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Institutionalising Corporate Governance: Contradictions, Negotiated Compromises and Unintended consequences

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Institutionalising Corporate Governance: Contradictions, Negotiated Compromises and Unintended consequences

Abstract:

Purpose: This study examines how corporate governance (CG) reforms emerge, institutionalise and are enacted across institutional levels. Focusing on three reform cycles in Pakistan (2002, 2012, 2017), it explains how governance codes are negotiated, hybridised and resisted under family ownership and political patronage, and why formally stronger regulations may nonetheless produce symbolic compliance, selective implementation and strategic exit.

Design/methodology/approach: Drawing on Dillard et al.'s (2004) multi-level framework, integrating neo-institutional sociology, structuration theory and Weber's axes of tension, the study analyses 41 interviews with regulators, market actors and executives, complemented by documentary analysis spanning 1995–2020. Data were coded thematically and interpreted longitudinally across socio-political, organisational-field and organisational levels.

Findings: CG reform is neither linear nor convergent. International financial agencies exerted coercive and normative pressures, but these interacted with entrenched family capitalism to produce negotiated outcomes and partial institutionalisation across all three cycles. Boards, committees and disclosure practices were formally adopted yet routinely decoupled from decision-making. Symbolic compliance, selective adoption and strategic delisting emerged as rational responses to preserve family control; the 2017 Regulations strengthened legal formality without altering underlying power dynamics.

Originality/value: The paper links reform development to unintended organisational consequences across successive regulatory cycles, revealing tensions between formal rationality in CG codes and substantive rationality embedded in family capitalism. The multi-level framework offers a transferable lens for analysing CG reforms in other emerging economies characterised by concentrated ownership and entrenched power relations.

Research Limitations/Implications: The study focuses on listed family-controlled firms, with interview data centred on 2012 and the early post-2017 period. Future research should track enforcement, investor activism and digital reporting across countries and time. Effective CG requires independent regulators, credible enforcement and positive incentives for controlling owners. Without concurrent reforms addressing political power and financing structures, formal regimes risk reinforcing symbolic compliance and selective exit.

Key Words: Corporate Governance, Institutionalisation, family-controlled listed companies, Multi-level Analysis, Emerging Economies, Pakistan

Introduction

Corporate governance (CG) reforms have become a recurring feature of regulatory agendas across both developed and developing economies following a series of corporate scandals and financial crises, most notably the East Asian Financial Crisis (Arnold, 2012). These events exposed weaknesses in corporate accountability, regulatory oversight and market governance, prompting widespread reform initiatives. Academic debates on CG reforms have largely focused on their outcomes, oscillating between convergence and divergence of governance practices (Yoshikawa & Rasheed, 2009) and between efficiency-based and legitimacy-based explanations for reform (Reed, 2002; Siddiqui, 2010; Zattoni & Cuomo, 2008). In developing countries, CG reforms are frequently portrayed as externally driven initiatives, introduced under pressure from international financial agencies (IFAs) as conditions attached to financial assistance and aligned with Anglo-American governance models (Ahmad & Mahmood, 2024; Özcan & Çokgezen, 2003; Reed, 2002; Uddin & Hopper, 2003). While this literature has generated valuable insights, its predominant focus on outcomes has treated institutionalisation as an end state rather than examining it as an ongoing, contested process.

Institutionalisation is not a neutral or technical exercise, but a political process "reflecting the power of organised interests and the actors who mobilise around them" (Dillard et al., 2004, p. 510; Wickramasinghe et al., 2025). Yet the role of power, resistance and negotiation in shaping CG reforms has received limited sustained attention (Dillard et al., 2004; DiMaggio, 1988; Ezzamel & Xiao, 2015). Although recent critical accounting research continues to emphasise that governance reforms in developing countries are embedded within broader political-economic structures, systematic longitudinal analyses tracing how such reforms are institutionalised, transposed and stabilised over time remain fragmented (Alawattage & Alsaïd, 2018; Ekanayake et al., 2025; Hopper et al., 2017).

Prior CG research has largely adopted a top-down perspective, examining how enacted regulations influence organisational practices while implicitly assuming that organisations respond passively to regulatory demands. This pays limited attention to how organisations and powerful domestic actors actively shape the content, interpretation and enforcement of governance regulations. Much of the literature also treats either the nation-state or the firm as the primary unit of analysis, resulting in limited engagement with the multi-level dynamics through which CG reforms unfold (Dillard et al., 2004; Yoshikawa et al., 2007). The diffusion of internationally endorsed governance models remains contingent on the interests, capacities and legitimacy of national-level actors (Ezzamel & Xiao, 2015; Yoshikawa & Rasheed, 2009), and recent studies demonstrate that powerful domestic actors such as political elites, business families and professional groups can resist, reshape or selectively adopt reforms even under strong external pressures, resulting in negotiated and hybrid regulatory outcomes (Jayasinghe & Thomas, 2009; Uddin et al., 2018).

Against this background, this study addresses two research questions: first, how do corporate governance reforms emerge, diffuse and become enacted across multiple institutional levels; and second, how do political negotiation, power asymmetries and institutional contradictions shape their development and consequences. To answer these questions, the study examines CG

reforms in Pakistan across three regulatory cycles: the introduction of the CG Code in 2002, its revision in 2012 and the promulgation of the Listed Companies (Code of Corporate Governance) Regulations in 2017. Pakistan provides a particularly revealing context due to the coexistence of strong transnational governance pressures and deeply entrenched domestic power structures dominated by political and business families. While the 2002 and 2012 reforms were accompanied by visible contestation and resistance, the 2017 reforms were developed through a more centralised and technocratic process. Rather than interpreting this as an absence of struggle, this study conceptualises it as a transformation in the form of institutional contestation, reflecting regulatory learning and strategic insulation of the reform process from public debate.

Drawing on a multi-level analytical framework integrating neo-institutional theory, structuration theory and Weberian perspectives on power and domination (Dillard et al., 2004; Yousef & Sponem, 2025), the study adopts a longitudinal, process-oriented approach to analyse how CG regulations are institutionalised across the socio-political and economic level, the organisational field and the organisational level. Empirical evidence is drawn from 41 in-depth interviews with regulators, practitioners and corporate actors, complemented by documentary analysis spanning 1995 to 2020.

This study makes three contributions. First, it extends institutional theory by demonstrating how CG reforms evolve across successive regulatory cycles, revealing a shift from overt political contestation to managed and depoliticised forms of regulatory change, and identifying mechanisms through which institutionalisation generates negotiated compromises and contradictory outcomes. Second, it contributes to the corporate governance literature by explicitly linking the developmental processes of governance codes to their unintended consequences, including symbolic compliance, decoupling and strategic delisting as organisational responses to conflicting institutional pressures in family-controlled firms (Alawattage & Alsaid, 2018). Finally, it offers policy-relevant insights by questioning assumptions that increasingly stringent governance regulation necessarily leads to substantive governance improvements in contexts characterised by concentrated ownership and entrenched power relations.

