Corporate Inertia and Information Asymmetry: Evidence from Iran

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Abstract
Over time, due to neglect of learning and making changes in their structure, companies suffer a kind of resistance to flexibility, which is referred to as "corporate inertia", which can have negative consequences in the capital market. Therefore, the present study investigates the effect of corporate inertia on firm's information asymmetry in the Iranian capital market. In the present study, we use meta-synthesis, Delphi analysis and finally questionnaire design to measure the inertia of the company. The mentioned questionnaire was sent to the managers of the sample companies, and finally 138 questionnaires were completed and returned and included in the statistical analysis. To measure information asymmetry, we uses three proxies include "BID-ASK SPREAD"; "TURNOVER" and "ILIQ". The results showed that company inertia has a positive and significant effect on information asymmetry. The results show that corporate inertia gives managers a kind of utilitarian identity and in terms of individual insight characteristics; Perceptual and structural, they form a kind of possessive approach according to which the interests of the stakeholders are not given priority to them and by creating a monopoly on information disclosure, they increase information asymmetry.

Keywords:
Corporate Inertia, Information Asymmetry, Inflexibility.

Introduction

Despite decades of scholarly focus and theorizing on managing change and success, failure and dealing with failing remains a captivating, persistent corporation feature (Bruton et al, 2003; Heine & Rindfleisch, 2013; Ucbasaran et al, 2013). This constancy acknowledges the ongoing practical placement of failure in corporates, such as strategies for learning from failure (Shepherd et al. 2011), using failure to innovate (McKinley et al, 2014), or incorporating failure for improved performance (Birkinshaw & Haas, 2016), as well as the ubiquity of corporate mortality (US Department of Labor, https://www.bls.gov/bdm/entrepreneurship/bdm_chart5.htm). Such endurance, however, also brings attention to the positioning of failure in debate on corporates and their features: Historically well-theorized as a seminal characteristic of all corporates, yet currently presented as either serving change themes or deeply contextualized to change processes (Lewis, 2015; Schwarz, 2012; Suddaby & Foster, 2017). With this positioning and background, in this paper we seek to refresh discussion on corporate inertia one of the basic tenets of organizational ecology that centers on information asymmetry (Hannan & Freeman, 1989; Mellahi & Wilkinson, 2010). In fact, information asymmetry can appear as one of the most important competitive functions in companies in the market, due to corporate inertia. Because, as Illeditsch et al (2021) referred to Fama theory, information asymmetry is a kind of information inertia.Fama's efficient markets hypothesis ignited a lot of empirical and theoretical research on the informational role of asset prices. Recent empirical evidence points to the importance of this role since most of the expected excess return is earned around times when important information is released the macro and earnings announcement premiums. During such times, prices underreact to news and thus fail to efficiently incorporate this information (Savor, 2012) leading to news momentum one of the most robust manifestations of which is post-earnings announcement drift. The mechanism that leads to information asymmetry relies on the tradeoff between over and underestimating the in formativeness of news that is difficult to link to future asset payoffs.

On the one hand, ambiguity averse investors who learn such news do not want to respond to it for fear of overestimating it's in formativeness and, as a result, underestimating the residual risk. On the other hand, investors do not want to ignore news that predicts a

drop in the future asset value, for fear of underestimating it's in formativeness .Corporate Inertia Theory points out that, a corporate has internal inertia which prevents it from making timely response to external environmental changes and engaging in reform. When it tries to change, due to past successful experience and operation procedures, a corporate will have inertial behaviors in organizational structure, strategy, and policy. Many studies asserted that, corporate inertia is not conducive for an organization to information asymmetry, especially in financial industry (Francis & Smith, 1995; Amabile et al, 1996; Nijssen et al, 2006; Matthyssens et al., 2006).

Large organizations tend to have more organizational inertia which is more likely to hinder organizational growth and innovation (Godkin & Allcorn, 2008) and this can lead to information asymmetry in the long run due to the incapability of the corporate to respond to external changes. Many scholars assumed that, corporate inertia causes information asymmetry because it lacks flexible structures for reflecting its information to shareholders in the form of representation theory at the level of companies such as the capital market (Palomino-Tamayo and Timaná, 2022; Schwarz et al, 2020). It is noteworthy that managers and their approaches as decision makers at the helm of the company are considered as a stimulus to strengthen the inertia of the company, which can lead to information asymmetry. In other words, because some CEOs show a lack of interest in change and a kind of lethargy is seen in their financial operations and decisions (Sadeghi Alavije et al, 2020) corporate inertia is strengthened and under this negative behavioral function and consequently managerial performance, the layers of power acquired in the managerial position increase the level of opportunism of information concealment in the structures under its leadership. In this situation, the management seeks to satisfy the needs of external and even internal stakeholders by monopolizing news and information, simply by reflecting positive news and hiding negative information, and this leads to information asymmetry (Matoufi & Tabarsa, 2019).

This gap in ongoing inertia development is understandable given that the abovementioned well-accepted ecology perspective assumes the value of structural stability and its information asymmetry. This gap in ongoing inertia development is understandable given that the abovementioned well-accepted ecology perspective assumes the value of structural stability and its

information asymmetry. Therefore, the importance of this research should be explained from two dimensions.

First, this is the first study that simultaneously presents a model of corporate inertia through qualitative analysis and by measuring the variable of asymmetry of information from the financial statements of capital market companies, based on cross-sectional regression to examine the effect of corporate inertia shows information asymmetry. Although previous research such as Olaniyi (2020) examined the "Asymmetric information phenomenon in the link between CEO pay and firm performance"; Wu et al (2019) who examined "Board independence and information asymmetry: family firms vs non-family firms" and Majid et al (2011) who examined "Organizational inertia and change portfolio". However, no research has examined the effect of corporate inertia on information asymmetry, which while innovating the research from a methodological point of view, it can be acknowledged that this research can be used to develop a theoretical literature to fill the gap of agency costs to improve the level of oversight contribute to stakeholder expectations and broaden the level of theoretical knowledge about the subject of research based on the structural characteristics of companies in different societies and capital markets.

Secondly, in accordance with the recommendations of the Iran Stock Exchange Organization under Articles (2) and (3) of the Corporate Governance Instruction under the banner of paragraphs 8; 11 and 18 of Article 7 of the Securities Market Law of the Islamic Republic of Iran (approved by the Islamic Consultative Assembly in December 2005), regarding the strengthening of governance mechanisms in the field of monitoring decisions of managers (Pourzamani et al., 2014), however, there is a lack of structured rules such as certain standards regarding the tenure of managers or the evaluation of their periods in line with the firm's strategies and the interests of stakeholders. The existence of such gaps in corporate governance mechanisms, while gradually affecting managerial values in the shadow of inertia in the performance of corporate executives, can also, as a tangible external consequence, eventually lead to information asymmetry or at least be an important factor in terms of influencing it. Therefore, conducting this study helps regulators such as policymakers and financial reporting standards setters to improve the financial reporting quality by raising the level of knowledge of stakeholders' information needs to control

unpredictable probabilities in their estimates to strengthen the level of investment attractiveness in the capital market by controlling the inertia of the company, and through more oversight in the development of equilibrium values and equality of news coverage and information, strengthen companies' commitment to respecting stakeholder rights and prevent the emergence of capital market abnormalities due to the behavioral opportunities of companies and managers to circumvent the rules and gain more benefits, which is likely to have negative consequences due to the occurrence of mass behavior. Accordingly, this research first provides a corporate inertia framework in the qualitative section and then examines its effect on information asymmetry.

