short-term financial performance over long-term sustainability. Although companies establish formal governance structures, their effectiveness depends on how consistently managerial activities are monitored and evaluated. The challenge is therefore to ensure that corporate governance principles are translated into operational controls that influence actual financial decisions and organizational behavior (Singh Yadav & Yadav, 2024).

In Indonesia, corporate governance problems have become visible through several corporate financial controversies. The financial reporting controversy involving PT Garuda Indonesia Tbk and the financial difficulties experienced by PT Asuransi Jiwasraya (Persero) demonstrate the potential consequences of inadequate supervision, weak financial controls, and insufficient accountability (Akil et al., 2025; Hendarto, 2025). These situations raise concerns about the effectiveness of governance arrangements in protecting investors, creditors, policyholders, and public interests. Such cases indicate that the existence of formal governance structures does not automatically guarantee responsible financial management. Corporate organizations require effective monitoring mechanisms, transparent reporting practices, and ethical leadership to ensure that investment and financing decisions remain consistent with organizational responsibilities and stakeholder expectations.

Previous studies have examined corporate governance and financial decision-making from different perspectives. Mensah et al. (2024) investigated the influence of corporate governance on financial decision-making among non-financial institutions listed on the Australian Securities Exchange. Bo and Li

(2025) examined the relationship between internal corporate governance and corporate cash holdings, including the moderating role of product market competition. Wu et al. (2025) explored how corporate governance and investment efficiency moderate the relationship between financial flexibility and firm performance. These studies demonstrate the relevance of governance mechanisms in financial resource allocation. Nevertheless, their different research focuses indicate the need for a broader conceptual discussion connecting governance structures, managerial controls, and organizational financial decisions.

Research on corporate governance has also expanded toward ownership structure, sustainability, and organizational accountability. Octavio et al. (2025) examined the relationship between ownership structure and ESG performance in Indonesian companies. Their study highlights the relevance of ownership arrangements in understanding corporate sustainability practices. Other research has demonstrated that effective corporate governance is associated with improved investment efficiency through stronger supervision and reduced managerial opportunism (Singh Yadav & Yadav, 2024). Although previous studies provide valuable empirical evidence, corporate governance, internal control, and management control are frequently examined through separate analytical perspectives. This separation leaves an important conceptual gap concerning how board-level accountability can be translated into operational financial controls and supported by ethical organizational behavior. Addressing this gap is important because effective financial decision-making requires coordination between institutional supervision, managerial implementation, and organizational integrity.

This study addresses the following research question: How can corporate governance and management control be integrated to improve corporate financial decision-making? It argues that effective financial accountability requires three interconnected elements: structural governance, operational control, and ethical organizational culture. Structural governance establishes accountability and independent supervision, operational control translates strategic objectives into measurable financial practices, and ethical culture guides responsible managerial behavior. By integrating these elements, this study proposes a three-pillar corporate oversight framework that connects formal governance arrangements with everyday financial management. The framework contributes a conceptual perspective for understanding how organizations can strengthen investment, financing, and dividend decisions while maintaining accountability, transparency, and stakeholder protection.

## RESEARCH METHODS

This study employs a qualitative research design using a thematic narrative literature review approach. This design was selected because the research aims to interpret theoretical perspectives, examine conceptual relationships, and synthesize empirical findings concerning corporate governance, managerial control, and financial decision-making. Rather than measuring statistical relationships, the study focuses on understanding how governance structures and management control mechanisms complement each other. The analysis draws on previous studies, including Stevens (2024), Bellora-Bienengräber et al. (2023), and Weber et al. (2024), to establish an integrated conceptual understanding.

As a literature-based study, this research does not involve a specific geographical research location or direct field observation. The study focuses on scholarly publications, international governance frameworks, and documented corporate cases relevant to corporate governance and financial decision-making. Indonesian corporate cases are included to provide contextual perspectives on governance practices and internal control challenges. Their inclusion is supported by previous studies, including Yuniarwati et al. (2021) and Hendarto (2025), which discuss corporate governance issues in Indonesian organizations.

