JOURNAL OF MANAGEMENT AND BUSINESS SOLUTIONS

Assessing the Performance Outcomes of Quasi-Oligarchic Corporate Governance in Iran’s Capital Market

1. Esmaiel. Salehi: Department of Accounting, Sha.C., Islamic Azad University, Shahrood, Iran
2. Hasan. Valiyan*: Department of Accounting, Sha.C., Islamic Azad University, Shahrood, Iran
3. Mohammadreza. Abdoli: Department of Accounting, Sha.C., Islamic Azad University, Shahrood, Iran
4. Mehdi. Eskandari: Department of Accounting, Sha.C., Islamic Azad University, Shahrood, Iran

*corresponding author’s email: hassan.valian@iau.ac.ir

ABSTRACT

The purpose of this study was to assess the performance outcomes of quasi-oligarchic corporate governance in Iran’s capital market. The methodological nature of the study was mixed-methods. Accordingly, to achieve the analytical objectives of the research, a phenomenological approach was initially employed to identify propositional themes associated with the central phenomenon through interviews and open coding. Subsequently, the propositional themes were classified using a researcher-developed weighted checklist, thereby enabling the categorization of emergent concepts across the five dimensions of a paradigmatic model. Thereafter, to extend the identified consequences of the central phenomenon to the context of capital-market companies and to prioritize and determine the most central dimension resulting from the application of a quasi-oligarchic governance system in Iran’s capital market, interpretive ranking matrix procedures were employed. The study participants comprised 26 actors from the capital market and public finance sectors who, based on predetermined experiential adequacy criteria, possessed sufficient and relevant knowledge of the characteristics of governance systems in the capital market. These participants contributed to the collection of the research data. The findings derived from interviews with experienced market actors indicated the identification of 343 open codes, 55 contextual propositions, and 11 categories related to the characteristics underlying the formation of quasi-oligarchic governance systems in companies operating within industries affiliated with the institutional sector. These categories covered the full range of the phenomenon, from its causal conditions to the consequences of this anomalous occurrence in Iran’s capital market. “Transactions without changes in ultimate ownership and the creation of artificial prices,” abbreviated as (H_8), was identified as the most central dimension. It is expected that the expansion of unidimensional ownership structures in Iran’s capital market will result in the infringement of stakeholders’ rights due to the concealed, self-serving operational practices of such companies. The findings further indicate that external challenges constitute an integrated and purposive system influencing policymaking and directing transparent corporate governance practices, whereas internal challenges arise from anomalies associated with the opportunistic behavior of companies characterized by such governance structures. These conditions may ultimately lead to the violation of minority shareholders’ rights in favor of the majority controlling the administrative systems of these companies. Fundamentally, the proliferation of quasi-oligarchic governance practices reflects a form of acquisitive control through which, as a result of self-serving monopolistic arrangements, companies governed by such mechanisms attempt to selectively disclose their performance. In doing so, they prioritize interests that enable them to satisfy, to a greater extent, the demands and preferences of dominant power holders within the companies.

Keywords: Corporate governance, quasi-oligarchic governance system, ownership monopolization

Article history:
Received 10 September 2025
Revised 29 October 2025
Accepted 16 December 2025
Published online 01 January 2026

How to cite this article:
Salehi, E., Valiyan, H., Abdoli, M & Eskandari, M. (2026). Assessing the Performance Outcomes of Quasi-Oligarchic Corporate Governance in Iran’s Capital Market. *Journal of Management and Business Solutions, 4*(1), 1-22. https://doi.org/10.61838/jmbs.404

Introduction

Corporate governance constitutes the institutional architecture through which corporations are directed, monitored, and held accountable to shareholders and other stakeholders. Its central purpose is to regulate the distribution of authority among boards of directors, executives, controlling owners, minority shareholders, creditors, regulators, and other parties whose interests are affected by corporate decisions. In well-functioning capital markets, governance mechanisms reduce information asymmetry, constrain managerial opportunism, protect investor rights, improve transparency, and align organizational decision-making with long-term value creation. However, the effectiveness of these mechanisms depends not merely on the formal adoption of governance codes, but also on the distribution of ownership, the independence and competencies of directors, the strength of enforcement institutions, and the degree to which political and economic power is concentrated within corporate structures. Research increasingly demonstrates that ownership structure is not a passive organizational characteristic; rather, it actively shapes board composition, monitoring intensity, capital allocation, dividend policy, and the practical operation of governance mechanisms (1, 2).

The importance of corporate governance becomes especially pronounced in emerging capital markets, where legal enforcement may be uneven, ownership is often concentrated, institutional investors may be connected to the state or powerful economic groups, and informal relationships may influence formal decision-making. Under such circumstances, the conventional agency conflict between dispersed shareholders and professional managers may be supplemented or even displaced by conflicts between controlling and minority shareholders. In these contexts, corporate governance can cease to operate as a system of balanced accountability and instead become an instrument through which dominant owners preserve control, influence board appointments, shape disclosure practices, and extract private benefits. Reviews of governance in emerging markets emphasize that institutional quality, ownership concentration, political embeddedness, and weak protection of minority investors frequently interact to produce governance outcomes that differ substantially from those predicted by models developed for dispersed-ownership economies (3). Evidence from Iran similarly indicates that conventional corporate-governance mechanisms do not always resolve agency problems and may require reassessment in light of the distinctive institutional and ownership configuration of developing capital markets (4).

The Iranian capital market exhibits several structural characteristics that make the study of concentrated and quasi-oligarchic governance particularly important. A substantial proportion of listed firms are connected directly or indirectly to public institutions, semi-public organizations, pension funds, large holdings, foundations, banks, or other institutional owners. These ownership arrangements can generate extensive chains of control across parent companies, subsidiaries, affiliated firms, and interlocking boards. Although institutional ownership may theoretically strengthen oversight by providing resources, expertise, and incentives for active monitoring, it may also intensify control concentration when ownership rights and governance authority are exercised by a narrow group of actors. Recent Iranian research has therefore focused on the effectiveness of governance arrangements, the adequacy of board committees, and the competencies required for directors to perform meaningful supervisory functions (5, 6). These studies suggest that formal mechanisms alone cannot guarantee effective governance when board members lack independence, specialized expertise, or the institutional capacity to challenge entrenched power.

One of the most significant structural risks in concentrated governance systems is board entrenchment. Entrenchment occurs when dominant actors preserve their influence through repeated appointments, long tenures, loyalty-based selection, family or political connections, and control over nomination procedures. Under such conditions, the board may formally exist as a supervisory body while substantively functioning as an extension of controlling owners or powerful institutional actors. The use of staggered boards has been proposed as one mechanism capable of reducing concentrated influence and disrupting entrenched governance arrangements, particularly when accompanied by transparent tenure rules and independent nomination processes (7). Conversely, the absence of staggered structures, limited disclosure of directors' affiliations, and prolonged retention of trusted appointees may reinforce a closed governance network in which monitoring is weakened and accountability becomes selective.

The concept of oligarchy provides an important theoretical lens for understanding these developments. Oligarchy refers to the concentration of decision-making authority, strategic resources, and institutional influence within a small and relatively stable group. In political and economic systems, oligarchic arrangements may persist even when formal institutions appear pluralistic or democratic because dominant actors retain disproportionate control over access, information, appointments, and resource distribution. Contemporary scholarship has linked oligarchy to broader processes of democratic erosion, political dynasties, technological power, and the emergence of private actors with quasi-sovereign authority (8-10). The idea of corporate quasi-sovereignty similarly suggests that powerful corporations may acquire capacities traditionally associated with public authority, including rule-setting, resource control, behavioral regulation, and the ability to influence social and economic outcomes beyond the boundaries of the firm (11). When these capacities intersect with concentrated ownership and weak external oversight, corporate governance may assume a quasi-oligarchic character.

