



Providing a Corporate Governance Ranking Model for Companies Affiliated with a Military Organization: An Approach Based on OECD 2024 Guidelines

Seyed Mohamad Hoseini ^{a*}, Valiallah Vahdaninia ^b, Asghar Asgharzadeh ^c

^a Department of Theoretical Economics, Allameh Tabataba'i University, Tehran, Iran.

^{b,c} Assistant Professor, Faculty of Social Sciences, IRI Military Command and Staff University, Tehran, Iran.

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ABSTRACT

In recent years, following numerous corporate collapses, the attention of researchers and policymakers toward corporate governance—particularly its quality assessment—has increased. Proper corporate governance plays a significant role in enhancing transparency, accountability, and sustainability of firm performance; therefore, evaluating its quality in state-owned and quasi-state-owned companies is of particular importance. In Iran, due to the extensive role of the government in business activities, there has always been a challenge in designing a localized model for ranking corporate governance in companies affiliated with governmental institutions, including military organizations. The purpose of this study is to design and present a comprehensive index for ranking corporate governance in non-military (non-weaponized) companies affiliated with a military organization, based on the OECD (2024) guidelines. To achieve this, using qualitative content analysis, 7 dimensions, 40 sub-dimensions, and 111 indicators were extracted. Then, with the input of 7 experts and the Analytic Hierarchy Process (AHP), the weights of the components were determined. The results showed that “board composition and responsibilities” and “disclosure, transparency, and accountability” have the highest importance. The proposed model enables quantitative and comparative evaluation of corporate governance.

1. Introduction

Undoubtedly, one of the most important developments of the late 19th and early 20th centuries was the formation of large corporations and the separation of ownership from management. This

^a Corresponding author email address: hosseinymohammad1999@gmail.com (Seyed Mohamad Hoseini).

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transformation facilitated capital growth and the expansion of economic enterprises, leading to a major shift in wealth production systems.

However, since the beginning of the new millennium in the United States, this separation of ownership from management and the formation of large corporations led to a crisis rooted in conflicts of interest between owners and managers—known as the agency problem.

The complexities of these conflicts, along with the impact of corporate performance on other stakeholders, have long attracted the attention of shareholders, governments, professional bodies, and social groups. As a result, finding an effective model or system for managing companies—known as corporate governance—has become a major concern.

Initially, the focus was on protecting shareholder interests, followed by protecting minority shareholders (as first extensively discussed in the seminal work of Berle and Means (1932)). Shareholder's delegate decision-making authority to managers and therefore require mechanisms to ensure that managers respect their rights and interests.

Over time, the circle of stakeholders expanded to include customers, employees, and ultimately society as a whole. In 1989, following governance issues in the board structure of General Motors, greater attention was paid to corporate governance, and one of the first governance documents addressing board composition and management was published. Subsequently, major corporate collapses such as Enron, WorldCom, and the 2008 financial crisis led to a widespread focus on corporate governance.

This resulted in the adoption of various laws and regulations aimed at preventing future crises, as corporate governance became recognized as a key mechanism for crisis control at corporate, national, and global levels.

The concern for effective governance models is not limited to privately owned firms; state-owned enterprises also seek to improve governance quality. This is particularly important in countries like Iran, where governments take on responsibilities beyond providing public goods and services. Improving governance in state-owned enterprises is also a prerequisite for privatization.

In Iran's state-driven and planned economy, state-owned companies play a crucial role in infrastructure and strategic industries such as oil and gas, telecommunications, military industries, and public services. According to the 2020 national budget, 382 state-owned

companies were allocated approximately 14,363,264 billion rials, accounting for 70.8% of the total national budget.

Although privatization policies (Article 44 of the Constitution) have been implemented, the role of the government and semi-governmental institutions in Iran's economy remains extensive. Therefore, developing a model to rank corporate governance in such companies is essential.

Previous studies have primarily focused on listed companies and banks. However, no study has specifically addressed governance ranking in companies owned by a military organization that operate for profit or value creation.

This study aims to fill this research gap by proposing a localized model suitable for non-military companies affiliated with a military organization. It seeks to answer the following questions:

- What are the dimensions, sub-dimensions, and indicators of this model?
- How should their importance be weighted considering military affiliation and national conditions?
- Which components are most critical?

In other words, what should these companies prioritize to achieve more effective corporate governance?

The paper proceeds as follows:

- A theoretical review of key corporate governance theories and mechanisms
- A review of domestic and international governance ranking models
- Presentation of OECD guidelines for state-owned enterprises, including dimensions and indicators
- Conclusions and suggestions for future research

2. Theoretical Foundations

The concept of corporate governance emerged in the late 20th century following corporate scandals, the collapse of major U.S. firms, the rise of institutional investors, mergers and acquisitions, and financial crises.