The remainder of the paper is structured as follows. The next section reviews the literature and establishes the Pakistani institutional context. This is followed by the conceptual framework and the methodological approach. The paper then analyses the making of Pakistan's corporate governance codes, followed by an analytical overview of their institutionalisation across different levels. The final section presents conclusions and implications for research, policy and practice.

Corporate Governance Reform: Literature and Institutional Context

Research on corporate governance (CG) reform in developing countries frequently explains its emergence through external pressures linked to global financial integration. Following financial crises and high-profile corporate failures, bodies such as the World Bank and IMF

promoted governance reform as part of broader restructuring programmes, framing governance codes as mechanisms to enhance transparency, restore investor confidence and signal alignment with internationally accepted standards. Empirical studies show that reforms in many emerging economies are closely associated with loan conditionalities and policy guidance from these agencies, resulting in frameworks that reflect Anglo-American principles of shareholder protection, disclosure and board independence, often regardless of local institutional differences (Siddiqui, 2010; Uddin & Hopper, 2003).

While this literature offers powerful insights into why governance reforms are launched, it often treats external pressure as largely unidirectional and technical, portraying regulation as an imported blueprint rather than a negotiated outcome shaped by contestation over power. More recent institutional scholarship challenges this view by showing that externally promoted models are rarely adopted intact. Instead, global templates interact with domestic political and institutional realities, producing hybrid regulatory arrangements that selectively reflect international norms (Ahmad & Mahmood, 2024). Despite this shift, empirical work still offers limited longitudinal analysis of how external pressures are filtered, contested and reinterpreted across successive reform cycles.

A parallel body of research emphasises the central role of national socio-political contexts in shaping governance reform trajectories. National actors such as regulators, political elites, business families and professional groups mediate reform processes in line with their interests and institutional constraints (Jayasinghe & Thomas, 2009; Yoshikawa et al., 2007), actively reinterpreting governance reforms within local institutional conditions (Schiavi et al., 2024). Studies grounded in political economy perspectives show that governance reforms unfold in environments characterised by concentrated ownership, patronage relations and close state-business linkages, where governance initiatives may be perceived as challenges to existing control structures and therefore generate forms of resistance from dominant economic actors (Alazemi & Uddin, 2026; Siddiqui, 2010; Kimani et al., 2021). Regulators operating under these conditions face the tension of meeting external expectations while managing domestic political realities. This often results in regulatory texts that formally align with international standards but incorporate flexibility that accommodates entrenched interests. Research indicates that regulatory strategies also evolve over time: initial reforms may involve visible public contestation, whereas later reforms are often designed through more centralised, technocratic processes that reduce the visibility of conflict (Munzer, 2019).

Institutional research has increasingly conceptualised the organisational field as a key arena through which governance reforms travel from national policy to corporate practice. This field, which comprises regulators, listed companies, professional associations, governance institutes and stock exchanges, serves as the site where meanings attached to governance are interpreted and stabilised (Malsch & Gendron, 2011; Yoshikawa et al., 2007). In many emerging markets, fields are dominated by family business groups whose economic and social capital allows them to shape interpretations of regulatory expectations. Professional bodies and stock exchanges may support diffusion through training and best-practice frameworks, but this process can shift governance toward a compliance orientation rather than a mechanism to redistribute power inside firms (Humphrey et al., 2009). These processes frequently produce partial

institutionalisation in which structures are adopted formally but underlying behaviour remains largely unchanged (Alawattage & Alsaid, 2018; How & Alawattage, 2012).

At the organisational level, research consistently highlights the influence of concentrated family ownership on governance outcomes. Families retain control over board appointments and key decision-making processes, limiting the transformative capacity of reforms (Jayasinghe & Thomas, 2009; Uddin & Hopper, 2003). Studies report patterns of symbolic compliance where firms implement governance mechanisms in appearance yet retain traditional control arrangements through nominally independent directors, ritualistic disclosure and selective board oversight (How & Alawattage, 2012). Such symbolic compliance is not merely a passive outcome of institutional constraints but an active form of resistance, where family directors strategically deploy coordinated lobbying, counter-narratives and internal governance arrangements to preserve control while formally adhering to regulatory expectations (Ahmed & Uddin, 2024). The literature also identifies unintended consequences: stricter regulations may encourage avoidance strategies including delisting, restructuring ownership or shifting activities outside regulatory oversight (Ezzamel & Xiao, 2015; Hopper et al., 2017). Yet few studies explicitly connect these organisational responses back to the regulatory development process itself, leaving open questions about how regulators adapt future reforms in light of resistance or superficial compliance.

The Pakistani Institutional Context

Pakistan provides a particularly revealing context in which these dynamics interact. Corporate governance reform has evolved within an institutional environment marked by political instability, entrenched family capitalism and sustained reliance on external financial assistance (Gardezi & Mumtaz, 2004). Economic development unfolded around a small circle of privileged business families: during the Ayub Khan era, a limited number of industrial groups rapidly accumulated wealth across banking, insurance and manufacturing, their economic power closely intertwined with political connections and preferential access to credit (Papanek, 1967; Rashid, 1976). High ownership concentration and kinship-based control thereby became defining features of the corporate sector, shaping attitudes toward external regulation and the limits of board autonomy (Husain, 2009).

Pakistan's fiscal vulnerability deepened its dependence on international financial agencies. From the 1950s onward, the IMF, World Bank and regional donors played a central role in shaping policy priorities, and Structural Adjustment Programmes in the 1980s and 1990s conditioned lending on market liberalisation and institutional modernisation (Islam, 1972; Gardezi & Mumtaz, 2004). This positioned corporate governance reform within externally driven agendas, while the creation of the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Institute of Corporate Governance (PICG) provided a regulatory and technocratic infrastructure for successive governance frameworks. Yet weaknesses persisted in enforcement systems and professional independence, exacerbated by the dominance of relational networks and discretionary business practices.

Overall, prior literature demonstrates that CG reform in emerging economies emerges through interactions between global governance agendas, national political economies, organisational

fields and corporate practice. Yet most studies examine these layers separately or at a single moment in time, offering limited understanding of how reforms evolve across successive cycles, how power and resistance operate across institutional levels, and how regulatory development interacts with organisational consequences. Pakistan's trajectory across three reform cycles (2002, 2012 and 2017), each shaped by shifting constellations of donor pressure, domestic politics and regulatory strategy, offers a uniquely longitudinal window into these dynamics. This study contributes to a deeper understanding of how governance regulation is produced, negotiated and lived within family-dominated corporate environments.