Quasi-oligarchic corporate governance can therefore be understood as a hybrid arrangement in which formal governance institutions remain in place but are dominated by a restricted network of owners, directors, political actors, or institutional affiliates. Unlike a purely oligarchic system, such a structure may retain nominal compliance with governance regulations, disclosure requirements, shareholder meetings, and board procedures. Nevertheless, actual authority is exercised through concentrated ownership, selective appointments, interlocking relationships, political influence, and informal channels of control. This arrangement permits dominant actors to preserve the appearance of legality and procedural legitimacy while limiting meaningful contestation. The risk is not merely managerial inefficiency; it is the institutionalization of a governance structure that systematically privileges insiders over minority shareholders, employees, creditors, and other stakeholders.

Political connections are among the most important mechanisms through which quasi-oligarchic governance can be reproduced. A politically connected chief executive or director may provide a firm with privileged access to contracts, credit, regulatory information, or administrative support, but such connections may also reduce accountability and increase the likelihood that corporate decisions serve political rather than economic objectives. Empirical evidence shows that politically connected executives can affect firm value, risk-taking, merger and acquisition performance, debt costs, and the effectiveness of governance mechanisms (12-16). These effects are not uniformly positive. Political embeddedness may produce short-term advantages while simultaneously encouraging excessive risk, inefficient investment, tunneling, and preferential treatment. In regulated industries, political connections have also been associated with the diversion of corporate resources and the transfer of value away from minority shareholders (17).

The relationship between corporate power and political hegemony also extends into accounting and valuation practices. Accounting information is not produced in an institutional vacuum; it reflects the interests, assumptions, and power relations that shape the definition and communication of corporate performance. Studies of political hegemony and accounting discourse demonstrate how valuation systems can support dominant institutional narratives and legitimize particular distributions of economic authority (18). In a quasi-oligarchic governance system, this dynamic may be manifested through selective disclosure, income smoothing, repeated prior-period adjustments, opaque related-party transactions, or strategic presentation of performance. Such practices can preserve the legitimacy of dominant ownership groups while preventing investors from accurately assessing risk, control relationships, and the economic substance of transactions.

Family ownership constitutes another important source of concentrated control. Family firms may benefit from long-term orientation, commitment, accumulated tacit knowledge, and close monitoring, but they may also exhibit nepotism, succession conflicts, related-party transactions, and preferential treatment of family interests. Evidence from emerging markets indicates that the performance effects of family ownership depend heavily on the quality of corporate governance and the extent to which boards can protect nonfamily shareholders (19). Family firms may also make commercialization and investment decisions based on behavioral considerations related to identity, control, and preservation of socioemotional wealth rather than solely on financial efficiency (20). Political attachments can further transform corporate kinship into a wider system of influence in which family, business, and political networks reinforce one another (21). These patterns are particularly relevant where formal controls over family representation on boards are limited.

Foreign ownership, board tenure, and audit pricing provide additional evidence that governance characteristics affect the perceived risk and cost of corporate monitoring. Longer executive tenure may increase firm-specific knowledge, but it may also entrench managerial power and weaken auditor independence or board challenge. Foreign investors may demand stronger transparency and oversight, yet their influence depends on ownership rights, legal protection, and their ability to monitor local insiders. Research in emerging economies shows that chief executive tenure and foreign ownership jointly shape audit risk assessments and audit pricing, reflecting the complex relationship between control, monitoring, and perceived governance quality (22). These findings reinforce the argument that governance outcomes arise from the interaction of ownership configuration, executive power, and institutional safeguards rather than from any single formal mechanism.

Weak governance may also create broader risks for organizational legitimacy and stakeholder relations. Stakeholder theory holds that corporations are accountable not only to shareholders but also to employees, creditors, customers, regulators, communities, and other groups affected by corporate conduct. Corporate social responsibility and financial performance are therefore connected to the firm’s capacity to balance competing interests and sustain legitimacy (23). Where governance becomes dominated by a narrow coalition, stakeholder responsibilities may be subordinated to the private interests of controlling actors. Minority shareholders may experience dilution of voting power, limited access to information, exclusion from strategic decisions, and exposure to transactions designed to benefit affiliated parties. In such circumstances, the formal language of stakeholder protection may coexist with practical mechanisms of exclusion.

The consequences of quasi-oligarchic governance are likely to extend beyond the internal structure of the corporation. Concentrated influence can contribute to financial risk, legal exposure, credit constraints, manipulation of market prices, money laundering, shell-company formation, and the movement of funds between capital and money markets. It can also undermine confidence in listing procedures, disclosure systems, statutory audits, and regulatory enforcement. The literature on anti-corruption disclosure emphasizes that governance quality and transparency are central to limiting corrupt practices and improving accountability, but also notes major gaps in the empirical examination of how disclosure interacts with ownership concentration and institutional power (24). Historical research further demonstrates that governance institutions are path-dependent and are shaped by colonial legacies, political change, social conflict, and evolving legal systems (25). Thus, the governance problems observed in contemporary capital markets should not be treated as isolated corporate failures; they may reflect deeper institutional arrangements that have developed over time.

The Iranian context makes this problem particularly complex because corporate governance operates at the intersection of formal regulation, institutional ownership, political economy, and market constraints. The inability to conduct unrestricted cross-border financial transactions, the presence of large quasi-public holdings, the political significance of certain industries, and the uneven enforcement of governance directives may strengthen the dependence of firms on domestic networks of influence. Under these conditions, corporate control may become concentrated not only through direct share ownership but also through board appointments, reciprocal relationships, affiliated entities, preferential access to financing, and indirect command over subsidiaries. Research on governance effectiveness in Iran has identified persistent deficiencies in implementation, monitoring, board competence, and institutional accountability, indicating that the gap between formal requirements and actual governance practices remains substantial (5, 6).

This gap also has methodological implications. Because quasi-oligarchic governance often operates through informal relationships, concealed interests, and practices that are not fully observable in published financial reports, purely quantitative indicators may fail to capture its underlying mechanisms. Phenomenological inquiry is useful for investigating such phenomena because it seeks to interpret the lived experiences and meaning structures through which participants understand an institutional reality. Hermeneutic phenomenology, in particular, enables researchers to move beyond surface description and examine how experience, interpretation, context, and prior understanding interact in the construction of meaning (26, 27). In the present context, experienced actors from the capital market and public finance can provide insights into appointment practices, control networks, regulatory weaknesses, and performance consequences that may remain hidden in formal documentation.

However, identifying the dimensions of the phenomenon is only the first analytical task. The consequences of quasi-oligarchic governance must also be structured and prioritized to determine which outcomes are most central within the system. Interpretive ranking procedures provide a useful approach for analyzing complex relationships among factors when direct, reciprocal, and indirect influences must be considered simultaneously. Such methods have been applied successfully in business-process agility, logistics-provider evaluation, and project-risk analysis to identify the relative prominence and systemic position of interacting criteria (28-30). Their application to corporate governance can help distinguish peripheral consequences from those that function as central mechanisms through which concentrated control affects the wider capital market.

Existing research has made important contributions to the study of ownership structure, political connections, board composition, audit pricing, family firms, stakeholder accountability, and governance effectiveness. Nevertheless, several gaps remain. First, most studies examine individual governance mechanisms rather than the integrated configuration through which ownership, appointments, political connections, regulatory weakness, and market norms jointly produce a quasi-oligarchic system. Second, the performance consequences of this system have not been sufficiently identified from the perspective of experienced capital-market actors. Third, prior research has rarely integrated phenomenological exploration with interpretive matrix ranking to determine which consequence occupies the most central position within the governance structure. Finally, although Iranian studies have examined agency theory, governance implementation, committee effectiveness, and board entrenchment, the concept of quasi-oligarchic corporate governance has not yet been comprehensively developed as a paradigmatic model capable of connecting causal, contextual, intervening, strategic, and consequential dimensions (4, 7).