It is an interdisciplinary field involving ethics, law, management, economics, and politics, and there is no universally accepted definition.

Corporate governance is generally defined as a system for directing and controlling companies. It should not be confused with day-to-day management; rather, it focuses on board-level decisions and value-setting.

Different perspectives on governance (narrow vs. broad) influence corporate direction and have led to various theories. The four main theories are:

- Agency theory
- Stewardship theory
- Stakeholder theory
- Resource dependence theory

Each explains the relationship between a company and its environment (shareholders, government, society, and resources).

2.1 Stewardship Theory

Stewardship theory is rooted in the classical view of corporations, where ownership is the primary source of power, and managers are expected to act in the best interests of shareholders.

This theory assumes no conflict between owners and managers. Managers are considered trustworthy, responsible, and aligned with shareholder interests. Therefore, financial incentives are less necessary, as managers are motivated by reputation, job satisfaction, and intrinsic rewards.

A key feature of this approach is trust in executives and support for CEO duality (where the CEO also serves as board chair), aiming to increase efficiency and reduce bureaucracy.

According to this theory, managers' sole responsibility is to maximize shareholder wealth, with no obligation toward other stakeholders. Issues concerning other groups are expected to be resolved through market competition and regulation.

However, critics highlight several weaknesses:

- Ignoring moral hazard risks
- Oversimplifying modern corporate structures
- Failing to account for dispersed ownership
- Lack of transparency in complex organizations

Due to these limitations and repeated corporate scandals, this theory is less frequently used as a basis for governance regulations. Instead, agency theory provides a more realistic perspective on managerial behavior.

2.2 Agency Theory

Agency theory emerged with the growth of publicly traded corporations and the increasing separation between owners and managers. Berle and Means (1932) demonstrated that power

shifted from owners to managers, creating opportunities for misuse. In today's complex structures, agency problems exist throughout the entire investment chain (funds, firms, assets) (Clarke & Branson, 2012).

This theory is rooted in the ideas of Adam Smith, who argued that managers are less motivated than owners to ensure company success. Jensen and Meckling (1976) defined it as a contractual relationship between owners and managers and emphasized the inherent conflict of interest. Within this framework, managers are considered opportunistic and likely to prioritize personal interests over those of shareholders.

Therefore, monitoring mechanisms such as independent boards of directors, audit committees, and the separation of CEO and board chair roles become important (Yonas, 2022). In addition to monitoring, performance-based financial incentives are necessary to align the interests of both parties (Afza & Nazir, 2014).

Agency theory, as the most influential theory in corporate governance, forms the basis of many regulations related to transparency, accountability, auditing, and independent directors. However, critics argue that it is overly simplistic due to:

- Ignoring the complexities of the investment chain
- Excessive focus on quantitative measures (e.g., board structure, compensation) while neglecting informal factors such as relationships and personal influence
- The philosophical assumption that humans are inherently self-interested and profit-driven (Clarke & Branson, 2012)

Ultimately, agency theory stands in contrast to stewardship theory. However, both focus only on the relationship between owners and managers and neglect other stakeholder groups. This limitation led to the development of stakeholder theory.

2.3 Stakeholder Theory

Stakeholder theory emerged in response to the limitations of agency and stewardship theories, as they focused solely on shareholders (Hine & Hai, 2020). This theory views the firm as an entity that interacts with various groups such as employees, customers, suppliers, creditors, government, and society, aiming to create value for all stakeholders (Afza & Nazir, 2014).

Within this framework, the firm is considered a social system operating within the broader context of society and its regulations. Proposals include strengthening stakeholder voices,

creating incentives (e.g., stakeholder share ownership), and including stakeholder representatives on boards (such as employee representatives) (Hine & Hai, 2020).

Thus, the board's responsibility extends beyond shareholders to a broader range of stakeholders. Despite its inclusiveness, Jensen is a key critic of this theory. He argues that it is overly simplistic because it assumes that firms have a single objective—stakeholder satisfaction—while in reality firms face conflicting objectives and operate in complex environments. Therefore, factors such as organizational structure and information flow must also be considered (Afza & Nazir, 2014).

2.4 Resource Dependence Theory

Resource dependence theory emphasizes the importance of access to external resources in managing firms. According to this perspective, environmental resources shape organizational behavior, and the board of directors acts as a bridge connecting the firm to its environment.

The board plays a key role in securing vital resources such as skills, information, raw materials, and expertise, and firm performance depends on its ability to access and maintain these resources.

Board members are classified into four categories:

1. Insiders: Current and former executives of the company
2. Business experts: Managers of large firms with strategic decision-making experience
3. Support specialists: Lawyers, bankers, and other professional advisors
4. Community influential figures: Politicians, academics, and social representatives

Thus, board diversity enhances access to valuable resources and improves financial performance (Yonas, 2022).