Conceptual Framework for Multi-Level Institutional Analysis

Corporate governance reforms are best understood as embedded institutional processes rather than purely technical regulatory adjustments. Formal governance arrangements arise within historically situated fields shaped by political interests, cultural expectations and power asymmetries (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), yet much existing literature treats institutionalisation largely as an outcome rather than an unfolding process. This underplays how actors interpret, negotiate and resist reforms across different societal arenas (Malsch & Gendron, 2011). To capture these dynamics, this study adopts the multi-level analytical framework developed by Dillard et al. (2004), which integrates neo-institutional sociology, structuration theory and Weber's conception of axes of tension.

Institutional theory highlights how organisations seek legitimacy by conforming to coercive, normative and mimetic pressures (DiMaggio & Powell, 1983; Scott, 2001), yet institutionalisation rarely proceeds as simple conformity. Oliver (1991) emphasises that organisations adopt strategic responses ranging from acquiescence to resistance depending on how institutional expectations align with internal interests and resources, particularly relevant in emerging economies where reforms confront entrenched ownership structures, patronage networks and historically sedimented governance logics (Siddiqui, 2010; Uddin & Hopper, 2003). Institutionalisation is therefore inherently political, reflecting negotiations among actors with unequal authority (Habermas, 1984).

Drawing on Dillard et al.'s (2004) work on institutional duality and the recursive making and remaking of organisational context, the framework conceptualises corporate governance reform as cascading yet interactive across three levels. At the socio-political and economic (SPE) level, state actors, regulators and transnational agencies define the criteria by which governance practices are judged legitimate. These criteria are translated within the organisational field comprising stock exchanges, professional bodies and influential corporate actors into concrete templates and best-practice norms. At the organisational level, managers and controlling owners enact or resist these expectations in light of their own interests and histories.

Crucially, influence does not move only top-down. Giddens' (1984) duality of structure allows institutions and agency to be understood as mutually constitutive: actors draw upon governance structures while simultaneously reproducing or transforming them through everyday practice. Change can therefore originate at any level and diffuse outward through continuous feedback loops (Reed, 2002).

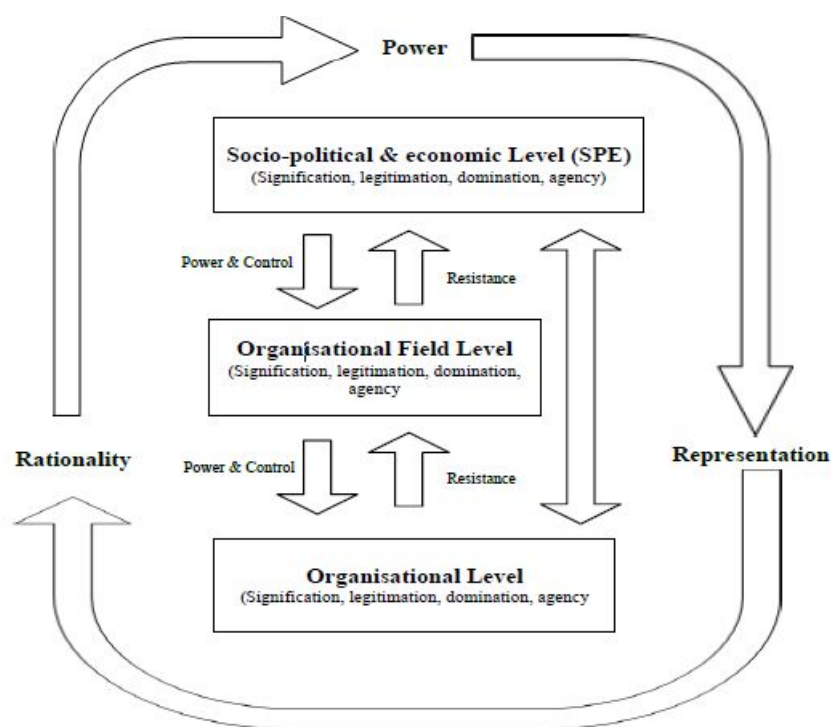


Figure 1: Analytical framework for Institutional Dynamics

Weber's axes of tension add further depth by foregrounding conflicts between competing rationalities. Formal rationality emphasising rule-based procedures and efficiency often dominates policy discourse (M. Weber, 1978), yet organisations also operate under substantive rationalities such as family loyalty or political relationships (Colignon & Covaleski, 1991). When governance reforms threaten these priorities, decoupling occurs: firms symbolically adopt governance structures while preserving existing control arrangements (Meyer & Rowan, 1977; How & Alawattage, 2012).

The multi-level framework thus conceptualises institutionalisation, transposition and deinstitutionalisation as politically contested processes shaped by legitimacy struggles, power asymmetries and competing rationalities. Applied to Pakistan, it enables analysis of how governance regulations emerged under international pressure, were mediated through domestic political and professional arenas, and were ultimately enacted or decoupled within family-controlled listed companies (Dillard et al., 2004; Hopper & Major, 2007; Conrad, 2014). Governance regulation is neither purely externally imposed nor wholly domestically determined, but co-constructed through interactions among global agencies, national regulators, professional intermediaries and organisational actors operating under competing rationalities and unequal power relations (Dillard et al., 2004).

Methodological Approach

This study adopts a qualitative, interpretive approach to examine how CG regulations emerged, developed and became institutionalised in Pakistan across three regulatory cycles: the 2002 Code, its revision in 2012 and the legally binding 2017 Regulations. A qualitative design is appropriate for understanding processes that are political, contested and historically embedded, because it allows close engagement with meanings, negotiations and power relations shaping regulatory reform (Englund & Gerdin, 2014; Parker, 2014). Rather than treating CG reforms

as static outcomes, the study traces how they travelled across the socio-political, organisational-field and organisational levels and how actors interpreted, negotiated and adapted them over time.

Data were generated from two complementary sources: semi-structured interviews and documentary analysis. Semi-structured interviews formed the core data set because they enable respondents to talk freely while allowing the researcher to probe emerging themes and clarify meanings (Yin, 2014). In line with the political nature of CG reform in Pakistan, a localist or informal interview approach was adopted, encouraging participants to reflect on their experiences rather than provide formulaic answers (Alvesson, 2003). This approach is particularly suited to environments where discussions involve sensitive regulatory and political issues and where respondents are positioned as rational, strategic actors (Mir & Rahaman, 2005).