Accordingly, the aim of this study was to identify the paradigmatic structure of quasi-oligarchic corporate governance in Iran's capital market and to evaluate and rank its principal performance consequences.

Methods and Materials

This study employed an exploratory sequential mixed-methods design integrating qualitative phenomenology with quantitative interpretive matrix analysis. The qualitative phase was designed to identify the underlying characteristics, formation mechanisms, and functional consequences of quasi-oligarchic corporate governance in Iran's capital market, whereas the quantitative phase was conducted to evaluate, structure, and prioritize the consequences derived from the qualitative findings. The methodological logic of the study was based on an inductive–deductive orientation. In the inductive stage, the lived experiences, professional observations, and interpretive judgments of capital-market and public-finance actors were examined to identify the observable attributes of quasi-oligarchic governance. In the deductive stage, the identified themes and categories were organized within a paradigmatic framework and subsequently assessed through interpretive ranking matrices. The study was also developmental in purpose because it sought to construct a theoretical and analytical framework for a governance phenomenon that has received limited systematic attention despite its potential contribution to institutional inefficiency, agency costs, selective disclosure, ownership concentration, and the violation of minority shareholders' rights. The resulting paradigmatic model consisted of five interconnected dimensions: causal conditions, contextual conditions, intervening conditions, strategies, and consequences. The final quantitative analysis focused particularly on prioritizing the consequences associated with the application of quasi-oligarchic governance mechanisms in companies operating in industries affiliated with the institutional sector.

The study participants consisted of capital-market and public-finance professionals with relevant lived experience, executive expertise, advisory backgrounds, policymaking responsibilities, or specialized academic knowledge concerning corporate governance and institutional ownership structures. In phenomenological research, participants are selected because they possess direct experience of the phenomenon and can contribute to an intersubjective interpretation of its nature and meaning. Such participants are expected to extend the epistemological understanding of a partially concealed or insufficiently recognized phenomenon and facilitate the development of a coherent interpretive paradigm (Hosseini & Hosseinpour, 2019; Karami-Gahi & Alizadeh, 2022). Participant recruitment was therefore guided by experiential and cognitive adequacy rather than statistical representativeness. Eligibility required sufficient familiarity with governance practices in listed companies, institutional ownership, public finance, regulatory mechanisms, corporate control, shareholder relations, or capital-market policymaking. Particular attention was given to individuals who had served in executive, advisory, supervisory, regulatory, or academic roles related to corporate governance and who could critically evaluate the structural and behavioral characteristics of quasi-oligarchic governance.

A snowball sampling strategy was initially employed. Three qualified individuals were introduced through informed gatekeepers, after which these initial participants recommended other actors who met the theoretical and experiential criteria. The professional records of the nominated individuals were reviewed in relation to their executive, consulting, policymaking, and scholarly backgrounds. Participation was then coordinated across the three principal stages of the study: in-depth interviewing, scoring of the theme-based checklists, and scoring of the category-based and matrix-based instruments. Recruitment and interviewing continued until theoretical saturation was achieved, meaning that additional interviews no longer generated substantively new codes, meanings, or conceptual relationships. A total of 26 participants completed the qualitative and quantitative phases. The same individuals were retained in the matrix assessment because their involvement in the qualitative phase ensured familiarity with the concepts and criteria subsequently evaluated. For the quantitative stage, the sample was treated as a homogeneous expert panel selected through purposive and availability-based criteria. The panel size was consistent with previous matrix-based and interpretive structural analyses suggesting that approximately 15 to 30 informed participants can provide an adequate basis for expert comparison and consensus formation (Hasani-Moghadam et al., 2023; Mather et al., 2017; Narkhede et al., 2017).

Data collection began with semi-structured, in-depth interviews designed according to phenomenological principles. Open-ended questions were used to elicit participants' lived experiences, interpretations, and professional observations regarding the emergence, operation, and consequences of quasi-oligarchic corporate governance in Iran's capital market. The interviews explored the organizational, ownership, regulatory, institutional, and behavioral conditions that could encourage the development of this governance structure. They also addressed the strategies employed by companies operating under concentrated or institutionally affiliated ownership arrangements and the potential consequences for transparency, accountability, market integrity, stakeholders, and minority shareholders. The open structure of the interviews enabled participants to explain concealed governance practices, informal power relations, opportunistic conduct, selective performance disclosure, artificial market behavior, and institutional monitoring failures without being restricted to predetermined response categories. Probing questions were used when necessary to clarify examples, identify causal relationships, and distinguish organizational conditions from strategic actions and functional outcomes.

Interview data were coded during and immediately after the interviews. Open coding was used to extract meaningful units from participants' statements. Semantically similar codes were compared, refined, and consolidated by removing redundancies and standardizing their conceptual content. The resulting open codes were then assigned to propositional themes representing distinct dimensions of the central phenomenon. This process generated a structured set of contextual propositions that could be evaluated in later stages. To convert the qualitative findings into categories suitable for the paradigmatic model, a researcher-developed scoring checklist was constructed. The checklist used a symmetrical scale ranging from −5 to +5. Positive values represented different degrees of positive influence or conceptual correspondence, negative values represented different degrees of negative influence or incompatibility, and zero represented neutrality or the absence of a meaningful relationship. Participants reviewed and discussed the propositional themes in expert focus-panel sessions and assigned scores based on the perceived strength and direction of their relationships. The mode and aggregate distribution of the assigned scores were used to identify the most defensible category membership for each theme.

A second researcher-developed checklist was prepared after the major categories had been identified. This instrument was used to allocate the categories to the five dimensions of the paradigmatic model. Participants evaluated whether each category most appropriately represented a causal condition, contextual condition, intervening condition, strategy, or consequence. The repeated use of the same expert panel facilitated interpretive continuity between the interview findings, propositional themes, category formation, and final model construction.

In the quantitative phase, a matrix-based pairwise-comparison checklist was developed to assess the relationships among the consequence-related themes. Each theme was assigned a specific code, and participants compared every row criterion, represented by (i), with every column criterion, represented by (j). Four relational symbols were used: “V” indicated that criterion (i) directly influenced criterion (j); “A” indicated that criterion (j) influenced criterion (i); “X” indicated a reciprocal or bidirectional relationship; and “O” indicated no meaningful relationship. This instrument enabled the qualitative consequences to be transformed into structured interpretive matrices suitable for hierarchical analysis and prioritization.

The qualitative data analysis proceeded through four interconnected stages. First, the interview transcripts were subjected to open coding to identify concepts directly related to the causes, manifestations, governance strategies, and consequences of quasi-oligarchic corporate governance. Coding was iterative and continued alongside data collection so that emerging concepts could inform subsequent interviews and theoretical saturation could be assessed. Second, conceptually similar open codes were merged into propositional themes. Redundant expressions were eliminated, and the remaining codes were standardized to preserve their substantive meaning while improving conceptual distinctiveness. Third, the propositional themes were grouped into broader categories. An orthogonal matrix procedure was used to estimate the number of potentially emergent categories and to organize the distribution of themes across the expert evaluation panels. The scores assigned through the −5 to +5 checklist were aggregated, and the modal value was used as the principal measure of expert consensus. Themes receiving comparable patterns of interpretation and influence were classified within the same category. Fourth, the finalized categories were positioned within the paradigmatic model through a second expert-scoring process. The resulting model represented the relationships among causal conditions, contextual conditions, intervening conditions, strategies, and consequences of quasi-oligarchic governance.