Among the theories discussed, agency theory holds particular importance, as early corporate governance studies originated from the agency problem, first noted by Adam Smith and later developed by Berle and Means (1932). However, this does not diminish the importance of other theories.

For example, corporate governance guidelines often include separate sections on human development and environmental protection, reflecting strong support for stakeholders. The key point is that whether firms are viewed as responsible only to shareholders or to a broad range of stakeholders, achieving these responsibilities requires appropriate governance mechanisms.

These mechanisms can be categorized into internal and external mechanisms (Hassas-Yeganeh, 2017), which are briefly reviewed below.

2.5 Internal Governance Mechanisms

When discussing internal corporate governance mechanisms, boards of directors are the first element that comes to mind. In corporate governance, the board serves as the guiding body responsible for monitoring executive management to protect shareholder interests.

The importance of boards is reflected in studies examining their characteristics, such as:

- Ratio of inside to outside directors
- Voting and election processes
- Board size
- CEO– duality

Additionally, board responsibilities—including monitoring, resource dependence, and service roles—have been extensively analyzed.

Due to the complexity of board responsibilities, specialized committees are often formed, while decision-making authority remains collectively with the board (Stellari, 2022).

Among these committees:

- The audit committee is particularly important due to its close relationship with internal and external auditors and its critical role in transparency
- The nomination committee influences firm performance by selecting candidates for key positions
- The compensation committee aligns the interests of managers and shareholders through executive pay design

Executive compensation is a key internal mechanism for aligning interests. According to Murphy (1999, 2012), compensation methods include:

- Base salary
- Accounting-based performance bonuses
- Stock options
- Long-term incentive plans

Among these, stock options have gained increasing importance.

2.6 External Governance Mechanisms

Shleifer and Vishny (1997) provide a comprehensive explanation of external governance mechanisms. The most important of these is legal protection for investors.

However, in some cases—especially where political influence exists—legal mechanisms may be ineffective. In such situations, external forces such as:

- Large shareholders
- Institutional investors
- Takeover threats
- Large creditors
- Leveraged buyouts

can pressure managers to act in the interests of investors.

2.7 Good Corporate Governance

Good corporate governance is considered a tool for evaluating governance practices. Carsono (2023) identifies five key dimensions:

- Transparency
- Accountability
- Responsibility
- Independence
- Fairness

Definitions:

- Transparency: Clear and easy access to information and processes
- Accountability: Obligation of officials to provide fair and transparent performance reports
- Responsibility: Ethical decision-making and the ability to distinguish right from wrong
- Independence: Freedom from influence and impartial judgment
- Fairness: Equal and just treatment based on rights and obligations

3. Literature Review

Developing models for corporate governance ranking has long been a concern for researchers and policymakers. Although objectives differ, most studies follow a similar structure by defining key components and building models around them.

For example:

- Black et al. (2006): Show a positive relationship between strong governance and higher market value in Korean firms
- Drobetz et al. (2004): Find that firms with stronger governance have lower expected returns due to lower perceived risk
- Atiya & Rubina (2006): Demonstrate that governance mechanisms positively affect firm performance in the Karachi Stock Exchange

In Iran:

- Hassas-Yeganeh (2011) developed a governance ranking model based on transparency, board independence, and shareholder rights
- Aliabadi & Nasiri Aghdam (2018) proposed a model for Islamic banking governance
- Abdollahi & Esmaeilzadeh (2024) used eight criteria across ownership, transparency, and board structure

Most prior research focuses on private-sector firms, and no study has addressed governance ranking in companies affiliated with a military organization. This study aims to fill that gap.

4. Research Methodology

This study analyzes the OECD Guidelines on Corporate Governance of State-Owned Enterprises using qualitative content analysis. Since the companies studied operate primarily for profit and value creation, most OECD principles can be applied without major modification.

However, due to institutional ownership and governance differences, some principles—such as disclosure—are applied with minor adjustments. This aligns with the OECD’s principle-based approach, which allows adaptation to national legal and institutional contexts.

To assign weights to dimensions, sub-dimensions, and indicators:

- A specialized questionnaire was distributed to experts
- AHP (Analytic Hierarchy Process) was used for dimensions and sub-dimensions
- Indicators were weighted through direct expert scoring

AHP, developed by Thomas Saaty, is a multi-criteria decision-making method that uses pairwise comparisons to determine relative importance.

The first step involves structuring the problem hierarchically by breaking it into levels. In this study, the structure is as follows (see Figure 1):

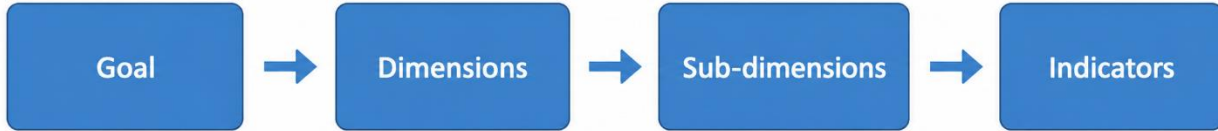


Figure 1: Conceptual Model of the Research

(2) In the second step, a pairwise comparison matrix is constructed first for the dimensions and then for the sub-dimensions. For each pair, experts assign numerical values based on the Saaty scale, where:

- 1 indicates equal importance
- 9 indicates extreme importance

If the second element is more important than the first, the reciprocal values are used.