Interviewees were selected using purposive and elite sampling, focusing on individuals with direct involvement in CG reforms across regulatory, intermediary and organisational contexts, with access negotiated through professional networks and institutional contacts. In total, 41 interviews were conducted across three institutional levels: the socio-political and economic level, the organisational-field level and the organisational level (see Table 1). Access at firm level was often challenging, and where senior chairs or CEOs were unavailable, interviews were conducted with CFOs, company secretaries or executive directors who were centrally involved in CG implementation decisions. Each interview lasted between 50 minutes and two hours, and all interviews were recorded with consent and subsequently transcribed. Where clarification was required, follow-up conversations were conducted via email or telephone. Participation was voluntary, anonymity was assured where requested, and interview data were treated confidentially throughout.

Institutional Level	Category	# of Interviews
Socio-political & economic level	Regulators (SECP, Government)	10
	Policy / professional bodies (PICG, ICAP)	3
Organisational field level	Stock exchanges, auditors, banks	8
Organisational level	Listed family firms (directors, CEOs, CFOs etc.)	20
	Delisted family firms	Included above
Total		41

Table 1: Distribution of Interviewees Across Institutional Levels

Documentary analysis provided an essential complementary perspective. Documents examined included the Companies Act, CG Codes and Regulations, regulatory notifications, annual reports of listed firms, policy papers of international financial agencies, stock exchange publications and governance institute reports. These materials not only informed the interview guides but were also used to corroborate or challenge interview claims, enabling triangulation

across sources (Blaxter et al., 2010; Yanow & Schwartz-Shea, 2006), and were crucial for reconstructing how ideas and requirements evolved across the three reform cycles.

Data analysis proceeded iteratively alongside data collection. Interview recordings were transcribed and subjected to systematic thematic analysis. In the first stage, open coding was undertaken to identify recurring concepts and patterns across interviews and documents. In the second stage, related codes were grouped into broader categories reflecting key processes such as institutionalisation, negotiation, resistance and decoupling, then interpreted through the analytical framework to develop higher-level themes aligned with the three institutional levels. Constant comparison was used throughout to refine categories and link empirical observations across regulatory phases.

Credibility was further supported through replication logic and triangulation. Similar questions were posed to respondents occupying comparable positions, allowing comparison across cases and levels (Yin, 2014), and presentation of emerging interpretations in academic and professional forums helped refine arguments through critical feedback (Uddin et al., 2018).

The Making of Pakistan's Corporate Governance Codes

Pakistan's corporate governance framework has evolved through three major reform cycles: 2002, 2012 and 2017. Each was shaped less by spontaneous market demand than by shifting constellations of international pressure, domestic politics and regulatory strategy. Rather than being linear improvements, these reforms emerged through negotiation among donor agencies, the Securities and Exchange Commission of Pakistan (SECP), parliamentarians and powerful business families.

CG Code 2002: Donor-Driven Reform to Negotiated Regulation

The first Code of Corporate Governance in 2002 was directly linked to the Asian Development Bank's Capital Market Development Programme. Establishing an independent securities regulator was a precondition for loan disbursement, and the SECP was created to fulfil this requirement. As a senior SECP official recalled:

"the ADB told the government that we are ready to pay you a certain sum, but that amount should be utilised for the establishment of an independent institution, i.e. SECP. In response, government passed the Securities and Exchange Act 1997."

At the same time, the SECP presented the new code domestically as a technical and efficiency-oriented reform. Officials framed the decision to mimic international models as rational learning rather than donor pressure. One senior official stated, *"we copied international best practices of CG. As these were best practices there was no need to reinvent the wheel."* Another emphasised the legitimacy dimension, explaining that aligning with global templates would *"boost investors' confidence in public listed companies."* Yet the adoption process also revealed regulatory pragmatism. To avoid open conflict with powerful family businesses, SECP made several provisions voluntary. As one code committee member acknowledged:

"we modify this code to fit in the family dominant context... everything in code is not mandatory."

A senior SECP official confirmed that voluntarism was strategic:

"in order to have wider acceptability as well as to avoid immediate resistance, this criterion was kept voluntary."

The 2002 Code thus accommodated entrenched family control, even codifying grandfathering arrangements: *"we recognised the power of people running our corporate sectors; that's why we have [a] grandfathering provision in the code."*

CG Code 2012: Contested Reform and Negotiated Compromise

The revision that culminated in the 2012 Code was not a routine regulatory update. It evolved as a prolonged political process in which regulators, donor agencies, legislators and business elites negotiated the boundaries of feasible reform. The SECP entered the revision process conscious that the 2002 Code had been viewed as externally driven and weakly enforced, and that any new reform would have to secure stronger legitimacy while confronting entrenched resistance from powerful family-controlled groups.

Acting on encouragement from international partners, SECP delegated technical responsibility to the Pakistan Institute of Corporate Governance (PICG), supported by a memorandum of understanding with the International Finance Corporation. PICG formed a task force comprising regulators, corporate practitioners and professional bodies. Over several years, this group worked through draft provisions, reviewed international templates and assessed their implications for Pakistani firms.

Interview evidence makes clear that SECP saw the revision as an opportunity to enhance its credibility and regulatory authority. One senior official explained that the Commission had "learned from the way we were established" and needed to *"insulate itself and mitigate political interferences,"* using donor-backed initiatives to frame proposed changes as consistent with *"international best practice."*

Resistance nevertheless emerged early. Business families objected strongly to proposals strengthening board independence, tightening disclosure obligations and regulating related party transactions. During consultations, a prominent business representative questioned whether independent directors were *"really needed in family businesses that have been running successfully for decades,"* reflecting deep discomfort with reforms perceived as challenges to entrenched control structures. Similar objections resurfaced during each subsequent round of discussion.

The political dimension of reform became especially visible when the Senate Standing Committee intervened, questioning SECP's proposals and demanding additional consultations. This temporarily shifted authority away from the regulator and widened the arena of negotiation. As one SECP representative recalled, *"we were asked to consult again, and again report back, because there was a feeling that business had not been sufficiently heard."* In response, SECP organised roundtables in Karachi, Lahore and Islamabad, inviting stock exchanges, chambers of commerce and large family firms to voice concerns.

These forums revealed a persistent divide, with business actors pressing to dilute requirements touching control and board composition. One participant warned that strict independence criteria would *"discourage competent people from joining boards,"* while regulators insisted that *"investors expect corporate governance and transparency."*

The final code embodied a series of calculated compromises. Provisions on board independence were softened, some disclosure obligations were phased in gradually and elements viewed as particularly intrusive were converted into flexible or explanatory requirements. A senior SECP official candidly observed that *"to have wider acceptability we had to compromise,"* while another noted that the rules had to *"fit the family dominant context of Pakistan."* These changes were not simply technical judgments; they were the outcome of sustained bargaining between regulators, donor agencies and business elites.