Literature Review and Hypothesis Development

In this section, the theoretical literature with a focus on theoretical reinforcement of research to test the hypothesis is presented.

Information Asymmetry

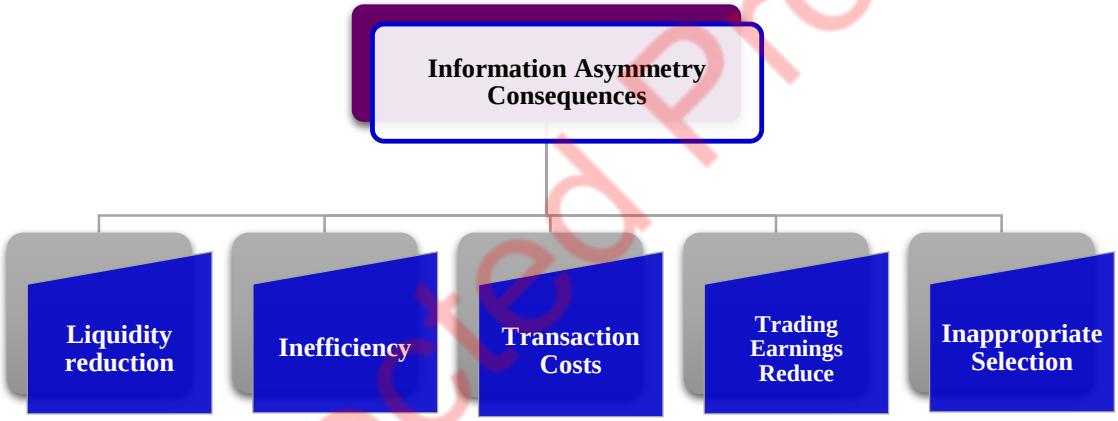
According to contract theory and economics, information asymmetry is an important and thought-provoking concept in agency theory that examines transactions between investors and the firm. Accordingly, it has an advantage when one party to the transaction has more or better information than the other party to the transaction. This creates a kind of power imbalance in transactions that can sometimes lead to market failure or, at worst, market failure due to poor selection and the risk of mistrust. Prior research as Jayasimha (2022); Rehman et al (2022) and Iqbal and Santhakumar (2018) in the context of the business-to-business exchange considers “information” as a treasured possession and suggests that seller mostly has greater information about the task compared to the buyer, hence, a buyer desirous of controlling sellers opportunistic behavior and reduce information asymmetry can invest in information systems.

The theory of information asymmetry was first proposed by Akerloff et al. (1970) and according to this theory, in the presence of inequality in access to information, the market equilibrium in the acquisition of profits is disturbed and the returns and risks of the decision unequally lead the market flow to inefficiency. In other words, asymmetric distribution of information leads to abnormal returns for traders with confidential information and also causes ambiguity and uncertainty of some investors to the capital market

due to incorrect choice in transactions. On the other hand, public trust in the capital market will decrease and will cause capital to leave this market (Ameri et al., 2021). Information asymmetry tends to be greater for credence goods such as professional services (e.g. advertising and media planning) credence goods are difficult to understand and evaluate both before and after consumption (Xia et al, 2022).

Khatali (2020), in terms of the importance of the issue of information asymmetry in the capital market, presented its implications in a study conducted in the form of content analysis in the following order.

Figure (1) Consequences of information asymmetry



According to this framework, incorrect selection as one of the consequences of information asymmetry refers to a situation in which sellers have information that buyers are unaware of. In this case, the increase in the level of information asymmetry is shown by expanding the difference in the proposed range of stock buying and selling prices and marketers use the increase in this difference to compensate for the risk of incorrect selection (Hajiha et al 2018).

On the other hand, under high information asymmetry, the level of willingness to trade decreases, and this increases stock selling transactions. Therefore, under conditions of lack of equal knowledge of the information provided, trading profits decrease and transaction costs increase (Imany & Dastgir, 2018). On the other hand, as information asymmetry increases, market efficiency decreases, as many future plans and projects that could lead to higher returns stop as the stock exchange ratio decreases. In other words,

information asymmetry prevents the exchange of assets at an efficient price and reduced costs, and ultimately leads to problems in raising the capital and liquidity required for issuing firms (Li, 2020).

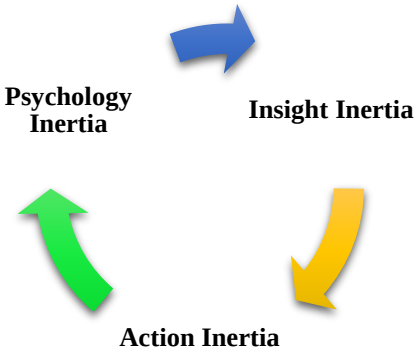
Finally, information asymmetry between market traders leads to the selection and maintenance of different portfolios by them. Therefore, traders with little information will try to maintain assets that can compensate for the weakness caused by unequal information. This will lead to lower prices for securities with high information asymmetries, which will reduce the liquidity of stocks in the capital market (Vayanos and Wang, 2012).

Corporate Inertia

Inertia and flexibility are two opposing terms in the behavioral literature. Inertia manifests itself in various ways in the analysis of organizational behavior, such as the suppression of valuable information and the unwillingness to give feedback; dry and inflexible rules; prejudice, etc. (Ebrahimi, 2015). Lack of flexibility as a consequence of inertial attitude causes the company to not be able to adapt to environmental changes, resulting in stagnation of decision-making functions and consequently the emergence of inertia in the company as a whole. A review of the existing theoretical and experimental literature on the formation of organizational inertia helps to identify the various dimensions and components of this phenomenon and help researchers and managers to better understand this phenomenon and take appropriate measures to get rid of this situation (Allcorn and Godkin, 2011). The concept of inertia is also used for human behavior, which shows that people often use the old methods in dealing with problems and show a negative reaction or resistance to change. Problem-solving approaches and similar reasoning are commonly used to save time as well as avoid risk. In the field of strategic change, inertia is defined as the tendency to remain in the current situation and resistance to redesigning the company's strategy outside its current form (Ghaffari and Rostamonia, 2017). For many executive teams, the battle with the demon of organizational inertia is one of the most significant challenges; it is sad to say, but the devil usually wins. In the same way, in the modern organizational theory, inertia is considered the highest contaminating factor that adversely affects firm change results (Palomino-Tamayo and Timaná, 2022). Corporate inertia is defined as the stability of products, processes and policies that sustain an organization’s deficient adaptation to the changing environment (Shaik et al, 2022). Godkin and Allcorn