(3) In the third step, after calculations, the consistency ratio (CR) of the questionnaire is computed. The obtained weights are considered valid only if this value is less than 0.1 (Ghodsipoor, 2006).

In contrast, due to the relatively large number of indicators and their detailed operational nature, indicator weighting is performed using expert judgment through direct scoring.

At this stage:

- Selected experts evaluate the importance of each indicator using a numerical scale
- The collected scores are aggregated
- Using linear normalization, indicator weights are calculated so that the total weight in each sub-dimension equals one

The characteristics of the experts are presented in Table 1.

This hybrid approach is used to enhance the accuracy, efficiency, and validity of weighting, ensuring that at each level of the conceptual model, the most appropriate method is applied based on the nature of components and experts' cognitive limitations (Ayan et al., 2023).

Table 1: Expert Characteristics

No.	Gender	Age (Years)	Education	Work Experience (Years)
1	Male	52	PhD in Public Management	21
2	Male	47	M.Sc. in Accounting	18
3	Male	44	PhD in Financial Management	14
4	Male	55	M.Sc. in Executive Management	22

No.	Gender	Age (Years)	Education	Work Experience (Years)
5	Male	41	PhD in Economics	8
6	Male	38	M.Sc. in Public Management	12
7	Male	49	PhD in Accounting	15

5. Research Findings

Based on the OECD (2024) Guidelines for Corporate Governance of State-Owned Enterprises, seven main dimensions for governance in companies affiliated with a military organization can be identified:

1. Rationale for Military Ownership
2. Role of the Military Organization as Owner
3. Military-Affiliated Companies in the Market
4. Equitable Treatment of Shareholders and Other Investors
5. Disclosure, Transparency, and Accountability
6. Board Composition and Responsibilities
7. Sustainability of Military-Affiliated Companies

A brief explanation of each dimension follows:

5.1 Rationale for Military Ownership

The military organization must clearly define, document, and disclose the reasons for owning enterprises and regularly review these justifications to ensure that ownership is economically and socially justified and aligned with public policy.

5.2 Role of the Military Organization as Owner

The military organization must act as an informed, active, and accountable owner, ensuring that corporate governance in its companies is implemented transparently, professionally, and effectively.

Key requirements include:

- Clear definition of roles, authorities, and expectations
- Maintaining operational independence of companies
- Ensuring accountability to public institutions

Core responsibilities include:

- Exercising ownership rights and active participation in general meetings
- Transparent and merit-based board appointments (free from political influence)

- Setting financial, operational, and sustainability objectives without interfering in execution
- Establishing digital and transparent monitoring/reporting systems
- Managing conflicts of interest and fair board compensation policies

5.3 Military-Affiliated Companies in the Market

Legal frameworks must ensure fair competition between military-affiliated companies and the private sector and prevent conflicts between policy-making, regulatory, and ownership roles.

Key principles:

- Subject to general laws (e.g., bankruptcy, taxation)
- Neutral dispute resolution mechanisms
- Transparent and fairly funded public service obligations (PSOs)
- Market-based operations without preferential support or guarantees
- Transparent and responsible procurement aligned with international standards

5.4 Equitable Treatment of Shareholders and Investors

These companies must ensure:

- Equal treatment and transparency for all shareholders (including minority and foreign investors)
- Equal access to information
- Protection of private shareholder rights

Additional requirements:

- Avoid misuse of ownership power
- Ensure full and simultaneous disclosure
- Facilitate shareholder participation through digital tools
- Ensure government-company transactions are based on commercial principles and transparency

5.5 Disclosure, Transparency, and Accountability

Companies must adhere to high transparency and accountability standards, comparable to publicly listed firms with subject to their institutional ownership structure permissions.

They must disclose:

- Financial, operational, and non-financial information annually
- Ownership structure, policies, executive compensation

- Key risks, related-party transactions, and government support

Boards are responsible for:

- Risk management systems
- Internal controls
- Oversight of internal and external audits

The ownership entity must also publish aggregated annual reports on performance, sustainability, and governance quality.

5.6 Board Composition and Responsibilities

Boards are ultimately responsible for performance and protecting shareholder interests.