At the same time, SECP attempted to deepen acceptance through implementation workshops and awareness programmes. Yet many actors still anticipated selective application. As one executive summarised, *"on paper everything is there, but practice depends on relationships."*

CG Code 2017: From Negotiated Code to Legal Mandate

The transition from the 2012 Code to the legally binding 2017 Corporate Governance Regulations marked a significant shift in Pakistan's reform trajectory. Whereas earlier reforms relied primarily on persuasion, consultation and negotiated compromise, the 2017 reforms reflected a regulatory strategy oriented toward consolidation, legal enforcement and reduced public contestation. The SECP moved to anchor governance provisions directly within securities law, signalling that governance was no longer merely a best-practice aspiration but an obligatory component of market regulation.

The 2017 process unfolded against a backdrop of accumulated frustration with selective compliance and uneven implementation of earlier codes. Regulators increasingly perceived that voluntary mechanisms had reached their limits. Interviewees noted that many companies had *"learned how to comply on paper"* while retaining core control structures unchanged. Within SECP, this experience shaped a more assertive stance: reform would now focus less on broad consultation and more on embedding governance requirements into enforceable regulations capable of attracting legal sanctions.

The revision was steered through expert committees and targeted consultations, more tightly managed than the 2012 process. The memory of intense resistance from business families and parliamentary interventions appears to have influenced the decision to keep negotiations more contained, channelling discussion through targeted forums designed to manage conflict while maintaining momentum.

International agencies again provided a source of legitimacy, but their role now served more as reinforcement than initiation. By 2017, corporate governance was widely recognised as part of Pakistan's market infrastructure, and alignment with global standards was framed as essential for investor confidence. A regulator described the shift succinctly: *"the debate was no longer about whether to have governance, but about how firmly to embed it."*

Substantively, the 2017 Regulations consolidated many of the principles introduced in 2012 and converted them into legal obligations. Requirements on board structure, audit oversight and disclosure became more prescriptive, and compliance was explicitly linked to listing and enforcement mechanisms. At the same time, the regulations retained traces of earlier compromises. Provisions such as the separation of the CEO and chair, now clearer and more mandatory, still worked alongside allowances that recognised the realities of family control. Regulators sought to strike a balance between legal firmness and practical feasibility, avoiding provisions that might provoke widespread non-compliance or encourage delisting.

Stakeholder interviews suggest that corporate actors anticipated this shift. Some viewed the move toward regulation as inevitable, interpreting it as the culmination of a gradual tightening trajectory that began in 2002. Others expressed concern that governance was becoming "another layer of regulation" rather than an internal reform process.

Institutionalisation, Contradictions and Unintended Consequences in Family-Controlled Listed Companies

At the organisational level, the institutionalisation of these reforms confronted deeply embedded ownership structures and relational forms of control. The evidence reveals a persistent gap between formal prescriptions and lived practice: firms installed governance mechanisms, yet these were frequently symbolically complied with, strategically decoupled from decision-making and reabsorbed into family authority structures.

Family businesses entered the reform era with low trust in regulatory institutions. Regulators were perceived as inconsistent and politically influenced, which weakened the moral legitimacy of the Codes. As one owner-director remarked:

"We don't believe that regulators themselves are accountable. They change rules frequently, and mostly for political purposes. Why should we trust their governance codes?"

Compliance therefore became defensive rather than developmental:

"Ideally companies should follow governance in spirit, but here it is all on paper. We do it because SECP wants us to show it, not because it helps our company."

This perception encouraged a reporting-oriented approach to governance, centred on documents rather than behaviour.

Board reforms illustrate this pattern. Although the Codes envisaged balanced boards with independent directors to safeguard minority shareholders, boards in family firms remained dominated by founders and relatives. A senior CEO questioned the entire rationale:

"When we need expertise, we hire consultants. Why should an independent director interfere in matters that our family has managed successfully for decades?"

A company secretary admitted the limits of independence:

"We appointed an independent director just to mention in the annual report. In meetings, decisions are still taken by the family."

Board committees showed similar dynamics. Audit and HR committees existed formally, but oversight functions rarely shifted. As one member explained:

"Minutes are prepared, signatures are taken, but the important matters are decided outside the meeting, usually in the chairman's office."

Final authority remained with the family:

"The committee meets because the Code requires it. But everyone knows final authority rests with the family."

Annual General Meetings, intended to strengthen shareholder voice, were also ritualised. A minority shareholder described them as choreographed events:

"Everything is already decided. Questions are discouraged politely, sometimes not so politely. The meeting ends quickly, and nothing substantive changes."

"You can ask a question, but it will be treated as disrespectful. They make you feel like an outsider in your own company."

Dividend policy and disclosure reforms likewise remained constrained by discretionary control, with profit distribution primarily serving family priorities:

"Dividends depend on family decisions. If they want cash for other business interests, dividends are delayed or reduced."

Financial reporting complied technically but not substantively:

"Reports are prepared to satisfy regulators. Real financial discussions happen privately within the family."

Concentrated ownership and kinship loyalty created powerful incentives to restrict scrutiny. As one owner openly conceded:

"We own most of the shares. It is not practical for us to fully implement the code; it restricts our control."

Regulators understood these constraints but faced their own limits. Stronger enforcement risked business resistance and political backlash, encouraging a tolerance for "paper governance." A senior regulator acknowledged that firms were largely *"meeting the requirements for the sake of meeting the requirements."*

Unintended Consequence: Exit Rather than Compliance

Pakistan's corporate governance reforms coincided with a sustained trend of firms exiting the stock exchange, with successive codes encouraging many family-controlled companies to delist rather than comply. As one brokerage analyst observed, *"...since 2008, an average of four new companies have offered their shares every year... which compares unfavourably with... 30 IPOs a year in the 1990s"* (Dawn Newspaper, 2014).