(2008) considered organizational inertia to include three dimensions, which are:

Figure (2) Dimensions of organizational inertia



Insight inertia is related to mental models and theories of action, while action inertia is examined from the two dimensions of management assumptions and default control, and psychological inertia is examined in terms of stress and anxiety and defense mechanisms of response to change (Sillic, 2019). In contrast, Polites and Karhama (2012) have introduced five types of inertia: 1. Cognitive inertia; This type of inertia states that key managers, while aware that there may be better, more effective, and more efficient alternatives, consciously insist on using existing systems and procedures; 2. Behavioral inertia; This type of inertia indicates that company managers continue to use existing methods because they are accustomed to these methods and have become accustomed to them in the past; 3. Social cognitive inertia; Company managers continue to use existing processes and methods, because changing existing methods and procedures is faced with employee resistance and changing the values and norms of the organization is not easily possible. 4. Economic inertia; Changing the existing processes in the company is difficult due to its high costs. Therefore, acting according to existing processes is easier for managers and 5. Political inertia; Managers of companies insist on using existing traditional processes because the change in existing practices is opposed or hindered by partners and strategic stakeholders (Malakar et al., 2018).

Corporate Inertia and Information Asymmetry

Organizational structures, which by nature have a board of directors and a CEO, are always confronted with the theoretical presuppositions of opportunistic behavior in theories such as agency

theory. Because the CEO in a situation where the supervisory structures do not have the necessary power, on the one hand, managers may coordinate with the board to pursue certain interests. On the other hand, management may prioritize its own interests by distorting the facts (Setayesh and Ghayouri Moghaddam, 2018). According to the theory of corporate inertia several organizational structure aspects arise strong internal forces to constraint structural changes. For this reason, to operationalize this definition of corporate inertia as a composite using an index of three factors available in the dataset and the content analysis from the annual reports, as the introduction of new products, business-to-business firms and CEO tenure (Chen et al, 2022).

In fact, organizational structures lose regulatory incentives due to the reduction of the necessary effectiveness on management, and by creating corporate inertia, power is placed in the manager's possession. For structures with a representative nature, these conditions can confirm the opportunism of managers in organizational decisions, especially the disclosure of financial information (Xu and Cheng, 2020). In such a situation, in practice, the company's intelligence functions transmit the news to the market based on the level of monopoly created based on the protection of individual or group interests of the company's managers and refrain from fully disclosing news and information that may lead to mass behavior by shareholders (Rezaei Pitenoei et al, 2017). In fact, information monopoly, due to the inertia of managers, puts them in a position to provide information selectively and in accordance with their utilitarian vision to consolidate their managerial position and meet the minimum expectations of external stakeholders (Ye et al, 2021).

In other words, they decide to disclose information based on cost and benefit. In this regard, it should be stated, Huang and GAO (2021) which in their research using a sample of Chinese listed firms during 2004-2016 Acknowledged that the information asymmetry channel is the main channel through which strategic inertia promotes the capital structure persistence. Consistent with imprinting theory, Rajan (2012) explores the relationship between organizational transformation and financing and indicates that one of the reasons why the firm needs to a second transformation is to finance. Focusing on non-financial strategy, which can be assumed that the positive effect of firm inertia on information asymmetry may come from the difficulty of adjustment of organizational strategy and the

impact of stock price crash risk (Casamatta and Guembel, 2010). From the perspective of information asymmetry, strategic inertia can help listed companies maintain the capital structure persistence through reducing the information asymmetry between the company and investors.

Based on the definition of strategic inertia, the firms with higher strategic inertia have released more relevant information since they first put forward the strategy, so these firms have low level of information asymmetry (Huang and Gao, 2021).Prior research indicates that asymmetric information comes from assets-in-place and future growth opportunities (Wu and Wang, 2005). Some scholars propose that asymmetric information about assets in place leads to the adverse selection of new equity issues (Myers and Majluf, 1984), while other scholars indicate more asymmetric information that arises from growth opportunities rather than assets-in-place can facilitate new equity issue (Wu and Wang, 2005). Gerwanski et al (2019) Found that the number of board members can have either a positive (due to greater expertise and better supervision of management) or negative (due to increased organizational inertia) impact on Materiality Disclosure Quality (MDQ) (Amran et al 2014; Fasan and Mio, 2017).

In fact, by reviewing these studies empirically along with the theoretical literature, justifying the role of corporate inertia in the actions of managers can be due to the ownership of managers in hiding bad news due to the structural power created in the management layers of companies. Organizational inertia strengthens the power of managers and thus motivates them to use the resources of the firm for their personal benefit and by engaging the company in monopolizing selective news releases, they will have a positive impact on information asymmetry.

Therefore, as can be seen, most of the researches have examined the working mechanisms of managers as examples in financial and accounting topics and less research has been done to examine the consequences such as information asymmetry in order to create a model of the foundations of the formation of opportunistic behaviors of managers. Therefore, relying on the theoretical and empirical support expressed, the following hypothesis is examined for testing in the Iranian capital market:

- **Research hypothesis** - Corporate inertia has a positive and significant effect on information asymmetry.

Methodology

The present study is applied in terms of research purpose and descriptive-correlational research in terms of data collection. Also, in terms of reasoning method, it is deductive-inductive and due to the study of data related to a specific time period, the data analysis method is cross-sectional and based on the path analysis method. The statistical population studied in this study includes all companies listed on the Tehran Stock Exchange in 2021. Our final example are companies that meet the following conditions:

1- Companies that are members of the stock exchange from the beginning to the end of 2021.
2- In order to increase comparability, their fiscal year should end in March.
3- Have not changed their activity or change of financial year during the mentioned year.
4- Not to be part of investment and financial intermediation companies (investment companies were not included in the statistical community due to the difference in the nature of their activities with other companies).

After applying the above restrictions, 162 companies listed on the Tehran Stock Exchange were selected as a research sample. The mentioned questionnaire was sent to the managers of these companies. Finally, after many follow-ups, 138 questionnaires were completed and returned and used as a final sample for analysis. The final analysis of the collected data was performed using the structural equation modeling method and the partial least squares analysis method using PLS software.