The quantitative analysis concentrated on the consequence dimension of the model. Completed pairwise-comparison checklists were reviewed, and the most frequent response for each (i)-by-(j) comparison was identified using the mode. The resulting modal judgments were entered into a structural self-interaction matrix. The symbols V, A, X, and O were then converted into binary relationships to construct the initial reachability matrix. A direct influence was coded according to the direction implied by the modal symbol, a reciprocal relationship was coded in both directions, and the absence of influence was coded as zero. The initial reachability matrix was subsequently examined for transitivity, meaning that when one consequence influenced a second consequence and the second influenced a third, an indirect relationship between the first and third consequences was recognized where theoretically appropriate. The final reachability matrix was used to determine each criterion’s reachability set, antecedent set, and intersection set.

Level partitioning was conducted iteratively to establish the hierarchical position of the identified consequences. Criteria whose reachability and intersection sets were identical were assigned to the highest available level and removed from subsequent iterations until all consequences had been classified. This process clarified which outcomes were primarily dependent manifestations and which functioned as foundational drivers within the quasi-oligarchic governance structure. The interpretive ranking process was then used to identify the most central consequence according to its relational position, influence pattern, and prominence within the final matrix. Particular analytical attention was given to consequences involving transactions without changes in ultimate ownership, artificial price formation, selective disclosure, infringement of stakeholder rights, and opportunistic exploitation of concentrated ownership. The integration of phenomenological interpretation, paradigmatic categorization, expert consensus, and matrix-based ranking provided a systematic basis for explaining both the structural origins and the functional outcomes of quasi-oligarchic corporate governance in Iran's capital market.

Findings and Results

The analysis of the 26 in-depth interviews generated 343 open codes. Through constant comparison, semantic consolidation, and the removal of redundant expressions, these codes were organized into 55 propositional themes. Each theme was assigned an identification code ranging from (I_1) to (I_{55}). The themes represented governance appointments, board composition, institutional supervision, ownership concentration, market structure, regulatory deficiencies, risk exposure, related-party transactions, financial misconduct, and mechanisms used to preserve control within companies affiliated with the institutional sector. The frequency of each propositional theme ranged from five to eight open-code references. Themes with eight references accounted for 2.33% of all open codes, themes with seven references accounted for 2.04%, themes with six references accounted for 1.74%, and themes with five references accounted for 1.45%.

Table 1. Propositional Themes Derived from the Open Codes

Code	Emergent propositional theme	Frequency	Percentage
(I_1)	Directive appointments dependent on acquisitive ownership interests	7	2.04%
(I_2)	Communication of centralized policies within the governance structure	6	1.74%
(I_3)	Allocation of board remuneration and bonuses	5	1.45%
(I_4)	Use of derivative instruments in the conclusion of forward contracts	6	1.74%
(I_5)	Ownership interference in board composition	7	2.04%
(I_6)	Failure to disclose the identity information of affiliated directors	6	1.74%
(I_7)	Absence of a staggered structure in corporate governance arrangements	6	1.74%
(I_8)	Disregard for technical diversity in board composition	8	2.33%
(I_9)	Transactions without changes in ultimate ownership for the creation of artificial prices	7	2.04%
(I_{10})	Lack of board structures safeguarding independence	6	1.74%
(I_{11})	Failure to determine the tenure of board members	6	1.74%
(I_{12})	Increased establishment of shell companies and deceptive transactions	5	1.45%
(I_{13})	Disregard for board size appropriate to the company's industry	5	1.45%
(I_{14})	Absence of institutional supervision over board appointments	6	1.74%
(I_{15})	Prioritization of loyalty in board composition	7	2.04%
(I_{16})	Fulfillment of the expected interests of appointed members	6	1.74%
(I_{17})	Allocation of ownership shares to board members	5	1.45%
(I_{18})	Expansion of holdings and lack of transparency in corporate-governance roles	6	1.74%
(I_(31))	Leniency of statutory inspectors in assessing compliance with corporate-governance directives	7	2.04%
(I_{20})	Repeated prior-period adjustments to accounts	8	2.33%
(I_{21})	Preservation of founder or power-holder influence over board selection	5	1.45%
(I_(32))	Transfer of funds from the capital market to the money market	5	1.45%
(I_(33))	Recognition of governance-based preferential rights	6	1.74%
(I_{24})	Dual appointment arrangements on the boards of subsidiary companies	7	2.04%
(I_{25})	Gradual growth of corporate business risks	6	1.74%
(I_{26})	Expansion of controlling shareholders without regard to listing-committee resolutions	7	2.04%
(I_{27})	Industry structure and type of financial market	6	1.74%
(I_{28})	Governance entrenchment through the prolonged retention of trusted individuals	7	2.04%
(I_{29})	Absence of explicit legal penalties for companies practicing monopolistic governance	6	1.74%
(I_{30})	Absence of a professional association for board members	5	1.45%
(I_{31})	Unwillingness to establish a professionally specialized board	5	1.45%
(I_{32})	Emergence of credit risks in corporate financing	7	2.04%
(I_{33})	Prioritization of political interests over economic interests in market governance	6	1.74%
(I_{34})	Expansion of governance intermediation to conceal governance violations	8	2.33%
(I_{35})	Inadequate supervisory control over the proliferation of paper companies and their boards	6	1.74%

(I_{36})	Insufficient enforcement guarantees in governance directives for protecting shareholder interests	7	2.04%
(I_{37})	Imitation of similar governance practices by monopolistic companies	6	1.74%
(I_{38})	Expansion of money-laundering networks	8	2.33%
(I_{39})	Increased exposure to legal risks against the company	7	2.04%
(I_{40})	Absence of controls over family membership on boards of family-owned companies	6	1.74%
(I_{41})	Absence of effective mechanisms governing the membership of political actors on affiliated-company boards	5	1.45%
(I_{42})	Absence of mechanisms for conducting board-qualification examinations	6	1.74%
(I_{43})	Extensive corporate financial risk exposure	5	1.45%
(I_{44})	Increased likelihood of manipulating reopening prices and buy-side transactions	7	2.04%
(I_{45})	Decentralization of decision-making within the board	6	1.74%
(I_{46})	Disregard for minority rights in capital-market policymaking	5	1.45%
(I_{47})	Trading with related parties	5	1.45%
(I_{48})	Nature of the economic system related to corporate activities	6	1.74%
(I_{49})	Ineffective policies governing the establishment and board composition of subsidiary companies	7	2.04%
(I_{50})	Absence of annual performance-evaluation frameworks for governance functions	8	2.33%
(I_{51})	Absence of legal requirements protecting shareholders' voting rights in board elections	6	1.74%
(I_{52})	Inability to conduct cross-border financial transactions	5	1.45%
(I_{53})	Creation of a chain of power in corporate administration	6	1.74%
(I_{54})	Presence of risk factors associated with declining share value	7	2.04%
(I_{55})	Income smoothing through accruals	8	2.33%
	Total open codes	343	100.00%

After the 55 propositional themes had been identified, an orthogonally rotated matrix was used to determine the number of broader categories capable of constituting the paradigmatic model. Thirteen potential categories initially emerged. However, only 11 categories had eigenvalues greater than 1.00 and were therefore retained. Together, these 11 categories explained 100.00% of the variance after rotation. The first retained category explained 16.33% of the rotated variance, and the cumulative explained variance reached 64.29% after five categories, 80.40% after seven categories, and 96.70% after ten categories.

Table 2. Rotated Matrix for Determining the Number of Research Categories

Category	Initial eigenvalue	Initial variance	Initial cumulative variance	Rotated eigenvalue	Rotated variance	Rotated cumulative variance
1	11.187	16.115%	16.115%	12.325	16.333%	16.333%
2	9.334	14.008%	30.123%	10.099	14.205%	30.538%
3	7.987	12.414%	42.537%	9.461	12.909%	43.447%
4	7.107	10.163%	52.700%	8.337	10.876%	54.323%
5	6.065	9.501%	62.201%	7.153	9.966%	64.289%
6	5.143	8.163%	70.364%	6.689	8.588%	72.877%
7	4.291	7.218%	77.582%	5.237	7.542%	80.397%
8	3.181	6.422%	84.004%	4.192	6.565%	86.984%
9	2.110	5.084%	89.088%	3.033	5.311%	92.295%
10	1.473	4.218%	93.306%	2.657	4.401%	96.696%
11	1.016	3.297%	96.603%	1.187	3.304%	100.000%
12	0.754	2.131%	98.734%	—	—	—
13	0.744	1.266%	100.000%	—	—	—

The minimum significant loading for assigning participants to the focus panels was calculated using the absolute critical coefficient of 1.96 divided by the square root of the number of propositional themes.

