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Isomorphism and diversity in corporate governance reform:
The case of the Japanese electronics industry

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4:00 to 5:30 pm
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Director's Room
Institute of Industrial Relations
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No paper available; see abstract below.
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Over the last 10 years, corporate governance reforms in Japan have led not to isomorphism, but to greater diversity. After legal reforms in 2003, a few firms adopted what is widely termed the "US style" boards with auditing, nomination, and compensation committees dominated by independent directors—while most others have maintained the "Japanese style." Even these "Japanese style" firms, however, vary considerably in independent directors, size and function of boards, and propensity to talk about "maximizing shareholder value."

Why have some firms adopted Anglo-American practices while others have not? We argue that governance reforms have been driven by corporate elites, motivated by concerns about managerial effectiveness—speed and flexibility of decision-making to manage complex, diversified, and global organizations. While foreign investors have been influential, governance reforms have been led by managers, for managers, and have little to do with the ideology of shareholder value.

Our research is based on interviews of senior executives in the 10 largest electronics firms. This industry is interesting because of its diversity in governance practices. One of the co-authors is an academic, while the other is a corporate director with substantial experience in governance and management, and strong connections and credibility among senior Japanese managers.