Key requirements:

- Independence, professionalism, and diversity
- Merit-based selection
- Freedom from political influence

Board responsibilities include:

- Strategy setting
- Risk management
- Disclosure oversight
- Executive appointments and compensation

Other key practices:

- Establish specialized committees
- Conduct regular performance evaluations
- Separate CEO and board chair roles
- Enforce conflict-of-interest rules

5.7 Sustainability of Military-Affiliated Companies

Governance frameworks must promote:

- Sustainability
- Resilience
- Long-term value creation

Companies must:

- Integrate sustainability goals into strategy and operations
- Report sustainability metrics

- Ensure board oversight of sustainability risks

Additional elements:

- Non-financial reporting aligned with international standards
- Independent verification
- Active stakeholder engagement
- Prevention of political misuse and corruption (see Figure 2)



Figure 2: Main Dimensions of Corporate Governance in Companies Affiliated with a Military Organization

5.8 Sub-dimensions and Indicators

In this section, the sub-dimensions of each dimension, along with their indicators, codes, and weights of all components, are presented in the following section.

A) Rationale for Military Ownership (0.0335)

- A1) Formal ownership policy and statement of rationale (0.637)
- A2) Periodic review and updating of ownership rationale (0.1047)
- A3) Alignment of company mission with ownership rationale (0.2583)

B) Role of the Military Organization as Owner (0.1355)

- B1) Ownership entity structure (0.4591)
- B2) Owner expectations and operational autonomy (0.2223)

- B3) Board nomination process and diversity (0.0346)
 - B4) Performance monitoring and reporting (0.1075)
 - B5) Disclosure policy and communication channels (0.049)
 - B6) Interaction with auditors and oversight bodies (0.049)
 - B7) Compensation policy and incentive alignment (0.0785)
- C) Military-Affiliated Companies in the Market (0.0609)
- C1) Separation of regulation from ownership (0.4504)
 - C2) Access to impartial justice and standard bankruptcy procedures (0.0294)
 - C3) Transparent PSOs without hidden subsidies (0.0412)
 - C4) No preferential support / compliance with competition rules (0.1392)
 - C5) Competitive neutrality (taxation, debt, regulation) (0.1348)
 - C6) Market-based financing and transactions (0.057)
 - C7) Fair procurement practices (0.0639)
 - C8) Responsible international business conduct (0.0841)
- D) Equitable Treatment of Shareholders and Other Investors (0.1129)
- D1) Equality of rights and access to information (0.4693)
 - D2) Communication and consultation mechanisms with shareholders (0.0444)
 - D3) Conflict-of-interest control and related-party transactions (0.2354)
 - D4) Compliance with corporate governance codes (0.0937)
 - D5) Transparency regarding public service obligations (0.1573)
- E) Disclosure, Transparency, and Accountability (0.3004)
- E1) Disclosure of financial and non-financial information (0.43)
 - E2) Disclosure of governance structure and board composition (0.0727)
 - E3) Disclosure of risks and internal controls (0.2177)
 - E4) Internal and external audit performance (0.179)
 - E5) Aggregate ownership reporting (0.1004)
- F) Board Composition and Responsibilities (0.3083)
- F1) Delegation of duties and authority (0.0493)
 - F2) Oversight of strategy and executive management (0.2017)
 - F3) Board composition and independence (0.0944)
 - F4) Conflict-of-interest management (0.1588)

- F5) Board leadership and meeting effectiveness (0.0349)
- F6) Board committees (0.0755)
- F7) Board performance evaluation (0.1225)
- F8) Risk oversight and internal control (0.2629)

G) Sustainability of Military-Affiliated Companies (0.0484)

- G1) Integration of sustainability goals into ownership policy (0.5263)
- G2) Board oversight of ESG and sustainable strategy (0.2417)
- G3) Sustainability reporting aligned with international standards (0.1228)
- G4) Stakeholder engagement and responsible conduct (0.1092)

Table 2: Indicators of Each Sub-dimension with Weights of Corporate Governance Indicators (A–F) – Full Table

Dimension	Sub-dimension	Code	Indicator	Weight
A	Formal ownership policy and rationale	A11	Existence of an official ownership policy document	0.38
A		A12	Clarity and comprehensiveness of ownership rationale	0.34
A		A13	Public disclosure of ownership policy	0.28
A	Periodic review	A21	Scheduled review program	0.33
A		A22	Review frequency (3–5 years)	0.42
A		A23	Disclosure of review results	0.24
A	Mission alignment	A31	Formal mission statement	0.39
A		A32	Alignment with ownership rationale	0.36
A		A33	Monitoring mechanisms	0.25
B	Ownership structure	B11	Centralized ownership entity	0.39
B		B12	Professional capacity	0.36
B		B13	Separation from policymaking	0.25
B	Expectations & autonomy	B21	KPI definition	0.40
B		B22	Expectation agreements	0.34
B		B23	Management autonomy	0.26
B	Board nomination	B31	Transparent nomination	0.36