Research Variables

Dependent Variable

The independent variable of this research is information asymmetry. To measure this variable, following the research of Fakhari and Rezaei Pitenoei (2017), the following observable variables have been used to measure it:

- **The bid-ask spread** is used in the following order, following the research of Lotito et al. (2020):

$$\text{BID} - \text{ASK SPREAD}_{it} = \frac{1}{D_{it}} \sum_{1}^{D_{it}} \frac{(\text{Ask Price}_i - \text{Bid Price}_i)}{(\text{Ask Price}_i + \text{Bid Price}_i)/2} \quad \text{Equation (1)}$$

$\text{BID} - \text{ASK SPREAD}_{it}$ The bid-ask spread of the company's shares in year t; Ask Price_i The highest selling price of the company i; Bid Price_i The lowest bid price of the company i; D_{it} is the number of

days in year t in which the last bid price and the last daily bid price are available for i stock.

- Frequencies of turnover Companies with high information asymmetry will have lower turnover. Because ignorant traders, knowing that they will suffer losses in dealing with knowledgeable people, are less likely to trade in the shares of these companies (Liao, 2009). Therefore, the number of stock rotations is used as an inverse measure of information asymmetry (Mohd, 2005):

$$\text{TURNOVER}_{it} = \frac{1}{D_{it}} \sum_{1}^{D_{it}} \frac{\text{shares traded}_i}{\text{Shares Outstanding}_i}$$ Equation (2)

In this regard:

TURNOVER_{it} : Total number of times i company turnover in year t; shares traded_i : the number of daily traded shares of the company i; : $\text{Shares Outstanding}_i$ Total number of shares issued by the company i; Dit: is the number of days in year t in which the stock of company i was traded.

- Amihud (2002): The clearer the information environment, the lower the level of market information asymmetry and the higher the liquidity of the company's stock. Therefore, AmiHood's lack of liquidity ratio is considered as a direct measure of the company's information asymmetry.

$$\text{ILIQ}_{it} = \frac{1}{D_{i,t}} \sum_{1}^{D_{it}} \frac{|R_i|}{VOL_i}$$

Equation (3)

In the above relation:

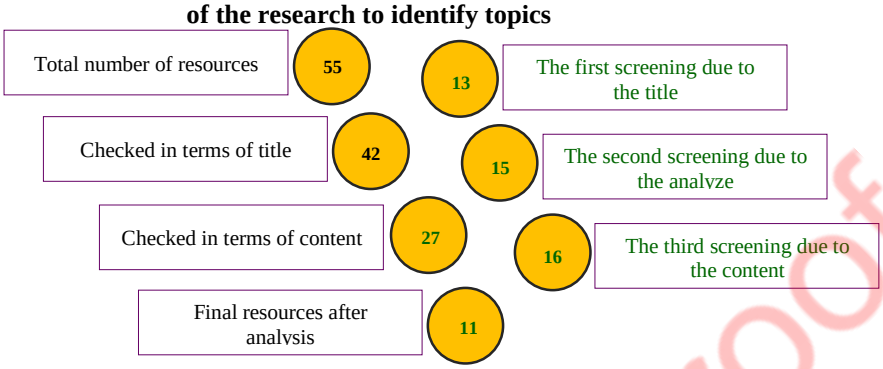
ILIQ_{it} Company i's liquidity criterion in year t; $|R_i|$ Absolute value of daily stock return of company i; : VOL_i Rial volume of daily transactions of company i

Dependent Variable

In this study, considering that there is no instrumental basis for measuring the exogenous (independent) variable of this research, ie corporate inertia at the level of the capital market, meta-synthesis analysis is used for measurement. This analysis provides the basis for a process for formulating effective components consistent with the firm's inertia in the capital market. For this purpose, relying on

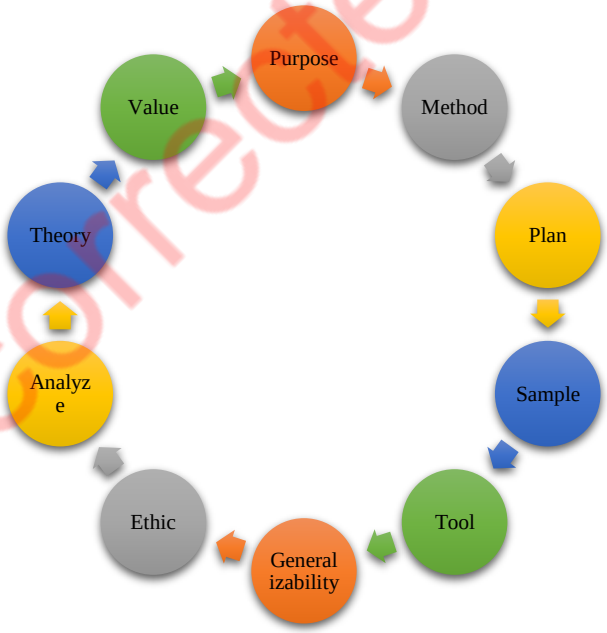
the process of meta-synthesis and Delphi analysis, this study seeks to develop a tool to measure this variable at the capital market level.

Figure (3) Screening analysis process of research appropriate to the purpose of the research to identify topics



It should be noted that the 11 initial researches should be analyzed in the third step in terms of critical evaluation with the participation of research experts. This process includes the following 10 criteria, which are examined based on a minimum score of (1) and a maximum of (5). The total score based on 10 criteria can be 50, and if a research score of 30 or more, it enters the fourth step.

Figure (4) Criteria for the critical appraisal process



Now, based on a better understanding of the analysis process in this step, with the participation of research experts, 11 approved initial researches will be analyzed for points based on critical

appraisal analysis. Now, based on a better understanding of the analysis process in this step, with the participation of research experts, 11 approved initial researches will be analyzed for points based on critical evaluation analysis.

Table (1) Critical appraisal analysis

Appraisal Criteria	1 Mikalef et al. (2020)	2 Lovallo et al. (2020)	3 Crepin & Neavdal (2019)	4 **Ispano (2018)**	5 Hu & Wang (2018)	6 Dayanandan et al. (2017)	7 Kumar et al. (2016)	8 **Marjanian et al. (2020)**	9 .Pourheidari et al. (2019)	10 Taheri et al. (2018)	11 Seyednejad Fahim et al. (2018)
Purpose	3	4	3	2	3	3	4	3	3	3	4
Method	4	3	3	3	3	3	3	4	5	4	3
Plan	4	4	4	3	4	3	4	3	4	4	4
Sampling	4	4	3	3	3	4	4	3	3	4	4
Collecting	4	3	4	3	4	3	4	2	4	4	3
Generalization	3	4	3	2	5	4	4	3	3	3	4
Ethical	4	4	3	3	4	4	4	2	3	4	4
Analyze	5	3	3	3	۵	3	4	3	3	5	3
Theoretical	4	4	3	3	4	4	3	2	4	4	4
Value	4	4	4	3	4	4	4	3	4	4	4
Total	39	37	33	**28**	39	34	37	**28**	36	39	37

Based on the results of this analysis, it was found that 2 studies that did not obtain the required score (more than 30 points) were excluded from the study. In order to determine the themes of evaluating organizational inertia of managers, the following scoring method is used. Based on this method, all sub-criteria extracted from the text of approved articles are written in the table column. Then, in the row of each table, the names of the approved researchers are given. Based on each researcher's use of the sub-criteria written in the table column, the symbol "☑" is inserted, then the scores of each ☑ are added together in the sub-criteria column, and scores above the Mean of the researches are selected as research components.