Interviews reveal that delisting emerged as a deliberate escape strategy. A CFO explained that the Code *"turned family businesses from simple operation to difficult operations... the code*

increased business costs," pointing to quarterly reporting, independent directors and audit committees as burdensome. A CEO who later delisted summarised the calculation bluntly: *"the cost of maintaining membership at the stock exchange was quite high without any significant benefit... the code... would be cumbersome and a burden."*

Where controlling shareholders already held 85-90 percent of shares, remaining listed seemed irrational: *"for only 5-6%, we were not ready to comply with the code. So we decided to delist and avoid implementation."*

For many firms, listing had historically been motivated less by capital raising than by tax incentives. A founder explained, *"...many companies only listed to save tax."* Another reflected that forcing private family firms to list *"lacked vision... the dichotomy between owner and management was created and laws were made and nothing further was done."*

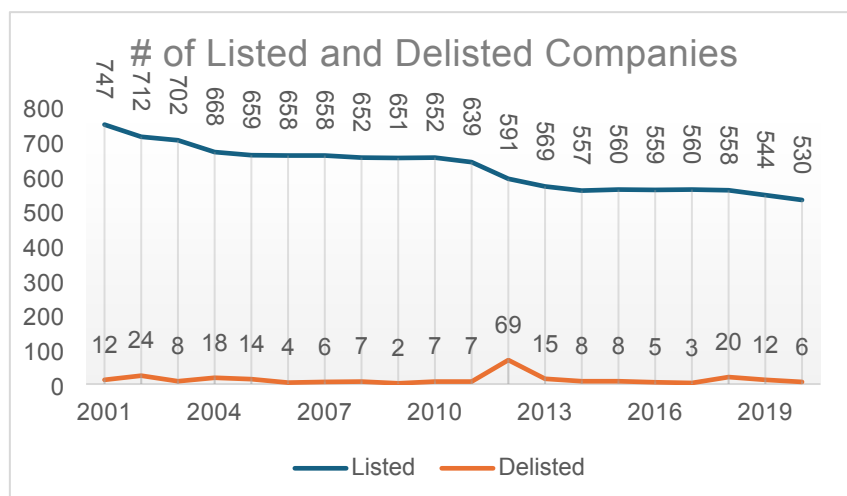


Figure 2: Delisting Trend

Anticipating greater intervention after the 2012 Code tightened compliance requirements, firms exited pre-emptively: *"the Code 2012 has several issues... it increases our implementation cost... and now there is a continuous interference from the SECP."* Others openly planned to follow: *"now there is no point to remain listed... otherwise we will go for delisting."*

These exits alarmed market institutions. A senior exchange official criticised the absence of incentives: *"in Pakistan, there is only a stick without the carrot."* Another warned that strict codes *"are an obstacle for new companies to list,"* risking *"encouraging the undocumented economy."*

Across boards, committees, AGMs, dividends and disclosure, the pattern was consistent: formal mechanisms were adopted to satisfy regulatory expectations while substantive authority remained anchored within family networks.

Institutionalisation of Corporate Governance Regulations in Pakistan: An Analytical Overview

Figure 3 synthesises how Pakistan's corporate governance regulations emerged, travelled and became translated across three institutional levels. The analysis below applies the multi-level

framework to explain not only institutionalisation but also transposition, compromise and the unintended consequences that accompanied successive reform cycles.

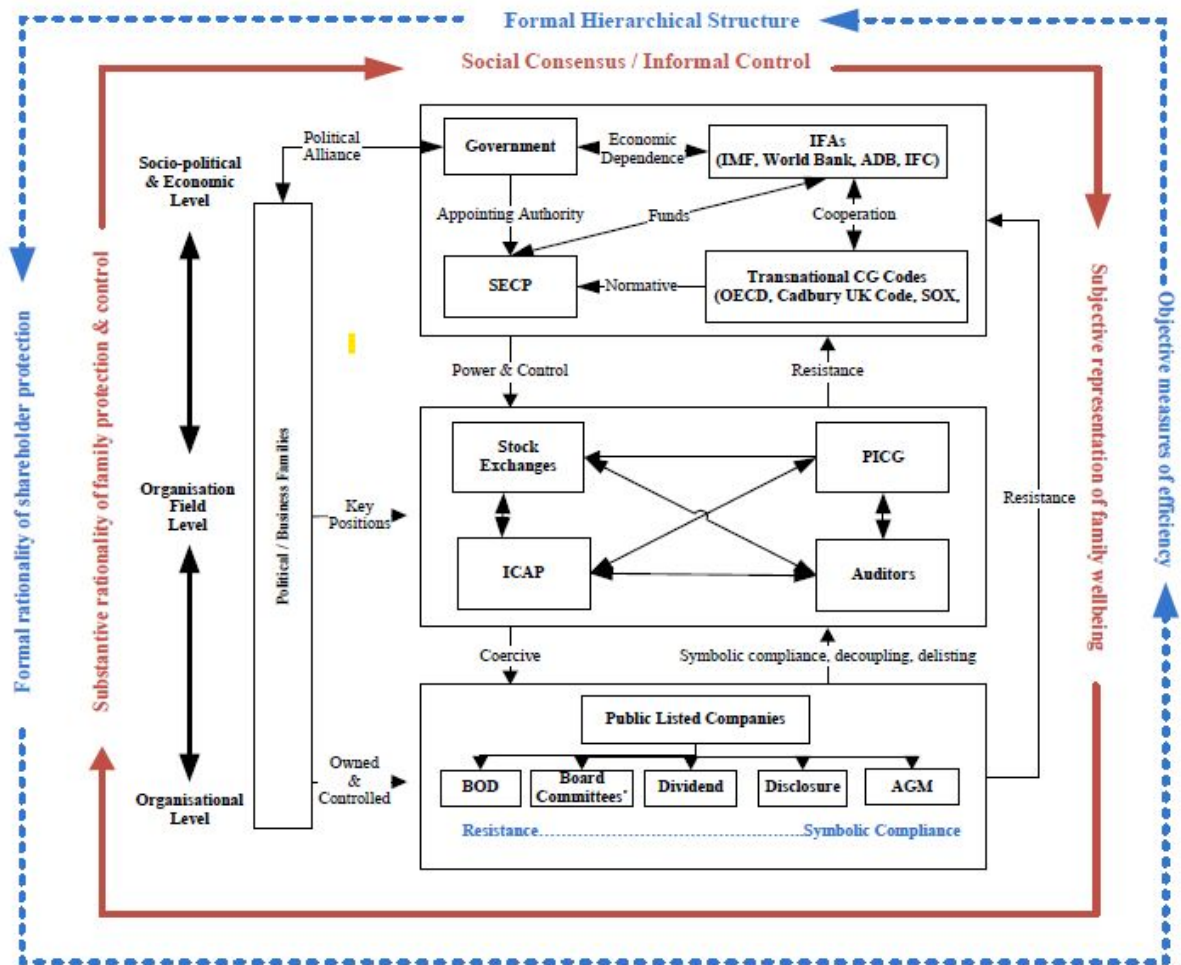


Figure 3: Institutionalisation of CG regulations in Pakistan

Socio-Political and Economic Level

At the socio-political and economic level, the interaction of competing structures produced a new formal hierarchy of domination, accompanied by a signification structure grounded in objective representations of transparency, efficiency and shareholder protection. These developments reflected coercive and normative pressures from international financial agencies, which linked governance to capital market modernisation and investor protection, consistent with patterns observed in other developing contexts (Arnold, 2012; Siddiqui, 2010).