Dimension	Sub-dimension	Code	Indicator	Weight
B		B32	Diversity	0.35
B		B33	Conflict control	0.29
B	Monitoring	B41	Reporting system	0.36
B		B42	Risk/control monitoring	0.35
B		B43	Corrective actions	0.29
B	Disclosure policy	B51	Disclosure policy exists	0.40
B		B52	Equal access	0.34
B		B53	Standards alignment	0.26
B	Audit interaction	B61	Auditor communication	0.40
B		B62	Follow-up audits	0.34
B		B63	Oversight coordination	0.26
B	Compensation	B71	Compensation policy	0.36
B		B72	Performance-based pay	0.35
B		B73	Transparency	0.29
C	Regulation separation	C11	Separation roles	0.54
C		C12	Conflict prevention	0.46
C	Legal access	C21	Neutral dispute access	0.54
C		C22	Bankruptcy coverage	0.46
C	PSO transparency	C31	Clear PSOs	0.36
C		C32	Transparent compensation	0.35
C		C33	No cross-subsidy	0.29
C	Competition rules	C41	No preferential support	0.40
C		C42	Impact evaluation	0.60
C	Neutrality	C51	Tax neutrality	0.40
C		C52	Regulatory neutrality	0.34
C		C53	Procurement neutrality	0.26
C	Market financing	C61	Market loans	0.40
C		C62	Market pricing	0.34
C		C63	No preferential financing	0.26
C	Procurement	C71	Competitive procurement	0.39

Dimension	Sub-dimension	Code	Indicator	Weight
C		C72	Fair tenders	0.35
C		C73	Anti-corruption	0.26
C	International conduct	C81	Commercial decisions abroad	0.40
C		C82	RBC compliance	0.34
C		C83	Fair trade	0.26
D	Shareholder rights	D11	Equal rights policy	0.29
D		D12	Equal information access	0.24
D		D13	Meeting participation	0.23
D		D14	Conduct guidelines	0.24
D	Communication	D21	Communication channels	0.35
D		D22	Communication quality	0.65
D	Related parties	D31	Control policy	0.40
D		D32	Market pricing	0.34
D		D33	Disclosure	0.26
D	Governance codes	D41	Code compliance	0.51
D		D42	Comply/explain	0.48
D	Public obligations	D51	Disclosure	0.53
D		D52	Minority disclosure	0.47
E	Financial disclosure	E11	Annual reports	0.29
E		E12	Audit approval	0.24
E		E13	Strategy transparency	0.24
E		E14	PSO reporting	0.23
E	Governance disclosure	E21	Structure disclosure	0.40
E		E22	Board disclosure	0.34
E		E23	Compensation disclosure	0.26
E	Risk disclosure	E31	Risk reporting	0.28
E		E32	Risk system	0.24
E		E33	Ethics & controls	0.33
E		E34	Risk responsibility	0.24
E	Audit	E41	Internal audit	0.20

Dimension	Sub-dimension	Code	Indicator	Weight
E		E42	Auditor independence	0.20
E		E43	External audit	0.22
E		E44	Independence	0.22
E		E45	Public access	0.17
E	Aggregate reporting	E51	Reports published	0.51
E		E52	Indicator coverage	0.49
F	Delegation	F11	Duty definition	0.50
F		F12	Strategic independence	0.50
F	Strategy oversight	F21	Strategy approval	0.36
F		F22	CEO appointment	0.35
F		F23	Pay-performance	0.29
F	Composition	F31	Independent ratio	0.50
F		F32	Merit selection	0.50
F	Conflict	F41	Conflict policy	0.51
F		F42	Disclosure obligation	0.49
F	Leadership	F51	Independent chair	0.51
F		F52	Meeting effectiveness	0.49
F	Committees	F61	Committees exist	0.51
F		F62	Independence	0.49
F	Evaluation	F71	Annual evaluation	0.51
F		F72	Expertise diversity	0.49
F	Risk oversight	F81	Active risk role	0.60
F		F82	Risk committee	0.40
G	Sustainability policy integration	G11	Sustainability goals in ownership policy	0.40
G		G12	Alignment with SDGs	0.34
G		G13	Monitoring achievement	0.26
G	ESG oversight	G21	ESG integration in strategy	0.40
G		G22	ESG committee	0.34
G		G23	ESG performance review	0.26

Dimension	Sub-dimension	Code	Indicator	Weight
G	Sustainability reporting	G31	Annual sustainability reports	0.40
G		G32	Use of global standards	0.34
G		G33	External assurance	0.26
G	Stakeholder engagement	G41	Employee involvement in sustainability	0.25
G		G42	Feedback mechanisms	0.25
G		G43	Ethical/anti-corruption policies	0.50

5.9 Results Analysis

Based on the assigned weights, the Corporate Governance Index (CGI) at the dimension level is:
 $CGI=0.0335A+0.1355B+0.0609C+0.1129D+0.3004E+0.3083F+0.0484G$

As discussed in the theoretical section, the board of directors is one of the most important internal governance mechanisms, playing a key role in guiding the company and overseeing executive management.