Table (2) Analysis of research components

Research Status	Researchers	Social Inertia	**Insight Inertia**	Cultural Inertia	**Structural Inertia**	**Perceptual Inertia**
International	Mikalef et al. (2020)	-	☑	-	☑	-
	Lovallo et al. (2020)	-	☑	-	-	☑
	Crepin & Neavdal (2019)	-	☑	☑	-	☑

	Hu & Wang (2018)	☑	☑	-	-	-
	Dayanandan et al. (2017)	-	-	-	☑	☑
	Kumar et al. (2016)	-	☑	☑	-	☑
Internal	Pourheidari et al. (2019).	-	-	-	☑	-
	Taheri et al. (2018)	☑	-	-	☑	-
	Seyednejad Fahim et al. (2018)	-	-	-	☑	☑
Total		2	**5**	2	**5**	**5**

According to the approval of 9 researches in the critical evaluation process, the main components that have obtained more than half of the approved researches are approved as the main components in determining the research themes. In this section, after analyzing the theoretical foundations of approved research and confirming the three main components, the contents of the research have been determined according to Table (3).

Table (3) Themes of managers' organizational inertia

Main Components	Research Propositions	7	6	5	4	3	2	1
Insight Inertia	Lack of knowledge about the information content required by shareholders							
	Feeling of lack of support for corporate governance							
	Lack of job identity of managers							
	Lack of job commitment of managers							
	Lack of insight and belief in the need for change and dynamism							
	Lack of managers 'insight in protecting shareholders' rights							
	Inability of managers to recognize the information needs of stakeholders							
	Negative perception of fear of losing managerial position							
	Perceived negative benefits							
Structural Inertia	Ineffectiveness of independent auditing							
	Lack of mandatory policies on managers' decisions							
	Lack of regulatory requirements							
	Existence of poor accounting standards							

	Lack of proper internal control structures							
	The structural complexity of companies							
	Lack of dynamics of board features							
	The role of managers duality							
	Inadequacy of stakeholder information needs with the culture of desirability							
Perceptual Inertia	Perceptual errors of managers							
	Lack of job motivation of managers							
	Source of external control of managers							
	Existence of conflicts of managers' job perception							
	Perception of psychological contract violation							
	Existence of power-seeking nature of managers							
	Low degree of tolerance for managers' ambiguity							
	Stress tolerance and control threshold							
	Lack of self-confidence of managers							

Then, in order to ensure the identified components and propositions, Delphi analysis was used to reach the theoretical saturation point. For this purpose, these statements were provided to experts for a survey in the form of a checklist of 7 options, which table (4) shows the results of Delphi analysis.

Table (4) the process of the first and second steps of Delphi analysis

Main Components	Propositions	First round of Delphi			Second round of Delphi		Result
		Mean	Coefficient of agreement	Merge	Mean	Coefficient of agreement	
Insight Inertia	**Lack of knowledge about the information content required by shareholders**	3	0.20	**-**	***Delete***		
	Feeling of lack of support for corporate governance	5	0.50		5.10	0.55	Confirm
	Lack of job identity of managers	4.98	0.51	**Merge**	5.50	0.75	Confirm
	Lack of job identity of managers	5	0.52				
	Lack of insight and	6	0.80	-	6.20	0.85	Confirm

	belief in the need for change and dynamism in the face of social and environmental expectations						
	Lack of managers 'insight in protecting shareholders' rights	5.30	0.65	-	5.50	0.75	Confirm
	Negative perception of fear of losing managerial position	6	0.80	-	6.20	0.85	Confirm
	Negative perception of fear of losing managerial position	5.30	065	-	5.50	0.75	Confirm
	Perceived negative benefits	5.50	0.75	-	6.10	0.82	Confirm
Structural Inertia	**Ineffectiveness of independent auditing**	4	0.35	-	***Delete***		
	Lack of mandatory policies on managers' decisions	4.90	0.49	**Merge**	5.20	0.65	Confirm
	Lack of regulatory requirements	5	0.52				
	Existence of poor accounting standards	5.30	0.65	-	5.50	0.75	Confirm
	Lack of proper internal control structures	5	0.50		5.10	0.55	Confirm
	The structural complexity of companies	3.50	0.30	-	***Delete***		
	Lack of dynamics of CEO features	4	0.35	-	***Delete***		
	The role of managers duality	5	0.50	-	5.10	0.55	Confirm
	Inadequacy of stakeholder	5.20	0.65	-	5.50	0.75	Confirm

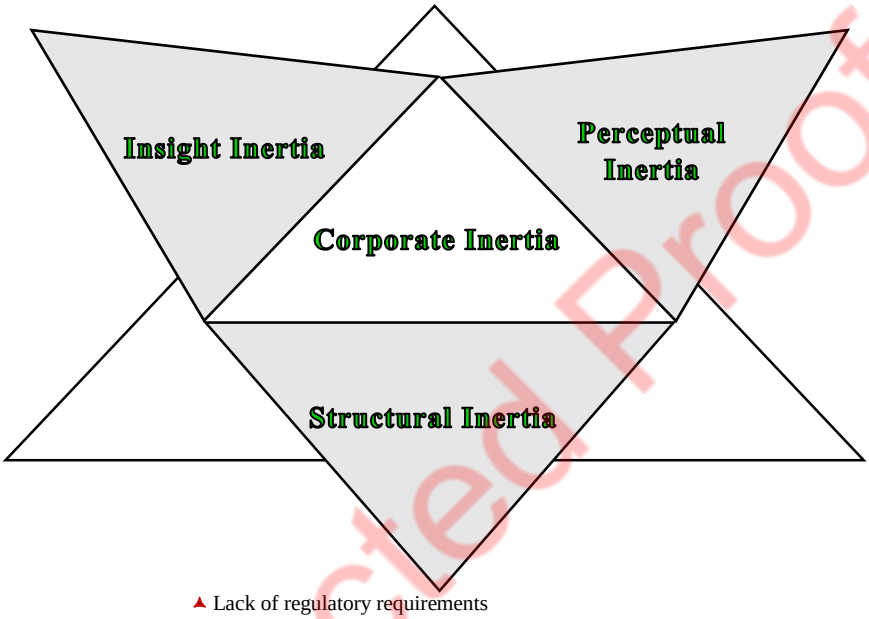
	information needs with the culture of desirability						
Perceptual Inertia	Perceptual errors of managers	5.50	0.75	-	6.10	0.82	Confirm
	Lack of job motivation of managers	5.30	0.65	-	5.50	0.75	Confirm
	Source of external control of managers	5	0.50	-	5.10	0.55	Confirm
	Existence of conflicts of managers' job perception	4	0.35	-	***Delete***		
	Perception of psychological contract violation	5.20	0.65	-	5.50	0.75	Confirm
	Existence of power-seeking nature of managers	5.50	0.75	-	6.10	0.82	Confirm
	Low degree of tolerance for managers' ambiguity	5.30	0.65	-	5.50	0.75	Confirm
	Stress tolerance and control threshold	5	0.50		5.10	0.55	Confirm
	Lack of self-confidence of managers	5.40	0.70	-	6.30	0.88	Confirm