Yet this emergent governance order confronted an entrenched institutional logic centred on family control, patrimonial authority and political alliances. Family capitalism was legitimated through substantive rationality continuity, control of resources across generations and socio-emotional wealth and supported by informal domination structures linking business elites, bureaucrats and political actors. In Weberian terms, these parallel logics generated enduring axes of tension between formal rationality and substantive rationality, and between objective measures of efficiency and subjective constructions of family wellbeing. The empirical material demonstrates that the state, regulators and donor agencies lacked unilateral capacity to displace this historically embedded order; instead, reform proceeded through pragmatic compromise, hybridisation and selective accommodation (Uddin & Hopper, 2003).

Across all three cycles, SECP sought to strengthen regulatory authority but simultaneously relied on alliances with international agencies to secure legitimacy and resources. Business families mobilised networks and political influence to reshape, delay or dilute provisions perceived as threatening to control. Structuration dynamics are clearly evident: while CG codes attempted to restructure power through new rules, actors recursively drew on existing resources to reinterpret and negotiate those rules (Giddens, 1984). The result was neither simple isomorphism nor outright rejection, but a negotiated transposition that produced diluted provisions, flexible enforcement and subsequent patterns of symbolic compliance and decoupling at field and organisational levels.

Contradictions at the Socio-political and Economic Level

Socio-political and Economic Level	CG Codes (2002, 2012, 2017)	Family Capitalism
Legitimizing grounds (norms, values, laws, & regulations)	Norms and values are grounded in formal rational CG practices by listed companies to improve economic efficiency, shareholder's/investor's protection, financial administration, accountability, and reporting practices.	Norms and values are grounded in substantive rationality of family growth, retention of ownership & control over firm resources throughout generations.
Representational Schema (Signification Structure)	Objective representation of investor protection, efficiency, performance, productivity/objective representation of economic efficiency.	Subjective representations of family wellbeing.
Domination perspective	Formal hierarchical structure of CG codes implemented through listed regulations. SECP, stock exchanges and other institutions are responsible for monitoring compliance and performance assessment.	Informal structure seeks to gain power and control for families through a network with government and other institutions.
Primary Agent (Resources)	IFAs (funds), Government (appointing authority), Regulator (regulations, inspection, penalties), Business families (network)	

Table 2: Contradictions at the SPE level

Consistent with prior work on governance diffusion (Reed, 2002), the Pakistani case illustrates that reforms intended to strengthen investor protection can simultaneously reproduce prevailing hierarchies. The analysis extends these accounts by demonstrating how competing logics interact across levels and how agents strategically exploit tensions among legitimation, signification and domination structures. Ultimately, the institutionalisation of the 2002, 2012 and 2017 codes reveals a regulatory trajectory marked by negotiation rather than transformation, a trajectory that preserves core elements of family capitalism while projecting the appearance of convergence with global governance standards.

Organisational Field Level

At the organisational field level, corporate governance regulations are translated from broad socio-political ambitions into concrete evaluative criteria and enforcement practices. Organisational fields rarely act as neutral conduits of regulation; rather, they operate as arenas in which actors reinterpret, negotiate and selectively translate governance reforms in ways that preserve existing power relations (Ahmad & Mahmood, 2024; Wickramasinghe et al., 2025).

Translation of SPE level criteria into organisational field level criteria and practices			
Organisational Level	Field	CG Codes (2002, 2012, 2017), Companies Ordinance (1984)	Family Capitalism
Organisational field level criteria & practice		Stock-exchange rules (pre-2017) plus legally binding SECP regulations (post-2017), Companies Ordinance/Act, auditing and disclosure frameworks	Informal practices prioritising family authority and discretion
Legitimating grounds (norms, values, laws, & regulations)		Formal rational criteria for all listed companies to comply with Code 2017 and the Company Ordinance 1984, general purpose financial reporting, DTP, Auditing	Substantive rationality of family protection and control
Representational Schema (Signification Structure)		Objective representation such as transparency, shareholder protection, efficiency, cost, profit	Subjective representations of family wellbeing
Domination perspective		Formal hierarchical structure populated by accounting professional and educational institutions, stock exchanges	Informal structure. Domination is exercised through holding key positions based on relations of personal loyalty.
Primary (Resources)	Agent	Stock exchanges (listing regulations), PICG (DTP), ICAP (QCR rating), External Auditors (auditing), business families (key positions)	

Table 3: Organisational field level criteria for CG regulations

The shift from stock-exchange listing rules to legally binding SECP regulations after 2017 formally strengthened the hierarchical structure of domination, signalling a move beyond comply-or-explain. On paper, this trajectory reflects increasing formal rationality: rules relating to boards, committees, disclosure, dividends and director training were standardised to embody objective representations of transparency, efficiency and investor protection (Arnold, 2012; Siddiqui, 2010).

Yet organisational-field practice remained shaped by competing signification structures. While SECP and international agencies promoted a discourse of market efficiency and shareholder protection, business families continued to frame legitimacy in terms of control preservation and family wellbeing. Under the duality of structure, field-level organisations responded by hybridising these demands. Voluntarism under the 2002 Code, pragmatic relaxation during the 2012 revision and negotiated phasing-in after 2017 illustrate attempts to reconcile contradictory expectations without provoking outright resistance. These compromises transformed enforcement from coercive discipline into managed accommodation, enabling symbolic compliance and decoupling further down the chain. This pattern echoes broader evidence that formal control systems in developing-country contexts often become ritualistic and decoupled from day-to-day operations, performing legitimacy rather than substantive governance (How & Alawattage, 2012; Joseph et al., 2023).

While regulations expressed a legal-rational order, their implementation unfolded within a relational order deeply intertwined with family capitalism (Alazemi & Uddin, 2026; M. Weber, 1978). The field therefore became an arena in which rules were interpreted flexibly, enabling companies to fulfil reporting obligations while insulating core decision-making. Overall, the organisational field in Pakistan translated global governance models into a hybrid enforcement regime: formally hierarchical yet substantively dependent on negotiation, gradualism and symbolic conformity. This hybridisation expressed a deeper contradiction between the rationality of market capitalism embedded in CG codes and the substantive rationality of family capitalism embedded in social structures (Cadiz Dyball & Valcarcel, 1999; Uddin, 2005).

Organisational Level

At the organisational level, the Codes and 2017 Regulations were intended to reconfigure routine practices through formal criteria for boards, committees, auditing, disclosure, dividends and shareholder meetings. In the analytical framework, these rules embody formal rationality, objective representation and hierarchical domination, whereas family capitalism rests on substantive rationality of family growth, subjective representations of family wellbeing and informal domination through kinship networks (Colignon & Covalleski, 1991; M. Weber, 1978).