Alongside the board, transparency is a critical factor in corporate success, as efficient resource allocation depends on transparent information. Since boards also play a key role in resource acquisition, board governance and transparency are fundamental components in value creation for shareholders.

The findings of this study confirm that these two components—board composition and responsibilities and disclosure, transparency, and accountability—have the highest weights and importance in the model.

This suggests that, regardless of whether companies are public or private, strengthening these two dimensions plays a crucial role in enhancing corporate governance and shareholder value creation (see Figure 3).

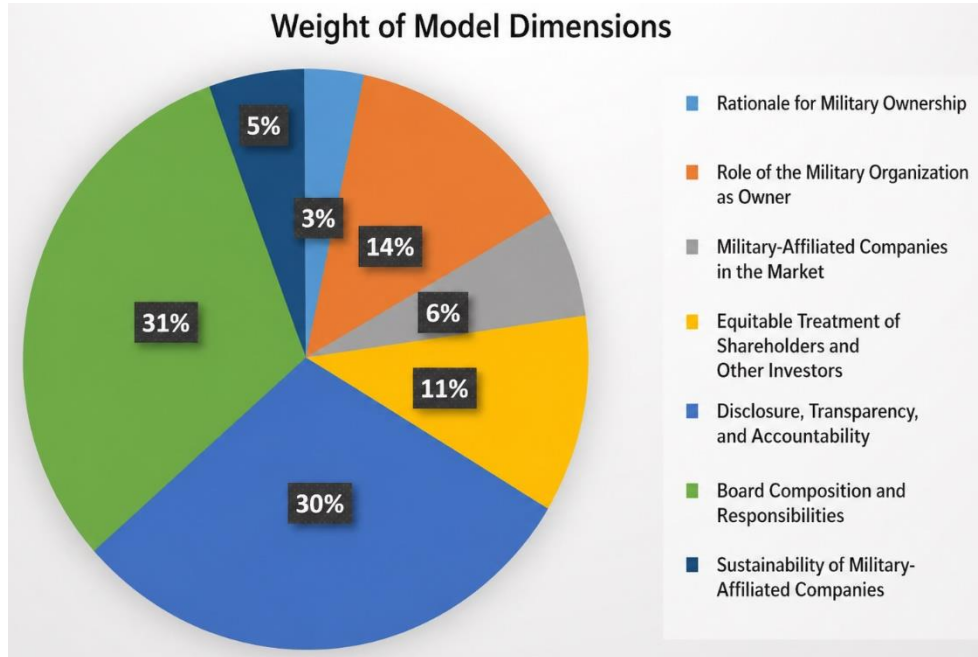


Figure 3: Weights of the Dimensions

The ranking model at the sub-dimension level is as follows:

$$CGI=(0.0213A1+0.0035A2+0.0086A3)+(0.0622B1+0.0301B2+0.0046B3+0.0145B4+0.0066B5+0.0066B6+0.0106B7)+(0.0274C1+0.0017C2+0.0025C3+0.0084C4+0.0082C5+0.0034C6+0.0038C7+0.0051C8)+(0.0529D1+0.0050D2+0.0265D3+0.0105D4+0.0177D5)+(0.129E1+0.0216E2+0.0651E3+0.0537E4+0.03E5)+(0.0152F1+0.0621F2+0.0291F3+0.0489F4+0.0107F5+0.0232F6+0.0377F7+0.0810F8)+(0.0254G1+0.01169G2+0.0059G3+0.0052G4)$$

Interpretation of Results

At the sub-dimension level, the most important factors are, respectively:

- Disclosure of financial and non-financial information
- Risk oversight and internal control
- Disclosure of risks and internal controls
- Ownership entity structure
- Oversight of strategy and executive management

Except one case, all of these belong to the two main dimensions:

- Board Composition and Responsibilities
- Disclosure, Transparency, and Accountability (see figure 4&5)

Therefore, in the proposed corporate governance ranking model, these two dimensions have the highest importance. It is recommended that military organizations, to improve governance in their affiliated companies, place greater emphasis on these two dimensions.