Based on Delphi analysis, it was found that in two rounds, 5 items were removed from the corporate inertia evaluation themes and 4 themes were merged, because according to the Likert scale, 7 options scored below 5 and their agreement coefficient was below 0.5. Has been removed on that basis. Therefore, the corporate inertia model can be presented in the following order:

Figure (5) corporate inertia pattern

- Feeling of lack of support for corporate governance
- Lack of identity and job commitment of managers
- Lack of insight and belief in the need for change
- Lack of managers 'insight
- Inability of managers to recognize
- Negative perception of fear of losing
- Perceived negative benefits

- Perceptual errors of managers
- Lack of job motivation of managers
- Source of external control of managers
- Perception of psychological contract violation
- Existence of power-seeking nature of managers
- Low degree of tolerance for managers' ambiguity
- Stress tolerance and control threshold
- Lack of self-confidence of managers



- Lack of regulatory requirements
- Existence of poor accounting standards
- Lack of proper internal control structures
- The role of managers' duality
- Inadequacy of stakeholder information needs

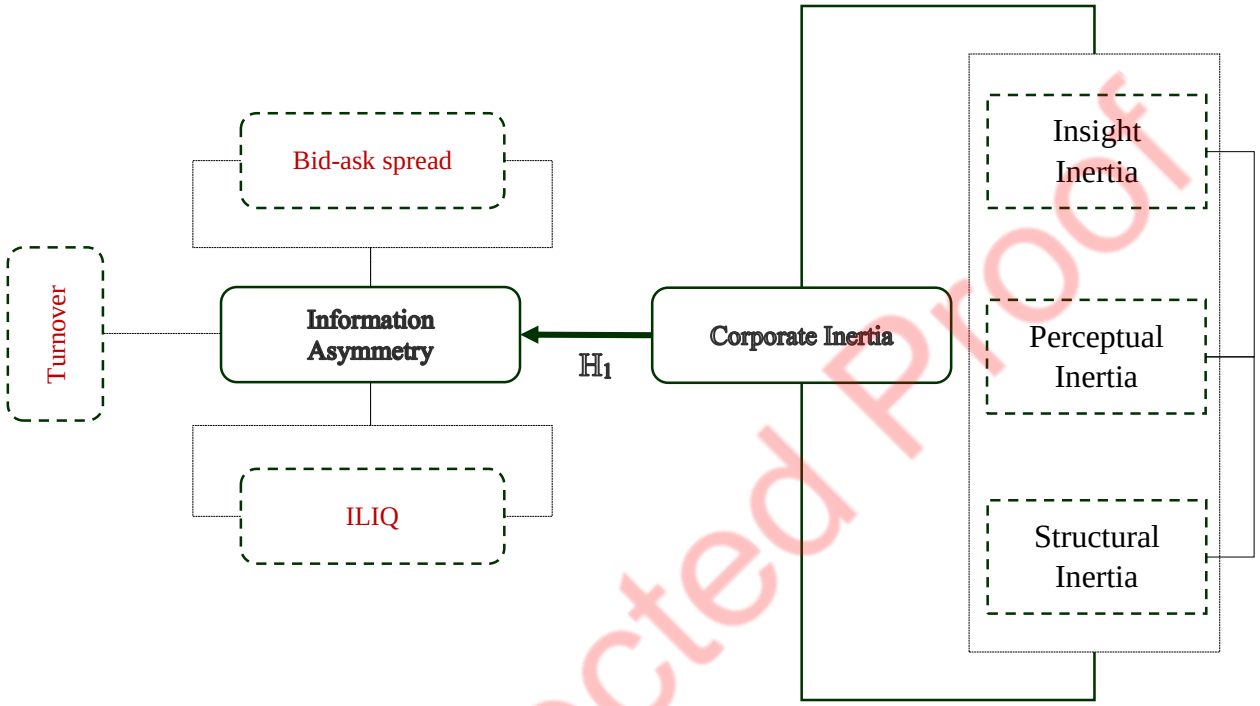
Then, based on the organizational inertia model, the questionnaire questions should be determined. Based on this, a total of 20 theoretical screening topics were approved by the relevant researches. Based on the specified propositions, a questionnaire will be developed to measure this variable.

Table (5) Questionnaire of corporate inertia assessment themes

Components	Propositions	Likert Scale						
		7	6	5	4	3	2	1
Insight Inertia	Is the feeling of lack of support for corporate governance an important factor in organizational inertia?							
	Will managers' lack of identity and job commitment lead to organizational inertia?							
	Is the lack of insight and belief in the need for change and dynamism in the face of social and environmental expectations a factor in creating organizational inertia?							

	Is the lack of insight of managers in protecting the rights of shareholders considered a factor in decision-making regarding information disclosure?							
	To what extent is the inability of managers to recognize the information needs of stakeholders an important factor in organizational inertia?							
	To what extent is the negative perception of fear of losing a managerial position an important factor in organizational inertia?							
	To what extent is perceived negative benefit an important factor in organizational inertia?							
Structural Inertia	Is the existence of poor accounting standards considered a factor for corporate inertia?							
	To what extent does the lack of mandatory requirements and policies affect the formation of inertia of the managers of the organization?							
	To what extent is the lack of optimal internal control structures a factor for corporate inertia?							
	Is the dual role of managers on the board and the position of CEO considered a basis for corporate inertia?							
	To what extent does the incompatibility of stakeholder information needs with the culture of information desirability in the company structure cause organizational inertia of managers?							
Perceptual Inertia	Is the source of external control of managers considered a basis for corporate inertia?							
	To what extent is the lack of job motivation of managers considered a basis for corporate inertia?							
	To what extent do managers' perceptual errors cause the formation of their in-person inertia?							
	To what extent does the perception of a violation of the psychological contract cause the formation of in-person inertia of managers?							
	Is the existence of a power-seeking trait of managers considered a basis for corporate inertia?							
	Does the low degree of tolerance of managers' ambiguity cause the formation of their in-person inertia?							
	Does the lack of self-confidence of managers cause the formation of their inner inertia?							
	Is a low stress tolerance threshold a basis for corporate inertia?							