The coefficient of 0.264 served as the minimum threshold for determining the panel placement of each participant according to their factor-loading scores. The number of focus panels was then calculated using the number of participants, the three checklist-evaluation scales, and the 11 retained categories.

Accordingly, five focus panels were established. The first panel included six participants, while each of the remaining four panels included five participants. The average number of propositional themes required to form each category was calculated.

Thus, five semantically related propositional themes were assigned to each of the 11 emergent categories. The first category, ineffective institutional supervision of board effectiveness, was formed by (I_8), (I_{10}), (I_{13}), (I_{11}), and (I_7), all of which received the strongest positive placement scores in the researcher-developed checklist. Repetition of the same classification process for the remaining 50 themes generated the complete category structure presented in Table 3.

Table 3. Emergent Categories and Their Constituent Propositional Themes

Emergent category	Constituent themes and codes
Ineffective institutional supervision of board effectiveness	Disregard for technical diversity in board composition ((I_8)); lack of board structures safeguarding independence ((I_{10})); disregard for industry-appropriate board size ((I_{13})); failure to determine board-member tenure ((I_{11})); absence of a staggered governance structure ((I_7))
Preservation of the scope of ownership control and influence	Creation of a chain of power in corporate administration ((I_{53})); communication of centralized governance policies ((I_2)); decentralization of board decision-making ((I_{45})); preservation of founder or power-holder influence over board selection ((I_{21})); governance entrenchment through prolonged retention of trusted individuals ((I_{28}))
Structural monopolism	Directive appointments dependent on acquisitive ownership interests ((I_1)); ownership interference in board composition ((I_5)); nondisclosure of affiliated directors' identities ((I_6)); unwillingness to establish a professionally specialized board ((I_{31})); prioritization of loyalty in board composition ((I_{15}))
Escalating risk exposure	Extensive financial risk exposure ((I_{43})); gradual growth of business risks ((I_{25})); emergence of credit risks in financing ((I_{32})); risk factors associated with declining share value ((I_{54})); increased legal-risk exposure ((I_{39}))
Ineffectiveness of governance directives	Absence of institutional supervision over board appointments ((I_{14})); absence of board-qualification examinations ((I_{42})); absence of a professional association for directors ((I_{30})); absence of annual governance-performance evaluation frameworks ((I_{50})); insufficient enforcement guarantees for protecting shareholder interests ((I_{36}))
Structural configuration of markets	Industry structure and type of financial market ((I_{27})); nature of the economic system ((I_{48})); disregard for minority rights in capital-market policymaking ((I_{46})); inability to conduct cross-border financial transactions ((I_{52})); prioritization of political interests over economic interests ((I_{33}))
Self-interested manipulation	Trading with related parties ((I_{47})); use of derivatives in forward contracts ((I_4)); transfer of funds from the capital market to the money market ((I_(32))); repeated prior-period accounting adjustments ((I_{20})); income smoothing through accruals ((I_{55}))
Governance incentive mechanisms	Fulfillment of appointed members' expected interests ((I_{16})); allocation of board bonuses ((I_3)); allocation of ownership shares to directors ((I_{17})); recognition of governance-based preferential rights ((I_(33))); dual board appointments in subsidiary companies ((I_{24}))
Institutionalized market norms	Absence of explicit legal penalties for monopolistic governance ((I_{29})); absence of legal protections for shareholder voting rights ((I_{51})); imitation of similar governance practices by monopolistic companies ((I_{37})); leniency of statutory inspectors ((I_(31))); governance intermediation to conceal violations ((I_{34}))
Increased financial misconduct	Expansion of money-laundering networks ((I_{38})); establishment of shell companies and deceptive transactions ((I_{12})); transactions without changes in ultimate ownership and artificial price creation ((I_9)); expansion of controlling shareholders contrary to listing-committee resolutions ((I_{26})); manipulation of reopening prices and buy-side transactions ((I_{44}))
Failure to control the expansion of ownership forms	Absence of controls over family membership on family-company boards ((I_{40})); absence of mechanisms governing political membership on affiliated-company boards ((I_{41})); ineffective policies governing subsidiary establishment and board composition ((I_{49})); inadequate control over paper companies and their boards ((I_{35})); expansion of holdings and unclear governance roles ((I_{18}))

The 11 categories were subsequently assigned to the five components of the paradigmatic model. The classification coefficients were interpreted within five predefined intervals: 0.50–0.60 for causal conditions, 0.61–0.70 for contextual conditions, 0.71–0.80 for intervening conditions, 0.81–0.90 for strategies, and 0.91–1.00 for consequences. The modal score obtained from the participating panels determined the final placement and grade of each category.

Table 4. Placement of the Emergent Categories in the Paradigmatic Model

Emergent category	Coefficient	Paradigmatic position	Grade
Ineffective institutional supervision of board effectiveness	0.59	Causal condition	Third
Preservation of the scope of ownership control and influence	0.85	Strategy	First
Structural monopolism	0.61	Contextual condition	First
Escalating risk exposure	0.91	Consequence	First
Ineffectiveness of governance directives	0.52	Causal condition	First
Structural configuration of markets	0.78	Intervening condition	Second
Self-interested manipulation	0.67	Contextual condition	Second
Governance incentive mechanisms	0.87	Strategy	Second
Institutionalized market norms	0.74	Intervening condition	First
Increased financial misconduct	0.96	Consequence	Second
Failure to control the expansion of ownership forms	0.56	Causal condition	Second

The results indicated that quasi-oligarchic governance originated in three principal causal conditions: ineffective governance directives, inadequate control over the proliferation of ownership forms, and ineffective institutional supervision of board performance. Structural monopolism and self-interested manipulation constituted the contextual conditions within which the governance system operated. Institutionalized market norms and the structural configuration of markets functioned as intervening conditions that either facilitated or reinforced the phenomenon. The principal strategies consisted of preserving the scope of ownership control and influence and creating governance incentives for affiliated directors and dominant owners. These conditions and strategies ultimately produced two broad categories of consequences: escalating corporate risk exposure and increased financial misconduct.