Data were collected through literature searches using Scopus, Web of Science, Google Scholar, and academic publisher platforms, including ScienceDirect, Emerald, MDPI, SAGE, and Springer. The search employed keywords such as corporate governance, management control systems, agency theory, stewardship theory, levers of control, internal control, cash holdings, and investment efficiency. The selected materials included peer-reviewed journal articles, foundational theoretical publications, governance standards, and relevant corporate case studies. Recent studies by Hussain et al. (2023), Mahajan et al. (2023), Ardianto and Sulaiman (2024), and Nguyen and Nguyen (2024) were incorporated to strengthen the empirical discussion.

Data analysis followed three interconnected stages: data condensation, data display, and conclusion verification. Data condensation involved selecting, organizing, and grouping relevant information into six themes: conceptual foundations, organizational importance, determinants, theoretical development, sectoral and investment applications, and Indonesian corporate cases. Data display involved presenting the findings through thematic descriptions and comparisons of theoretical and empirical evidence. Verification involved examining consistency, identifying differences among previous studies, and evaluating the relationships between governance structures, managerial controls, and financial decisions. This process supported the development of an integrative framework comprising structural oversight, operational control, and organizational integrity.

## RESULTS AND DISCUSSION

### Results

### Conceptualizing Corporate Governance and Management Control

Corporate governance has several complementary meanings. A contemporary institutional perspective emphasizes the system by which companies are directed and controlled, with boards at the center of accountability (Banda & Mwange, 2023; Jeje, 2024). A financial perspective highlights the mechanisms through which outside investors can expect a return on their funds (Mensah et al., 2024; Singh Yadav & Yadav, 2024). A broader policy perspective emphasizes legal and institutional arrangements that support access to capital, corporate efficiency, market confidence, and stakeholder accountability (OECD, 2023). These perspectives share the premise that organizational authority must be subject to credible oversight.

More recent discussions conceptualize governance as structured rules, mechanisms, and processes that protect stakeholder interests through transparency and accountability (Banda & Mwange, 2023; Hamed & Fisal, 2023; Jeje, 2024). Indonesian corporate governance guidance historically emphasized transparency, accountability, responsibility, independence, and fairness, often described as the TARIF principles. Subsequent guidance has moved toward a more contextual governance approach that encourages companies to explain the application of relevant principles (Amanamah, 2024; Jeje, 2024).

Management control concerns the processes by which managers allocate resources and influence organizational behavior to execute strategy (Phan et al., 2023; Stevens, 2024). The levers-of-control perspective identifies belief systems that communicate core values, boundary systems that prohibit unacceptable risks, diagnostic systems that monitor targets and variances, and interactive systems that facilitate dialogue under strategic uncertainty. Evidence indicates that these mechanisms work most effectively in combination rather than as isolated instruments (Bellora-Bienengräber et al., 2023; Weber et al., 2024). By comparison, internal control comprises the control environment, risk assessment, control activities, information and communication, and monitoring activities (Amanamah, 2024; Stevens, 2024).

**Table 1. Comparison of Corporate Governance, Executive Management, and Management Control**

| Dimension | Corporate governance | Executive management | Management control |
|---|---|---|---|
| Main actors | Board, directors, shareholders | CEO and division heads | Operational managers and controllers |
| Key question | Who supervises and demands accountability? | Which strategy and action plan are pursued? | How is the plan executed against targets? |

| | | | |
|---|---|---|---|
| Time horizon | Long-term sustainability | Medium-term and annual cycles | Daily, weekly, and monthly reviews |
| Examples | Board charters, audit committees, shareholder meetings | Strategic planning, capital allocation, acquisitions | Budgets, KPI scorecards, cash authorization limits |

*Source: synthesized from (Bellora-Bienengräber et al., 2023; Phan et al., 2023; Stevens, 2024).*

Governance determines accountability and the direction of oversight, whereas management control helps implement that direction at the operational level. Treating these functions as separate fields obscures the connection between board-level decisions and employees' daily actions. A unified perspective therefore views them as parts of one oversight architecture rather than competing approaches (Stevens, 2024; Weber et al., 2024).