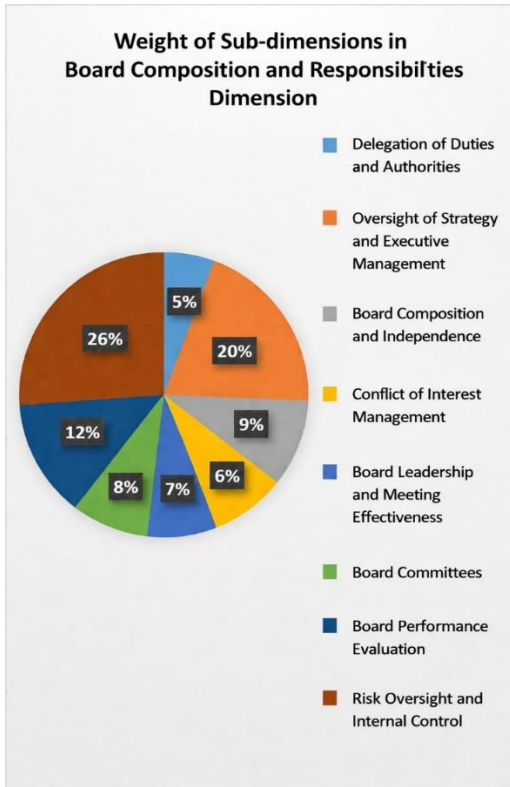


Figure 4: Importance Level of Sub-dimensions within the Board Composition and Responsibilities Dimension

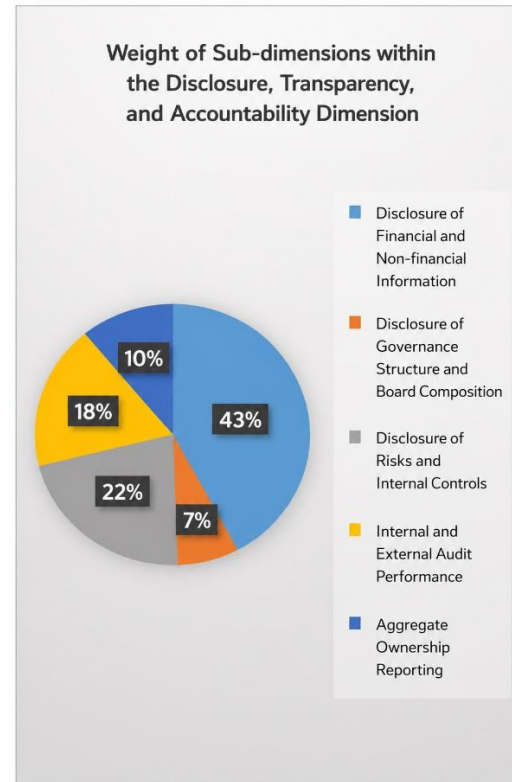


Figure 5: Importance Level of Sub-dimensions within the Disclosure, Transparency, and Accountability Dimension

Conclusion

In recent years, weaknesses in corporate governance have led to several corporate collapses, such as Enron (Healy & Palepu, 2003). This issue has drawn increased attention from experts in economics and management to the topic of corporate governance. One aspect of this attention has been the search for methods and tools to evaluate the health of corporate governance. As a result, many corporate governance studies in recent years have focused on this issue.

This article has been written with the aim of addressing this problem in companies affiliated with a military organization. In this study, a corporate governance model suitable for such companies

has been developed, consisting of 7 main dimensions, 40 sub-dimensions, and 111 indicators, each with its own weight.

Given that the dimensions of “Board Composition and Responsibilities” and “Disclosure, Transparency, and Accountability” have the highest weights in the corporate governance ranking model, it can be concluded that policy focus on these two areas offers the greatest potential for improving the quality of corporate governance systems (see Figure 4, 5).

In this regard, it is recommended that policymakers and regulatory bodies establish minimum requirements for:

- The independence of board members
- The separation of the roles of board chair and CEO
- The formation and strengthening of specialized board committees

These measures can enhance the effectiveness of the board’s supervisory role.

At the same time, moving toward disclosure frameworks that go beyond minimum legal requirements, mandatory transparent disclosure of related-party transactions, executive compensation policies, —as well as strengthening the role of shareholder general assemblies in evaluating board performance, can significantly improve governance quality.

Additionally, designing performance-based incentive and penalty mechanisms can:

- Reduce information asymmetry
- Increase managerial accountability
- Ultimately improve the efficiency and effectiveness of corporate governance systems

Suggestions for Future Research

Based on the results of the corporate governance ranking model, future studies can be developed along several complementary paths:

First, it is recommended to empirically test the impact of the most heavily weighted dimensions—particularly board composition and responsibilities and disclosure, transparency, and accountability—on variables such as financial performance, firm value, risk, and cost of capital. This would help evaluate the consistency of the model with empirical evidence.

Second, examining the dynamics of these weights over time, especially during economic crises or following institutional and regulatory reforms, can provide deeper insights into how the relative importance of governance components changes.

Third, conducting comparative studies across different industries, between state-owned and private companies, or across countries with different legal systems can enhance the generalizability of the model's findings.

Finally, future research is encouraged to apply alternative or complementary weighting methods, as well as incorporate behavioral and institutional factors related to boards of directors, in order to improve the robustness and richness of corporate governance ranking models.

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