As can be seen, the above questionnaire in the form of 20 questions and 3 sub-components of individual insight into organizational inertia; Structural causes in organizational inertia and psychological causes in organizational inertia have been developed. The questionnaire is graded based on a five-point Likert scale (I strongly



agree = 5, I agree = 4, I have no opinion = 3, I disagree = 2 and I strongly disagree = 1). Therefore, according to the dimensions of research variables, the theoretical framework for testing the research hypothesis is presented in the following order:

Figure (6) Research Hypothesis Test Framework

Research Findings

Descriptive statistics is a basis for identifying the tested variables in a research, which are measured by indices such as central index and dispersion index. According to the results:

Table (6) Descriptive statistics pf the research variables

Variable	Mean	Mean	Minimum	Maximum	Standard deviation
Insight Inertia	3.76	3.43	1.00	5.00	0.71
Perceptual Inertia	3.84	3.60	1.00	5.00	0.69
Structural Inertia	3.51	3.00	1.00	5.00	0.84
BID – ASK SPREAD	0.131	0.128	0.003	0.678	0.152
TURNOVER	-0.002	-0.0017	-0.005	-0.0001	0.091
ILIQ	0.0031	0.0033	0.0002	0.057	0.102

Fitness of measurement models

For fitness of the measurement models, three criteria of reliability, convergent validity, and divergent validity were used. To investigate reliability of the measurement model were used, the coefficients of factor loads, Cronbach alpha coefficient, and compound reliability.

Table (7) Factors of factor loads

Factor	Index	Questions	Load factor	Factor	Index	Questions	Load factor
Insight Inertia	Ins ine	Ins ine 1	0.799	Perceptual Inertia	Per ine	Per ine 13	0.728
		Ins ine 2	0.826			Per ine 14	0.714
		Ins ine 3	0.605			Per ine 15	0.505
		Ins ine 4	0.786			Per ine 16	0.752
		Ins ine 5	0.639			Per ine 17	0.731
		Ins ine 6	0.736			Per ine 18	0.653
		Ins ine 7	0.542			Per ine 19	0.686
Structural Inertia	Str ine	Str ine8	0.862			Per ine 20	0.725
		Str ine9	0.682	Information Asymmetry	BID – ASK SPREAD		0.584
		Str ine10	0.695		TURNOVER		0.956
		Str ine11	0.559		ILIQ		0.963
		Str ine12	0.608				

The benchmark value for appropriateness of the coefficients of factor loads is 0.4. According to Table (7), all values of the coefficients of factor loads of the questions are bigger than 0.4, indicating the appropriateness of this criterion. Considering the data analysis algorithm in PLS, the measurement of the factor loads of the questions is followed by calculating and reporting the Cronbach alpha coefficients and compound reliability, the results of which are presented in Table (8).

Table (8) Results of Cronbach alpha and compound reliability of the latent variables

Symbol	Cronbach alpha (α>0.7)	Compound reliability (CR>0.7)
Corporate Inertia	0.783	0.708
Information Asymmetry	0.706	0.818
Insight Inertia	0.834	0.876
Perceptual Inertia	0.840	0.878
Structural Inertia	0.714	0.816

Considering the fact that the appropriate value for Cronbach alpha and compound reliability coefficients is 0.7 and, according to the findings in the above table, these criteria have obtained appropriate values for latent variables, the measurement models of the present research can be

confirmed to be appropriate. The second criterion for examining the fitness of the measurement models is the convergent validity, which addresses the correlation of each structure with the questions (indices).

Table (9) Results of convergent validity of latent variables

Symbol	Mean Variance Extracted (AVE>0.5)
Corporate Inertia	0.548
Information Asymmetry	0.640
Insight Inertia	0.507
Perceptual Inertia	0.577
Structural Inertia	0.575

Considering the fact that the appropriate value for AVE is 0.7 and, according to the findings in Table (9), this criterion has obtained appropriate values for latent values, the convergent validity of the present work is approved. The divergent validity is the third criterion for examining the fitness of the measurement models. The acceptable divergent validity of a model indicates that a structure in the model has more interactions with its indices compared to other structures. Divergent validity is at an acceptable level when the AVE for each structure is higher than the common variance between that structure and other structures in the model. According to Table (10), the mean square root value of the common values of the latent variables in the present study, which are placed in the main diameter of the matrix, is higher than their correlation values, which are placed in the entries at the bottom right side of the main diameter, indicating that each structure in the research model has more interactions with its indices than other structures. This is indicative of the appropriate divergent validity and fitness of the measurement models of the research.

Table (10) Fornell & Larcker matrix for examining the divergent validity

	Corporate Inertia	Information Asymmetry	Insight Inertia	Perceptual Inertia	Structural Inertia
Corporate Inertia	0.669				
Information Asymmetry	0.059	0.800			
Insight Inertia	0.730	0.139	0.712		
Perceptual Inertia	0.656	-0.037	0.213	0.691	
Structural Inertia	0.638	0.010	0.216	0.131	0.689

With respect to the results of reliability, convergent validity, and divergent validity, it is observed that the measurement models of the structural equation modeling (SEM) can favorably measure the latent variables of the research. Thus, the fitting of the research structural model is evaluated in the following.

Fitness of structural model

After assessing the validity and reliability of the measurement model, the structural model was evaluated through the relations between the latent variables. In this study, two criteria of coefficient of determination (R^2) and predictive power (Q^2) are used.

Coefficient of Determination (R^2) and Predictive Power (Q^2)

R^2 is a measure that indicates the influence of an exogenous variable on an endogenous variable. According to Figure (2), the value of R^2 is calculated for the endogenous constructs of the research that the suitability of the structural model fit can be confirmed. Moreover, in order to evaluate the predictive power of the model, a measure called Q^2 was employed. Considering the results of this measure in Table (11), it can be concluded that the model has a "strong" predictive power.

Table (11) the values of coefficient of determination (R^2) and predictive power (Q^2)

Variable	Q^2	R^2
Information Asymmetry	0.013	0.304
Insight Inertia	0.246	0.534
Perceptual Inertia	0.193	0.430
Structural Inertia	0.176	0.407

After fitting the measurement part and structural part of the model of this study, in order to control the overall fit of the model, a measure called goodness of fit (GOF) was used that three values of 0.01, 0.25, and 0.36 are introduced as weak, medium and strong values. This criterion is calculated through the equation (4):

$$GOF = \sqrt{\overline{Communalities} \times \overline{R^2}}$$

Equation (4)

$\overline{Communalities}$ Is the Mean of the common values for the latent variables of the research, and $\overline{R^2}$ is the Mean values of the coefficient of determination for the endogenous variables of the model.

Table (12) the value of Communalities and R^2

Symbol	Communality	R^2
Corporate Inertia	0.659	-
Information Asymmetry	0.637	0.304
Insight Inertia	0.647	0.534
Perceptual Inertia	0.732	0.430
Structural Inertia	0.628	0.407

Table (13) the results of overall model fitting

$\overline{Communality}$	$\overline{R2}$	GOF
0.66	0.41	0.52

According to the value gained for GOF at a rate of 0.52, the very good fit of the overall model is verified.