**The Importance of Governance and Management Control**

First, governance arrangements are associated with organizational performance. Measures such as return on assets, return on equity, and Tobin's Q are commonly used to evaluate governance-related outcomes (Nguyen & Nguyen, 2024; Omenihu & Nwafor, 2025). A cross-country analysis covering 1,604 companies in 41 countries reports relationships between board size, board independence, and performance; these relationships vary with the quality of national governance institutions (Omenihu & Nwafor, 2025). Such evidence suggests that board design cannot be assessed without considering the institutional setting.

Second, governance influences financing credibility and the allocation of liquidity. Investors are likely to consider transparency and monitoring quality when evaluating organizational risk (Mensah et al., 2024; Nguyen & Nguyen, 2024). Institutional ownership may improve managerial accountability, while board effectiveness can shape cash-holding policies. Evidence from Chinese listed companies indicates that the relationship between board governance and cash reserves depends on financial constraints, suggesting that an appropriate cash balance is context dependent rather than universally high or low (Hussain et al., 2023).

Third, governance and management control support reporting integrity and organizational resilience. Weak monitoring can enable misleading financial disclosures, destroy stakeholder confidence, and threaten business continuity. The Jiwasraya case illustrates the severe consequences of failures in governance and risk supervision (Hendarto, 2025). In contrast, complementary control mechanisms have been associated with organizational capabilities and performance in prior research (Bellora-Bienengräber et al., 2023; Phan et al., 2023; Weber et al., 2024). Thus, oversight is not only a compliance cost but also an investment in trust.

**Determinants of Governance Effectiveness**

Four groups of determinants emerge from the literature. The first concerns board attributes, including size, independence, gender diversity, and financial expertise. Board characteristics are associated with variations in firm performance and monitoring quality (Omenihu & Nwafor, 2025). Gender diversity has also been discussed in relation to investment efficiency during crises and to ESG performance during digital transformation (Ardianto & Sulaiman, 2024; Scafarto et al., 2025; Yu & Hwang, 2024).

The second group concerns ownership structure, including institutional, foreign, family, and state ownership. Monitoring incentives may strengthen with sophisticated outside investors but weaken when controllers can dominate the mechanisms designed to supervise them (Bo & Li, 2025; Omenihu & Nwafor, 2025). The third group comprises organizational characteristics such as company size, operating age, profitability, capital expenditure, and leverage. These attributes influence financing needs and the feasibility of different control arrangements (Hussain et al., 2023; Mensah et al., 2024).

The fourth group consists of external institutions, particularly legal enforcement, securities regulation, and national governance quality. The moderating role of country-level institutions indicates that identical board structures may perform differently across jurisdictions (Omenihu & Nwafor, 2025). Governance design should therefore reflect sectoral risks, ownership concentration, organizational size, and the regulatory environment rather than replicate a universal template.

**Theoretical Development of Corporate Oversight**

Theoretical approaches to corporate oversight have evolved from conflicts of interest to broader organizational relationships. Agency theory assumes that differences between owners and managers, combined with information asymmetry, can generate opportunistic behavior. Independent boards, incentive alignment, and auditing are proposed as safeguards (Banda & Mwange, 2023; Stevens, 2024). The separation of decision management from decision control is central to this approach (Banda & Mwange, 2023). Excess discretionary cash may encourage managers to invest in projects that expand their influence without increasing shareholder value (Ardianto & Sulaiman, 2024; Hussain et al., 2023). Yet an exclusively opportunistic view can overlook trust and intrinsic motivation (Banda & Mwange, 2023).