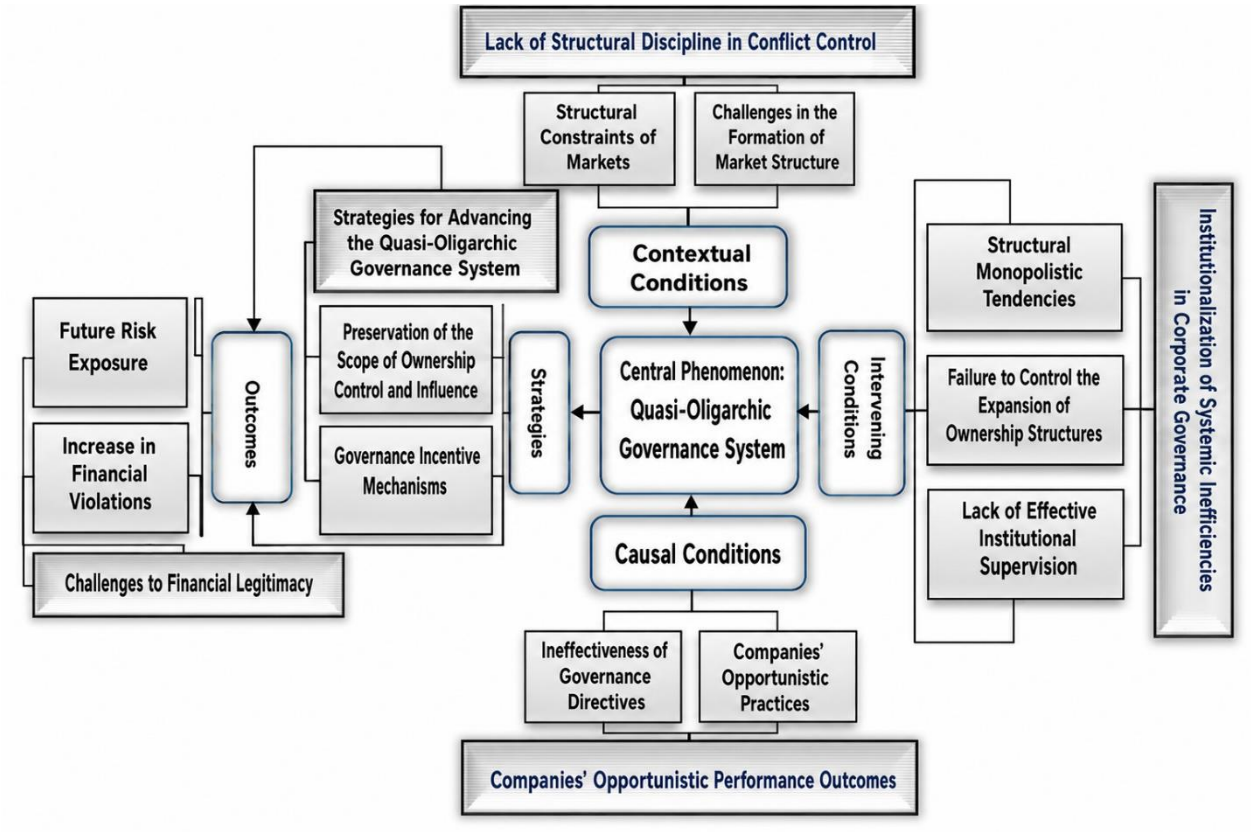

Figure 1. Paradigmatic Model of the Formation of Quasi-Oligarchic Corporate Governance in Industries Affiliated with the Institutional Sector

The quantitative phase focused on the ten propositional consequences included under the two outcome categories. To prevent ordering bias, the consequences were randomized before presentation to participants and were coded from (H_1) to (H_{10}). The four symbols used in the structural self-interaction matrix were interpreted as follows: V indicated that the row criterion directly influenced the column criterion; A indicated that the column criterion directly influenced the row criterion; X indicated a reciprocal relationship; and O indicated the absence of a relationship. The structural self-interaction matrix obtained from the modal judgments of the participants is presented in Table 5.

Table 5. Structural Self-Interaction Matrix of the Paradigmatic Consequences

Code and consequence	H1	H2	H3	H4	H5	H6	H7	H8	H9	H10
(H_1): Extensive corporate financial risk exposure	—	X	V	V	V	V	A	A	A	A
(H_2): Gradual growth of corporate business risks		—	A	V	A	V	A	A	A	A
(H_3): Emergence of credit risks in corporate financing			—	V	A	O	A	A	O	O
(H_4): Risk factors associated with declining share value				—	A	A	A	A	A	A
(H_5): Increased legal-risk exposure against the company					—	O	A	A	O	A
(H_6): Expansion of money-laundering networks						—	A	V	O	O
(H_7): Increased establishment of shell companies and deceptive transactions							—	X	O	O
(H_8): Transactions without changes in ultimate ownership and artificial price creation								—	O	X
(H_9): Expansion of controlling shareholders contrary to listing-committee resolutions									—	O
(H_{10}): Increased manipulation of reopening prices and buy-side transactions										—

The polar interpretive analysis showed several important reciprocal and indirect relationships. A reciprocal relationship existed between (H_1) and (H_2), indicating that general financial risk exposure and the gradual expansion of business risk reinforced one another. (H_7) and (H_8) were also mutually related, suggesting that shell-company formation and deceptive transactions were closely intertwined with transactions that preserved ultimate ownership while generating artificial prices. A further reciprocal relationship was identified between (H_8) and (H_{10}), indicating that artificial price creation was associated with the manipulation of reopening prices and buy-side transactions. The A-type relationships showed that (H_8) was also interpretively connected with (H_1), (H_2), (H_3), (H_4), and (H_5). Similarly, (H_7) was linked to the first six consequences, demonstrating that shell companies and deceptive transactions occupied a broadly connected position within the outcome system.

The SSIM symbols were converted into binary values before construction of the reachability matrices. A V relationship was converted to 1 for (i \rightarrow j) and 0 for the reverse direction. An A relationship was converted to 0 for (i \rightarrow j) and 1 for the reverse direction. An X relationship was converted to 1 in both directions, while an O relationship was converted to 0 in both directions. After application of these rules, the initial reachability matrix was constructed. Transitive relationships were then added to produce the final reachability matrix. Indirect transitive effects are marked by (1^*) in Table 6.

Table 6. Final Reachability Matrix of the Central Consequences

Consequence	H1	H2	H3	H4	H5	H6	H7	H8	H9	H10
(H_1)	1	1	1	1	1	1	0	0	(1^*)	0
(H_2)	1	1	0	1	0	1	0	0	0	0
(H_3)	0	1	1	1	0	(1^*)	1	1	0	0
(H_4)	0	0	0	1	0	(1^*)	0	0	0	0
(H_5)	0	1	1	1	1	(1^*)	1	1	(1^*)	1
(H_6)	0	0	0	1	0	1	0	1	0	0

(H_7)	1	1	1	1	1	1	1	1	0	0
(H_8)	1	1	1	1	1	0	1	1	(1^*)	1
(H_9)	1	1	0	1	0	0	0	0	1	0
(H_{10})	1	1	0	1	1	0	0	1	0	1

The final matrix demonstrated that (H_7) and (H_8) had the broadest direct reach across the consequence system. (H_7) directly reached eight criteria, while (H_8) directly reached eight criteria and additionally displayed several reciprocal, polar, and interpretive relationships. The transitive relationships further showed that (H_8) indirectly affected (H_9), while (H_1), (H_3), (H_4), and (H_5) acquired additional indirect pathways through the structure.

To determine the final priority of the consequences, direct, polar, and interpretive effects were summed. Across the entire model, 51 direct effects, 29 polar effects, and six interpretive effects were identified, resulting in 86 total effects. Direct effects represented 59.30% of all relationships, polar effects represented 33.72%, and interpretive effects represented 6.98%.

Table 7. Final Scores and Ranking of the Paradigmatic Consequences

Rank	Code	Paradigmatic consequence	Direct effects	Polar effects	Interpretive effects	Total score	Comprehensive influence
1	(H_8)	Transactions without changes in ultimate ownership and the creation of artificial prices	8	7	1	16	18.60%
2	(H_7)	Increased establishment of shell companies and deceptive transactions	8	7	0	15	17.44%
3	(H_5)	Increased legal-risk exposure against the company	7	3	2	12	13.95%
4	(H_{10})	Increased likelihood of manipulating reopening prices and buy-side transactions	6	5	0	11	12.79%
5	(H_1)	Extensive corporate financial risk exposure	6	1	1	8	9.30%
6	(H_3)	Emergence of credit risks in corporate financing	5	1	1	7	8.13%
7	(H_9)	Expansion of controlling shareholders contrary to listing-committee resolutions	3	3	0	6	6.98%
8	(H_2)	Gradual growth of corporate business risks	4	1	0	5	5.81%
9	(H_6)	Expansion of money-laundering networks	3	1	0	4	4.65%
10	(H_4)	Risk factors associated with declining share value	1	0	1	2	2.35%
		Total	51	29	6	86	100.00%

The final ranking identified “transactions without changes in ultimate ownership and the creation of artificial prices” ((H_8)) as the most central performance consequence of quasi-oligarchic corporate governance in Iran’s capital market. This consequence received a total score of 16 and accounted for 18.60% of the comprehensive influence identified in the matrix. Its first-place ranking reflected not only its high number of direct relationships but also its reciprocal relationships with shell-company transactions and reopening-price manipulation, as well as its interpretive connections with corporate financial, business, credit, share-value, and legal risks.