Table 4 reveals a consistent pattern across all six governance mechanisms: formal rational criteria were adopted in appearance while routine practices remained oriented toward family control. Rather than examining each mechanism separately, the theoretical significance lies in what this collective pattern demonstrates. Across boards, committees, auditing, AGMs, dividends and disclosure, the same dynamic unfolded: formal structures were installed to secure external legitimacy while substantive decision-making authority remained anchored within family networks. This is precisely the decoupling that Meyer and Rowan (1977) theorised, and which the Dillard et al. (2004) framework predicts where competing rationalities collide across institutional levels.

Key CG mechanisms	BOD	Board Committees	Auditing	AGM	Dividend	Financial Reporting
Legitimizing grounds (norms, values, laws & regulations)	Formal rational criteria of board composition, separation of CEO and chair, regular meetings, defined powers, director training (Regulations 2017; Code 2012)	Rational criteria of independent, non-executive participation and specialised committees	Rational criteria of appointment, rotation, QCR rating and independence from management	Formal rational criteria requiring timely AGMs, auditor appointment and shareholder approval processes	Formal criteria for declaring dividends, linked to disclosure and investor protection	Formal rational criteria of statutory reporting, director statements, IFRS compliance, quarterly and audited annual reports
Representational Schema (Signification Structure)	Objective representation of accountability, compliance and transparency in annual reports	Objective representation of oversight and risk control	Objective representation that audits provide “true and fair view”	Objective representation that shareholders participate in decision-making	Objective representation that payouts reflect performance	Objective representation that accounts faithfully represent reality
Domination perspective	Formal hierarchical structure: management accountable to BOD; BOD accountable to SECP and shareholders	Formal hierarchical oversight structure under BOD authority	Formal oversight structure accountable to BOD, SECP and investors	Hierarchical process monitored by regulators and shareholders	Regulatory oversight through penalties and enforcement	Formal hierarchical oversight by auditors, SECP and stock exchanges
Routine practices (empirical findings)	Resistance, symbolic compliance, family-dominated decision-making, informal meetings	Symbolic compliance and decoupling from real decision-making	Symbolic compliance; fees seen as a cost rather than governance value	Family dominance; limited shareholder voice	Reluctance to pay dividends; preference for internal transfers	Tick-box reporting, fabricated or minimal disclosure; focus on mandatory items only
Primary Agents	CEO, Chair, Directors, CFO, Company Secretary, Shareholders	BOD, Committees, Directors	Auditors, ICAP, SECP	Shareholders, Directors, SECP	Shareholders, BOD	SECP, Stock Exchanges, Auditors, Management

Table 4: Criteria of CG mechanism at the Organisational Level

This pattern was not passive. As the Findings demonstrate, family directors actively deployed governance mechanisms as legitimising facades while preserving control through coordinated lobbying, selective appointments and counter-narratives (Ahmed & Uddin, 2024). When formal requirements threatened control directly, as with the audit committee independence requirement and the mandatory dividend experiment, families mobilised through political channels until provisions were relaxed or withdrawn, exemplifying Giddens' (1984) dialectic of control in which regulatees recursively use their resources to reshape the very rules designed to constrain them (Canning & O'Dwyer, 2013; Roberts & Scapens, 1985). This active resistance distinguishes symbolic compliance in Pakistan from mere regulatory incapacity: it reflects a strategic orientation in which governance adoption is calculated rather than incidental.

Where formal requirements proved impossible to manage through symbolic compliance, exit emerged as the rational alternative. Delisting, as Oliver (1991) theorises among organisational responses to institutional pressures, represents the most complete form of avoidance, removing the firm entirely from the regulatory domain. In Pakistan's context of concentrated ownership, alternative financing channels and diminishing tax incentives for listing, the cost-benefit calculus shifted decisively against remaining public as governance obligations intensified. This unintended consequence, where governance reform shrank rather than deepened capital markets, illustrates how reforms co-constructed through negotiated compromise at the SPE and field levels generated contradictory outcomes at the organisational level (Ezzamel & Xiao, 2015; Hopper et al., 2017).

Taken together, the organisational-level findings demonstrate that institutionalisation does not necessarily lead to transformation but may instead reinforce existing power structures through symbolic adoption and negotiated compliance. Through decoupling, active resistance and strategic exit, controlling families reproduced the logic of family capitalism within and despite the formal architecture of Anglo-American corporate governance (Ahmed & Uddin, 2018; Dyball et al., 2006; Tsamenyi et al., 2006; K. Weber et al., 2009; M. Weber, 1978).

Conclusion

This study examined how corporate governance reforms emerge, diffuse and become enacted across multiple institutional levels, and how political negotiation, power asymmetries and institutional contradictions shape their development and consequences. Drawing on a multi-level framework integrating neo-institutional sociology, structuration theory and Weberian axes of tension, the analysis shows that CG reform in Pakistan is a deeply political process shaped by competing rationalities and strategic agency across three institutional levels (Alazemi & Uddin, 2026; Ekanayake et al., 2025). Across three reform cycles, coercive and normative pressures from international financial agencies were filtered through a context dominated by family capitalism and political patronage, producing diluted and negotiated regulation at each level. Rather than deinstitutionalising family dominance, CG reforms were absorbed into it: boards, committees, disclosure, dividends and AGMs were formally adopted yet routinely decoupled from decision-making, while delisting emerged as the rational exit for firms unwilling to bear compliance costs without commensurate benefits.

Theoretically, the study extends institutional analysis by tracing a shift from overt political contestation in 2002 and 2012 to more managed and depoliticised forms of regulatory change in 2017, and by identifying the mechanisms, namely negotiated compromises, selective enforcement and symbolic compliance, through which institutionalisation generates contradictory outcomes. The multi-level framework offers a transferable lens for analysing CG

reforms in other emerging economies where family ownership and political patronage remain entrenched.

The study is limited by its focus on listed family-controlled firms and interviews concentrated around the 2012 Code; the post-2017 trajectory deserves closer tracking. The interpretive, single-country design, while well-suited to the study's longitudinal objectives, limits generalisability, and the exclusion of non-family and state-owned enterprises means that governance dynamics in those contexts remain outside the scope of this analysis. Future research should examine how digital reporting, investor activism and evolving enforcement practices reshape the balance between formal and substantive rationalities, and comparative work across emerging economies could illuminate how global governance templates are reinterpreted locally.

Strengthening corporate governance in contexts of concentrated ownership requires more than tighter rules. Independent regulators, credible enforcement mechanisms and positive incentives for controlling owners to remain listed are essential. Without concurrent reforms addressing political power, financing structures and regulatory independence, formal CG regimes risk becoming symbolic-legitimising exercises rather than transforming the structures they are intended to challenge.

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