Stewardship theory instead treats managers as potentially committed to organizational success and professional achievement, making autonomy and trust relevant governance resources (Banda & Mwange, 2023; Jeje, 2024). Its limitation is that trust may be exploited when safeguards are absent. Resource

dependence theory shifts attention to the board's access to external resources, legitimacy, expertise, and networks, while also exposing potential conflicts from influential outside relationships (Banda & Mwange, 2023; Omenihu & Nwafor, 2025).

Stakeholder theory broadens accountability beyond shareholders to employees, customers, suppliers, communities, and the environment (Mahajan et al., 2023). This perspective is increasingly associated with ESG and sustainability concerns (Mahajan et al., 2023; Orazalin et al., 2024). At the operational level, the levers-of-control framework combines enabling mechanisms that support opportunity seeking with constraining mechanisms that safeguard organizational discipline. Research on the combined use of controls associates this balance with organizational capability and performance (Bellora-Bienengräber et al., 2023; Phan et al., 2023).

The COSO framework provides an applied approach to internal control through five integrated components and seventeen principles, translating general oversight objectives into organizational routines (Amanamah, 2024; Stevens, 2024). A recent integrative perspective argues that structural corporate governance and operational management control should be considered jointly to explain managerial behavior and accountability (Stevens, 2024). Table 2 summarizes the central assumptions and contributions of these approaches.

**Table 2. Theoretical Perspectives on Corporate Governance and Management Control**

| No. | Theory / framework | Foundational scholars | Central argument | Key references |
|---|---|---|---|---|
| 1 | Agency theory | Jensen and Meckling (1976) | Ownership–control separation creates agency conflicts; monitoring and incentives reduce agency costs. | Banda & Mwange (2023); Stevens (2024) |
| 2 | Stewardship theory | Donaldson and Davis (1991); Davis et al. (1997) | Managers may be motivated by professional achievement and organizational commitment. | Banda & Mwange (2023); Jeje (2024) |
| 3 | Resource dependence theory | Pfeffer and Salancik (1978) | Boards provide resources, networks, and external legitimacy. | Banda & Mwange (2023); Omenihu & Nwafor (2025) |
| 4 | Stakeholder theory | Freeman (1984) | Corporate responsibility extends beyond shareholders to other stakeholders. | Mahajan et al. (2023); Orazalin et al. (2024) |
| 5 | Levers of control | Simons (1995) | Belief, boundary, diagnostic, and interactive controls balance innovation and discipline. | Bellora-Bienengräber et al. (2023); Phan et al. (2023) |

| | | | | |
|---|---|---|---|---|
| 6 | COSO framework | COSO (2013) | Five integrated components guide internal-control design and monitoring. | Amanamah (2024); Stevens (2024) |
| 7 | Integrative review | Stevens (2024) | Corporate governance and management control should form one analytical architecture. | Stevens (2024); Weber et al. (2024) |

*Source: synthesized from (Amanamah, 2024; Banda & Mwange, 2023; Bellora-Bienengräber et al., 2023; Stevens, 2024).*

## Critical Evaluation of Theoretical Strengths and Limitations

Each theory illuminates a different aspect of oversight. Agency theory provides concrete tools for monitoring moral hazard but may encourage excessive surveillance. Stewardship theory recognizes trust and intrinsic motivation yet risks granting autonomy to opportunistic managers. Resource dependence theory explains access to capital and external expertise while leaving open the problem of related-party influence. Stakeholder theory broadens accountability but can be difficult to operationalize when stakeholder claims conflict. The levers of control and internal-control frameworks offer practical mechanisms, although their effectiveness depends on management commitment and the integrity of senior leadership (Amanamah, 2024; Banda & Mwange, 2023; Stevens, 2024).

The tension between agency and stewardship perspectives is best understood as a governance design problem rather than a choice between mutually exclusive theories. Excessive control may suppress initiative, while unconditional trust may permit misconduct. Context-sensitive combinations of safeguards and empowerment provide a more defensible response. Table 3 outlines the main advantages and constraints of the six perspectives.