The second-ranked consequence was the increased establishment of shell companies and deceptive transactions ((H_7)), with a total score of 15 and a comprehensive influence of 17.44%. Increased legal-risk exposure ((H_5)) ranked third, while the manipulation of reopening prices and buy-side transactions ((H_{10})) ranked fourth. Collectively, the two highest-ranked consequences accounted for 36.04% of the comprehensive influence within the model, indicating that quasi-oligarchic governance primarily manifested through interconnected forms of artificial trading, concealed ownership continuity, shell-company activity, and deceptive market transactions.

These findings indicate that the expansion of unidimensional and concentrated ownership structures in Iran's capital market may facilitate transactions that create the appearance of market activity without producing a genuine change in ultimate ownership. Such transactions may generate artificial prices, conceal the interests of dominant owners, and distort the information available to investors. Because (H_8) was structurally connected with numerous financial, commercial, credit, legal, and market-manipulation outcomes, it represented the principal channel through which quasi-oligarchic governance could violate stakeholder rights. The centrality of this consequence suggests that hidden self-interested practices within institutionally affiliated companies may systematically prioritize the interests of controlling power holders over those of minority shareholders and other market stakeholders.

Discussion and Conclusion

The present study sought to identify the paradigmatic structure of quasi-oligarchic corporate governance in Iran's capital market and to evaluate the relative importance of its principal performance consequences. The qualitative analysis of 26 interviews generated 343 open codes, which were consolidated into 55 propositional themes and subsequently classified into 11 overarching categories. These categories were positioned within five dimensions of the paradigmatic model: causal conditions, contextual conditions, intervening conditions, strategies, and consequences. The causal conditions comprised the ineffectiveness of governance directives, failure to control the expansion of ownership structures, and ineffective institutional supervision of board effectiveness. Structural monopolism and self-interested manipulation constituted the contextual conditions, while institutionalized market norms and the structural configuration of markets operated as intervening conditions. The principal strategies were the preservation of the scope of ownership control and influence and the use of governance incentive mechanisms. Finally, escalating risk exposure and increased financial misconduct emerged as the principal consequences. In the quantitative phase, "transactions without changes in ultimate ownership and the creation of artificial prices" was identified as the most central consequence, followed by the establishment of shell companies and deceptive transactions, increased legal-risk exposure, and manipulation of reopening prices and buy-side transactions.

The identification of ineffective governance directives as a primary causal condition indicates that formal corporate-governance rules may remain largely symbolic when implementation, enforcement, and follow-up mechanisms are weak. This finding is consistent with studies emphasizing that the effectiveness of governance systems depends not only on the existence of regulations but also on the quality of their operational implementation, the competence of board committees, and the capacity of directors to exercise independent judgment (5, 6). In the Iranian context, governance codes may formally prescribe transparency, accountability, board independence, and shareholder protection, yet these principles can be undermined when enforcement guarantees are insufficient or when supervisory institutions lack the independence required to challenge powerful ownership groups. This result also supports evidence that agency problems in developing markets cannot be resolved merely through the adoption of conventional governance mechanisms, because the underlying ownership and institutional structures may reproduce conflicts between controlling and minority shareholders (4).

The emergence of ineffective institutional supervision of board performance as another causal condition further suggests that the board of directors may fail to function as an autonomous monitoring body. The themes associated with this category included insufficient technical diversity, inadequate attention to industry-appropriate board size, failure to specify board-member tenure, and absence of staggered board arrangements. These findings align with research showing that board competence, committee specialization, and member qualifications are central to the effective implementation of corporate governance (5). They are also compatible with the argument that staggered board structures can help disrupt governance entrenchment and prevent dominant actors from preserving uninterrupted control over board appointments (7). When tenure is undefined and board composition is shaped by loyalty rather than expertise, directors may become dependent on the actors responsible for their appointment. As a result, the board's monitoring function is weakened, and corporate governance becomes an instrument for reproducing ownership power rather than constraining it.

The finding concerning failure to control the expansion of ownership structures indicates that quasi-oligarchic governance is reinforced through complex networks of holdings, subsidiary companies, family relationships, and political affiliations. This result is consistent with the broader literature demonstrating that ownership structure fundamentally shapes governance mechanisms, strategic decision-making, dividend policies, and the distribution of control rights (1, 2). Concentrated ownership can improve monitoring when large shareholders have both the incentive and capacity to oversee management; however, it can also facilitate the extraction of private benefits when controlling owners dominate boards and related entities. Research on family ownership similarly shows that concentrated control may generate positive performance outcomes only when effective governance institutions protect noncontrolling shareholders (19). In the absence of such protection, ownership concentration can lead to preferential appointments, affiliated transactions, and the subordination of corporate objectives to family, political, or institutional interests (20, 21).

Structural monopolism emerged as an important contextual condition, reflecting the concentration of governance authority within a limited network of dominant actors. The associated themes included directive appointments, ownership interference in board composition, nondisclosure of directors' affiliations, reluctance to form specialized boards, and prioritization of loyalty. This finding is conceptually consistent with contemporary discussions of oligarchy as a system in which a restricted group retains disproportionate influence over institutional resources and decision-making processes (8, 9). It also corresponds with the notion of oligarchic sovereignty, according to which powerful actors can exercise authority beyond formal institutional boundaries by controlling resources, networks, and strategic technologies (10). Within corporations, a comparable structure emerges when a small coalition controls appointments, information, capital allocation, and access to organizational authority. Such a structure remains "quasi-oligarchic" because formal governance institutions continue to exist, but their substantive operation is dominated by a narrow ownership and political network.

The finding that self-interested manipulation constitutes a contextual condition demonstrates that opportunistic practices are embedded in the operational environment of quasi-oligarchic governance rather than appearing only as occasional deviations. Related-party trading, income smoothing through accruals, repeated prior-period adjustments, use of derivative instruments in forward contracts, and the transfer of funds from the capital market to the money market all reflect mechanisms through which dominant actors may pursue private interests. This result is compatible with research showing that political and ownership power can shape accounting discourse and valuation practices in ways that legitimize particular economic interests (18). It also aligns with studies demonstrating that political connections can facilitate tunneling, preferential transactions, and the diversion of corporate resources, particularly in regulated industries (17). In such circumstances, accounting information may cease to serve as a neutral representation of performance and instead become part of a broader governance strategy for controlling perceptions and concealing the transfer of benefits.

The structural configuration of markets and institutionalized market norms were identified as intervening conditions. This finding indicates that quasi-oligarchic governance is not produced exclusively by internal corporate characteristics but is also shaped by the wider political, legal, and economic environment. Industry structure, financial-market characteristics, limitations on cross-border transactions, and the prioritization of political interests over economic interests can all influence how governance mechanisms operate. Studies of emerging markets have similarly emphasized that corporate governance outcomes depend heavily on institutional quality, regulatory enforcement, political embeddedness, and historical development (3, 25). Where market institutions tolerate opaque affiliations, weak sanctions, and selective enforcement, problematic governance practices can gradually become normalized. The result is an institutional environment in which legal compliance may be interpreted flexibly and the protection of minority rights becomes subordinate to the interests of dominant groups.