After assessing the fit of the measurement models and the structural model and enjoying the favorable fit of the overall model, according to figures (7) and (8), we check the results of testing the research

hypotheses, which have been provided in Table (12). The variables that are obtained by direct observation of the event act as a measurement indicator of a hidden variable and are specified in the path diagram with a rectangle. Variables that are not directly visible. Hidden variables are examined by linking to measurable (explicit) variables and identified in a circle or ellipse path diagram. The latent variables in the structural equation model are divided into two categories, external[1] and internal[2].

Figure (7) the structural model of research hypothesis with factor loadings coefficients

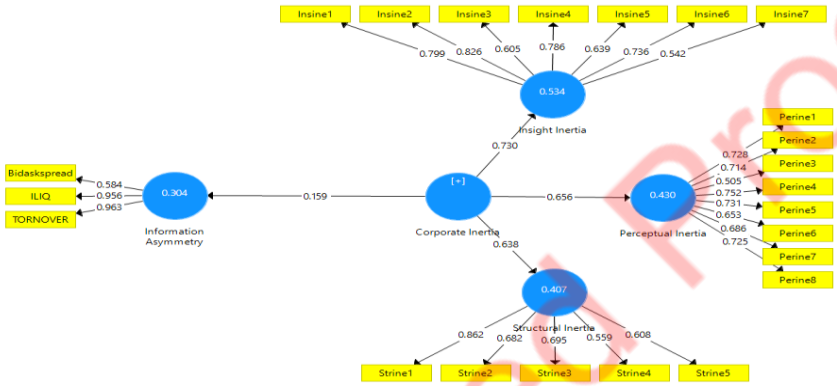
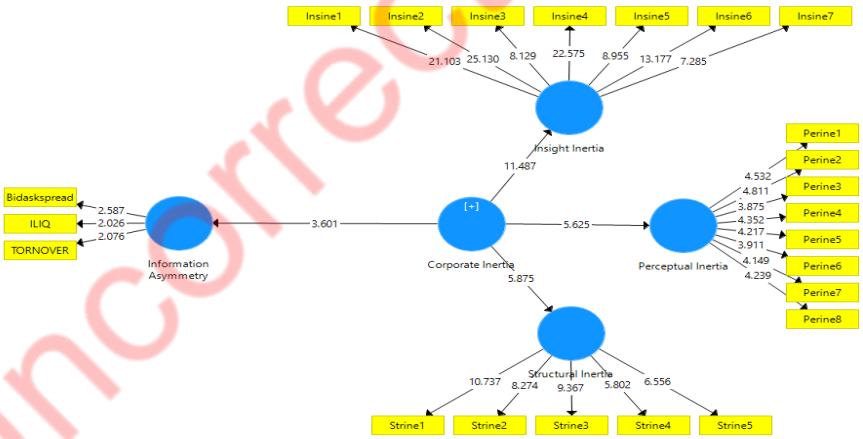


Figure (8) the structural model of research hypothesis with significant coefficients



Taking into account the structural model and factor loadings, as depicted in Table (17), the result of the research hypothesis test can be observed.

Table (14) the result related to the research hypothesis test

[1] External hidden variables: are variables that are not considered in the model due to their changes and are not affected by other variables in the model.

[2] Hidden internal variables: Variables that are affected by one or more other variables.

The causal relationships between research variables	Path coefficient (β)	Significance (T-Value)	Test result
Corporate inertia has a significant effect on information asymmetry.	0.15	3.60	Confirmation of hypothesis

With respect to Figures (7) and (8), the standardized coefficient (path coefficient), the Corporate inertia has a significant and positive effect on information asymmetry. Since the path coefficient is positive and equals to 0.15 and the t statistic is also equal to 3.60. Considering that t statistic is greater than 1.96, while confirming the result of the hypothesis, it illustrates the Corporate inertia has a significant and positive effect on information asymmetry.

Discussion and conclusion

The result of testing the research hypothesis showed that corporate inertia has a positive and significant effect on information asymmetry. In fact, this result reflects the fact that the dominance of inertia in the company's actions strengthens the negative functions of managers in not disclosing the facts outside the company. Perhaps this issue can be examined from two dimensions. First, the lack of external stimuli such as structural oversight, and second, perceptual disorders and personal insight can be one of the reasons that the company's inertia occurs and causes the company to resist the reflection of news and information, and only selectively disclose news that creates a positive feeling in shareholders and refrain from disclosing bad news and create a kind of information monopoly. In this situation, information asymmetry is strengthened and hiding negative news can have consequences such as the risk of falling. In fact, corporate inertia gives managers a kind of utilitarian identity and in terms of individual insight characteristics; Perceptual and structural, they form a kind of possessive approach according to which the interests of stakeholders or at least the interests of external stakeholders are not given priority to them. These people try to strengthen their position by transmitting the positive news of the company while portraying it in the minds of the shareholders unaware that failure to disclose news and information in a timely manner can lead the company to a crisis of distrust in the market. In this situation, the flow of information due to the imbalance based on supply and demand in the market by these companies, is in its most exclusive state, exposing the company to a serious risk of falling stock prices. Non-disclosure of bad news for a long period of time is always created in the structural system of companies and even regulatory bodies, which is often due to the inertia of the company, a lack of mobility in effective monitoring of managers' performance, affecting the difference between intrinsic value The stock market

creates a price gap or bubble, this bubble is in fact a mass of negative news that, according to the principle of utility in the economy, is transmitted to the market at a saturation point at once, causing the price bubble to burst, resulting in a fall in stock prices. The result of this hypothesis with Olaniyi (2019) research; corresponding to Agarwal & Chakraverty (2019) and Elbadry et al (2015).

Based on the obtained result, it is suggested that, based on an effective regulatory development strategy, the upstream institutions of companies such as the Stock Exchange Organization and other institutions related to the development of executive and practical regulations and its application and obligation to the board of directors to communicate and periodically evaluate more enhanced regulatory processes based on corporate governance mechanisms. In this situation, by stimulating external stimuli of monitoring on the one hand and developing the expected values of stakeholders in terms of information transparency on the other hand, the level of sensitivity to managers' decisions regarding timely disclosure of news and information to increase managers to understand that Their position can be assessed by in and out of company institutions and there will be a serious obstacle in their way in terms of utilitarian motives. Under these circumstances, the disclosure of company information is reflected in the market under any circumstances to improve the level of stakeholder decisions and is likely to increase the confidence of shareholders and investors in the capital market. However, due to the relevance of bad news disclosure to the characteristics of managers on the one hand and the incoherence of regulatory standards such as financial and institutional on the other hand, there may be no 100% guarantee for full disclosure of information by managers, so focus on development. Cultural values and the development of social norms in the disclosure of news and information by companies, can lead to a kind of self-control in the behavior of managers and increase the level of information symmetry while reducing the inertia of the company.

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