**Table 3. Strengths and Limitations of Corporate Oversight Theories**

| Theory | Strengths | Limitations |
|---|---|---|
| Agency theory | Identifies moral hazard and offers practical monitoring and incentive mechanisms. | Can neglect intrinsic motivation and encourage excessive control. |
| Stewardship theory | Recognizes trust, cooperation, and managerial motivation. | Autonomy can be exploited without adequate safeguards. |
| Resource dependence theory | Explains access to networks, capital, and legitimacy. | External ties can create conflicts of interest. |
| Stakeholder theory | Supports sustainability and broad accountability. | Conflicting stakeholder claims are difficult to quantify. |
| Levers of control | Balances innovation, monitoring, and risk boundaries. | Depends on managerial commitment and ethical leadership. |

| | | |
|---|---|---|
| COSO framework | Offers comprehensive and auditable control principles. | Implementation may become formalistic and resource-intensive. |

*Source: synthesized from (Amanamah, 2024; Banda & Mwange, 2023; Stevens, 2024).*

No single theory fully explains corporate governance and management control. A multidimensional approach can combine the agency perspective's sensitivity to opportunism, the stakeholder perspective's attention to public consequences, and the actionable safeguards offered by management control and internal-control frameworks. Such theoretical complementarity is particularly useful when evaluating high-stakes financial decisions.

### Sectoral Relevance of Governance Theories

The relevance of governance theories varies across sectors because ownership, information asymmetry, assets, and regulation differ. In family firms, owner-managers may face fewer classical agency conflicts but stronger conflicts between controlling families and minority shareholders. Banks and insurers manage funds entrusted by the public and therefore require both agency safeguards and stakeholder protection. State-owned enterprises combine public ownership with multilayered oversight. Manufacturing organizations rely on process discipline and external supply networks, whereas technology firms must balance experimentation with risk boundaries and sustainability expectations (Banda & Mwange, 2023; Hendarto, 2025; Mahajan et al., 2023). Table 4 provides a sector-specific theoretical mapping.

**Table 4. Relevant Governance Theories by Business Sector**

| Business sector | Relevant theories | Reason for relevance |
|---|---|---|
| SMEs and family firms | Stewardship; agency | Owner–manager overlap and potential conflicts with minority shareholders. |
| Banking and insurance | Agency; stakeholder | Public funds require rigorous risk oversight and stakeholder protection. |
| State-owned enterprises | Agency; stakeholder | Public ownership, layered supervision, and broad social consequences. |
| Manufacturing | Resource dependence; levers of control | Operational discipline and dependence on suppliers and networks. |
| Technology and digital firms | Stakeholder; levers of control | Innovation must coexist with risk boundaries and ESG accountability. |

*Source: synthesized from (Banda & Mwange, 2023; Hendarto, 2025; Mahajan et al., 2023).*

## Application to Investment Decisions

### *Working Capital Investment*

Cash, receivables, and inventories are liquid or readily transferable assets that require routine oversight. Agency theory highlights the possibility that managers misuse discretionary resources; management control responds with

cash budgets, credit limits, liquidity indicators, reconciliations, and variance analysis. Cash holdings should balance the costs of idle resources against the need to seize valuable opportunities. Evidence suggests that board monitoring and financial constraints jointly shape cash policies, while governance disclosure requirements may strengthen the discipline of liquidity allocation (Chua & Lee, 2024; Hussain et al., 2023).

### *Long-Term Fixed-Asset Investment*

Capital expenditures involve substantial commitments whose effects may persist for many years. Managers can favor prestigious expansion projects even when their expected net present values are negative, particularly when free cash flow is abundant (Ardianto & Sulaiman, 2024; Singh Yadav & Yadav, 2024). Agency safeguards should therefore be combined with access to specialized board expertise and external networks, as emphasized by resource dependence theory. Suitable controls include independent project appraisal, net present value evaluation, approval thresholds for major expenditures, and post-investment audits. Indonesian evidence also associates board-related governance and gender diversity with investment efficiency in crisis conditions (Ardianto & Sulaiman, 2024).