The role of political connections is particularly relevant to these intervening conditions. The study’s findings concerning political appointments, board memberships, and the prioritization of political interests are consistent with evidence showing that political connections affect firm value, corporate acquisitions, risk-taking, debt costs, and merger performance (12-16). Political ties can provide access to financing, contracts, and regulatory support, but they can also weaken market discipline and encourage decisions that serve political objectives rather than shareholder value. This dual effect helps explain why politically connected firms may appear advantaged in the short term while simultaneously experiencing higher governance risk. The finding also supports the proposition that corporations can acquire quasi-sovereign capacities when they become sufficiently embedded in political and institutional networks (11). Under such conditions, firms may influence the practical implementation of rules that are formally intended to regulate them.

The two strategies identified in the study were preservation of the scope of ownership control and influence and governance incentive mechanisms. The first strategy involved the creation of power chains, centralized policy communication, prolonged retention of trusted individuals, and continued influence of founders or dominant power holders. These practices are consistent with governance entrenchment, through which controlling actors protect their authority against internal and external challenges. The second strategy involved allocating board bonuses, ownership shares, preferential rights, and dual appointments to individuals whose continued loyalty supported the prevailing control structure. Such incentives can align directors with dominant owners rather than with the company or the full body of shareholders. Research on executive tenure, foreign ownership, and audit pricing similarly demonstrates that the concentration and duration of authority affect perceived governance risk and monitoring costs (22). Long tenure may increase expertise, but where independence is weak, it can also strengthen entrenchment and reduce the likelihood of effective challenge.

The first broad consequence identified was escalating risk exposure, including financial, commercial, credit, legal, and share-value risks. This finding is consistent with research demonstrating that politically connected and weakly governed firms may engage in greater risk-taking and make acquisitions or financing decisions that expose the company to higher uncertainty (13, 15). When governance is dominated by insiders, risk may be transferred from controlling actors to minority shareholders, creditors, and other stakeholders. The concentration of decision-making power can reduce the diversity of perspectives considered in strategic decisions, while selective disclosure may delay recognition of financial distress. The result is a pattern in which risks accumulate gradually and become visible only after they have generated significant legal, financial, or reputational consequences.

The second broad consequence was increased financial misconduct. The associated themes included money-laundering networks, shell companies, transactions without changes in ultimate ownership, expansion of controlling shareholders contrary to listing requirements, and manipulation of reopening prices. This finding is consistent with the literature on anti-corruption disclosure, which emphasizes that weak governance and limited transparency increase the risk of concealed transactions and financial crime (24). It also supports the view that corporate governance failures can affect not only firm-level performance but also the integrity and legitimacy of the wider market. When affiliated parties can conduct transactions that appear to represent genuine market activity while ultimate ownership remains unchanged, prices may become disconnected from underlying economic value. This creates misleading signals for investors and can impair the price-discovery function of the capital market.

The interpretive ranking analysis identified transactions without changes in ultimate ownership and the creation of artificial prices as the most central outcome. Its high ranking reflected both its direct influence and its reciprocal and indirect relationships with other consequences. This result suggests that artificial transactions are not an isolated form of misconduct but a central mechanism connecting concentrated ownership, shell-company activity, price manipulation, and multiple dimensions of corporate risk. The finding is compatible with studies showing that political and controlling relationships can facilitate tunneling and the transfer of value across affiliated entities (17). It also reflects the broader argument that ownership structure affects the practical functioning of governance and the behavior of controlling shareholders (1). Transactions that do not alter ultimate ownership may be used to create artificial liquidity, influence prices, conceal related-party transfers, or support predetermined valuation objectives.

The second-ranked consequence, the establishment of shell companies and deceptive transactions, reinforces this interpretation. Shell entities can expand the distance between legal ownership and effective control, allowing dominant actors to fragment transactions across affiliated organizations. They may also obscure the identity of beneficiaries, complicate regulatory monitoring, and facilitate the movement of funds. The close reciprocal relationship between this consequence and artificial-price transactions indicates that quasi-oligarchic governance is reproduced through networks rather than through isolated companies. This finding also resonates with the literature on corporate kinship and political attachment, which highlights how family, business, and political networks can reinforce one another through formally separate but substantively connected entities (21).

The third- and fourth-ranked consequences were increased legal-risk exposure and manipulation of reopening prices and buy-side transactions. These findings indicate that quasi-oligarchic governance may produce short-term benefits for insiders while increasing the company's long-term vulnerability to litigation, regulatory sanctions, reputational damage, and market instability. They also demonstrate that weak stakeholder protection has concrete financial consequences. Stakeholder theory emphasizes that corporate legitimacy and long-term performance depend on balancing the interests of shareholders, employees, creditors, regulators, and communities (23). When the interests of controlling actors are prioritized, stakeholder trust deteriorates and the legitimacy of both the company and the market may be undermined.

Methodologically, the study also demonstrates the value of combining phenomenological inquiry with interpretive ranking. Hermeneutic phenomenology made it possible to uncover governance practices that are not readily observable in formal reports, while interpretive ranking clarified the relative centrality of the identified consequences

(26, 27). The use of an interpretive matrix was also consistent with previous applications of interpretive ranking in business-process agility, logistics-provider selection, and project-risk assessment (28-30). The integration of these methods provided a more comprehensive account of both the meaning structure and the relational hierarchy of quasi-oligarchic corporate governance.

The study had several limitations. The sample consisted of 26 experienced actors from the Iranian capital market and public-finance sectors, and although theoretical saturation was achieved, the findings remain dependent on the participants' professional experiences, interpretations, and willingness to discuss sensitive governance practices. The use of snowball sampling may also have produced a relatively interconnected expert network and limited the diversity of perspectives represented. Furthermore, the study focused on companies associated with institutionally affiliated industries in Iran's capital market; therefore, the resulting paradigmatic model may not be directly generalizable to privately controlled firms, small and medium-sized enterprises, or capital markets with different regulatory and ownership structures. The matrix rankings were based on expert judgments rather than archival transaction data, and the cross-sectional design did not permit direct assessment of changes in governance structures over time.

Future studies should test the proposed paradigmatic model using larger samples of listed companies and combine expert judgments with financial statements, ownership-chain data, board-affiliation records, related-party disclosures, and trading information. Comparative research could examine whether similar quasi-oligarchic governance structures exist in other emerging markets and whether their consequences vary according to legal enforcement, political institutions, or ownership concentration. Longitudinal studies would be useful for tracing the development of governance entrenchment and determining whether changes in board composition, regulatory enforcement, or ownership structure reduce the centrality of artificial transactions. Future research could also develop and validate a quantitative scale for measuring quasi-oligarchic governance and investigate its relationships with firm value, audit fees, cost of debt, financial reporting quality, minority-shareholder protection, and market liquidity.

Capital-market regulators should strengthen the disclosure of ultimate beneficial ownership, affiliated board memberships, related-party transactions, and chains of control across parent companies, subsidiaries, and institutional holdings. Governance rules should establish clear limits on board tenure, require transparent qualification procedures, promote technical and professional diversity, and create enforceable mechanisms for protecting minority voting rights. Stock exchanges and supervisory authorities should develop integrated systems for detecting transactions that do not produce genuine changes in ultimate ownership, unusual reopening-price patterns, and coordinated trading across affiliated entities. Companies should conduct annual independent evaluations of board effectiveness, disclose the basis for director appointments and remuneration, and separate governance incentives from personal or political loyalty. Stronger coordination among auditors, market regulators, financial-intelligence units, and judicial authorities is also necessary to prevent shell-company networks, artificial pricing, and the concealment of controlling interests.

Acknowledgments

We would like to express our appreciation and gratitude to all those who helped us carrying out this study.

Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

All ethical principles were adheried in conducting and writing this article.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

Funding

This research was carried out independently with personal funding and without the financial support of any governmental or private institution or organization.

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