### *Financial Asset Investment*

Investments in shares, bonds, and investment funds are exposed to market volatility, portfolio concentration, and potential speculation. Incentives for short-term performance can conflict with the long-term safety of funds managed for investors or policyholders. Agency theory should therefore be combined with stakeholder theory, particularly where external beneficiaries bear the consequences of managerial decisions. Written asset-allocation policies, concentration limits, risk committees, and frequent portfolio valuation are relevant safeguards. The Jiwasraya experience illustrates the consequences of weak risk boundaries in managing public funds (Chua & Lee, 2024; Hendarto, 2025; Subekti, 2024). Table 5 maps the appropriate controls across investment categories.

**Table 5. Theoretical Lenses and Control Instruments for Investment Decisions**

| Investment category | Main theoretical lenses | Control instruments | Supporting evidence |
|---|---|---|---|
| Working capital | Agency; levers of control | Cash budgets, credit limits, liquidity ratios, reconciliation. | Hussain et al. (2023); Chua & Lee (2024) |
| Fixed assets | Agency; resource dependence | NPV analysis, capital approval thresholds, post-project audit. | Ardianto & Sulaiman (2024); Singh Yadav & Yadav (2024) |

| | | | |
|---|---|---|---|
| Financial assets | Agency; stakeholder | Asset allocation rules, exposure limits, risk committees, market valuation. | Chua & Lee (2024); Hendarto (2025); Subekti (2024) |

*Source: synthesized from (Ardianto & Sulaiman, 2024; Chua & Lee, 2024; Hendarto, 2025; Hussain et al., 2023; Singh Yadav & Yadav, 2024; Subekti, 2024).*

## Synthesis of Recent Empirical Evidence (2023–2025)

The recent evidence presents three recurring patterns. First, board characteristics and management control systems are associated with corporate performance, cash policies, and investment efficiency across varied settings. Second, governance research increasingly addresses ESG performance and digital transformation, expanding the focus of supervision beyond accounting outcomes. Third, national institutional quality and organizational circumstances condition the strength and direction of governance effects. The literature therefore supports a context-sensitive rather than universal prescription for effective oversight (Bellora-Bienengräber et al., 2023; Omenihu & Nwafor, 2025; Yu & Hwang, 2024). Table 6 summarizes ten studies discussed in this section.

**Table 6. Recent Empirical and Review Evidence on Governance and Control, 2023–2025**

| Study | Context / sample | Main finding | Theoretical lens |
|---|---|---|---|
| Bellora-Bienengräber et al. (2023) | Meta-analysis of control research | Complementary control levers are associated with organizational performance. | Levers of control |
| Phan et al. (2023) | 337 Australian organizations | Management control contributes to organizational capabilities. | Levers of control |
| Hussain et al. (2023) | 860 listed firms in China | Board governance and financial constraints jointly shape cash policy. | Agency |
| Chua & Lee (2024) | Listed firms in South Korea | Governance disclosure requirements promote cash-allocation discipline. | Agency |
| Ardianto & Sulaiman (2024) | Listed firms in Indonesia | Board governance and gender diversity relate to investment efficiency during crises. | Agency; resource dependence |
| Yu & Hwang (2024) | International listed firms | Board independence and digital transformation interact in ESG outcomes. | Stakeholder; agency |
| Orazalin et al. (2024) | UK and European firms | Sustainability committees are linked to carbon outcomes and valuation. | Stakeholder |
| Omenihu & Nwafor (2025) | 1,604 firms in 41 countries | National governance quality moderates board–performance relationships. | Agency |

| | | | |
|---|---|---|---|
| Scafarto et al. (2025) | Italian listed firms | Board gender diversity shapes the digitalization–ESG relationship. | Stakeholder; resource dependence |
| Hendarto (2025) | Indonesian Jiwasraya case | Weak governance contributed to financial reporting and policyholder losses. | Multiple perspectives |

*Source: compiled from the studies listed in the reference section.*

## Applications to Indonesian Corporate Cases

### *The Case of PT Garuda Indonesia Tbk*

Garuda Indonesia's 2018 financial statements recognized revenue associated with an aircraft connectivity arrangement involving Mahata Aero Teknologi, valued at approximately USD 239.94 million, even though the related cash had not been collected. The controversy raised questions about the substance of the arrangement, revenue recognition, and the appropriateness of the financial statements. Recent case analyses discuss the underlying accounting treatment and the regulatory response to the disclosure (Akil et al., 2025). The case illustrates how aggressive accounting judgments can become governance concerns when control and reporting incentives are not aligned.

Two independent commissioners declined to approve the annual financial statements. This objection revealed weaknesses in the capacity of formal governance mechanisms to prevent problematic reporting. A recent case study links the failure to deficiencies in ethical leadership and the operation of board-level safeguards despite the existence of a formal governance structure (Akil et al., 2025). The central lesson is that compliance indicators cannot substitute for actual supervisory effectiveness.

### *The Case of PT Asuransi Jiwasraya (Persero)*

Jiwasraya's difficulties in meeting obligations under its JS Saving Plan became a prominent example of failures in financial risk governance. Recent case analyses describe problematic placements of policyholder funds in risky securities, insufficient prudent supervision, and financial reporting practices that concealed underlying weaknesses (Hendarto, 2025; Subekti, 2024). From a control perspective, this illustrates a breakdown of investment boundaries, risk monitoring, and accountability. Because the funds belonged to policyholders, the consequences extended well beyond the company's owners.

### *Comparative Case Analysis and the Authors' Position*

From an accounting perspective, both cases raise questions about whether published financial information represented economic substance. The Garuda case concerned contested recognition and presentation of revenue, while the

Jiwasraya case involved deficiencies in investment risk and financial transparency. Standards alone cannot protect users when those charged with applying them disregard effective control procedures (Amanamah, 2024; Akil et al., 2025; Hendarto, 2025).

From a financial perspective, the cases reveal weaknesses in the alignment between risk, investment decisions, and liquidity obligations. From a legal and ethical perspective, directors owe duties to the corporation and must exercise responsible judgment when dealing with corporate resources. The erosion of ethical leadership can neutralize the effectiveness of formal audit and governance mechanisms. From a social perspective, the failures affected policyholders, investors, public resources, and trust in major national institutions (Akil et al., 2025; Hendarto, 2025; Subekti, 2024).

A combined theoretical interpretation highlights agency conflicts, violations of the stewardship responsibility, damage to stakeholder interests, and ineffective boundary and internal controls. Neither a structural theory nor an operational control framework alone adequately captures these interconnected failures. Table 7 presents a comparative reading of the cases based on the documented accounts.

**Table 7. Comparative Assessment of the Garuda Indonesia and Jiwasraya Cases**

| Dimension | Garuda Indonesia | Jiwasraya |
|---|---|---|
| Central event | Contested 2018 revenue recognition in a Mahata transaction. | Failure to meet JS Saving Plan policy obligations in 2019. |
| Principal control failure | Weak ethical leadership and ineffective reporting oversight. | Insufficient portfolio risk boundaries and supervisory monitoring. |
| Relevant theories | Agency; stewardship. | Agency; stakeholder; boundary controls. |
| Governance principles affected | Transparency and accountability. | Transparency, accountability, and independence. |
| Affected parties | Shareholders, creditors, and the state. | Policyholders, the state, and public confidence. |
| Main lesson | Formal governance cannot replace ethical leadership. | Public funds require enforceable investment and risk limits. |

*Source: synthesized from (Akil et al., 2025; Hendarto, 2025; Subekti, 2024).*

The authors argue that governance assessment in Indonesia should move beyond the completeness of formal structures toward demonstrable effectiveness. At institutions holding public funds, prudential investment limits and oversight should not depend entirely on managerial discretion. Governance without control is an architecture lacking implementation; control without governance lacks an accountable direction; and both are weakened without ethical commitment. This synthesis follows from the case comparison rather than a newly conducted empirical investigation.

**An Integrative Three-Pillar Corporate Oversight Framework**

Based on the theoretical and case synthesis, this article proposes a three-pillar model of corporate oversight. The structural pillar comprises board independence, audit committees, shareholder safeguards, and regulatory arrangements that establish accountability. The operational pillar comprises budgets, performance indicators, authorization limits, internal audit, and risk management that translate expectations into routine decisions. The cultural pillar comprises ethical leadership, codes of conduct, incentives, and safe channels for reporting misconduct. The proposed integration responds to the disconnect between board governance and management control identified in the literature (Amanamah, 2024; Bellora-Bienengräber et al., 2023; Stevens, 2024; Weber et al., 2024).

Three propositions follow. Proposition 1: Oversight effectiveness increases when structural and operational mechanisms are deliberately connected, so that board-level decisions become enforceable day-to-day controls. Proposition 2: Without an ethical culture, structural and operational arrangements are prone to ceremonial compliance, as illustrated by the Indonesian cases. Proposition 3: The optimal design is contingent on industry, scale, ownership, and national institutional quality. These propositions are theoretical statements derived from the review and require empirical validation.

**Table 8. Proposed Three-Pillar Framework for Integrated Corporate Oversight**

| Pillar | Main focus | Key instruments | Effectiveness indicators |
|---|---|---|---|
| Structural governance | Accountability and independent supervision | Independent boards, audit committees, board charters, regulation. | Reporting integrity and quality of oversight. |
| Operational control | Strategy execution and operating discipline | Budgets, KPIs, authorization limits, risk management, internal audit. | Timely identification of deviations and goal achievement. |
| Ethical culture | Integrity, values, and organizational behavior | Leadership example, codes of conduct, long-term incentives, whistleblowing. | Integrity culture and willingness to report misconduct. |

*Source: authors' synthesis based on (Amanamah, 2024; Bellora-Bienengräber et al., 2023; Stevens, 2024; Weber et al., 2024) and the case comparison.*

Four implications emerge for practice. First, boards should connect independent supervision to operating budgets, monitoring routines, and risk-reporting systems. Second, organizations should foster ethical leadership and meaningful channels for escalation instead of measuring governance through documentary completeness alone. Third, investment controls must reflect organizational risks and regulatory obligations, especially for institutions managing public funds. Fourth, digital reporting and ESG indicators should supplement rather than replace traditional financial and internal controls.

Future research could empirically examine the three-pillar framework through surveys, longitudinal panel data, and comparative case studies. The effects of board independence on investment efficiency could be tested through management control quality and moderated by ethical climate or institutional quality. Research could also compare state-owned enterprises, financial institutions, family firms, and digital businesses. Such designs would extend the conceptual synthesis toward measurable relationships while acknowledging the contextual nature of governance effectiveness.

## CONCLUSION

This study highlights that effective corporate financial decision-making requires the integration of corporate governance and management control, supported by ethical organizational culture. The main finding demonstrates that structural oversight establishes accountability, operational controls translate strategic objectives into measurable practices, and ethical leadership ensures responsible managerial behavior. The implications of these findings emphasize the importance of aligning board supervision, internal control procedures, and organizational integrity to strengthen investment, financing, and dividend decisions while protecting stakeholder interests. The principal scholarly contribution of this study is the development of an integrative three-pillar corporate oversight framework that combines agency, stewardship, resource dependence, and stakeholder perspectives with management control mechanisms. This framework extends the conceptual understanding of financial accountability by connecting institutional governance with operational implementation and ethical conduct. Nevertheless, this study has limitations arising from its narrative literature review design and reliance on previously published research and documented corporate cases. Future research should empirically examine the proposed framework using quantitative and qualitative approaches across different industries, ownership structures, and institutional environments to assess its applicability and explanatory power.

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