

Who Supports Shareholder-oriented Corporate Governance in Japan?

- A Study on Social Norms about Corporate Governance -

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In Japan, there are keen discussions among specialists concerning how far the U.S. style shareholder-oriented corporate governance will be accepted in the future. This paper, standing on the viewpoint that the social norms about corporate governance has considerable influence on the actual practice of corporate governance, investigates how many people, and what kinds of people support shareholder-oriented corporate governance in Japan, based on a national random sampling survey.

1. INTRODUCTION

Social Norms about Corporate Governance

“For whom should company be managed?” is a hot issue among scholars, analysts, and businesspeople in Japan. As to this issue, it is said that traditional Japanese companies, compared with companies of other countries, put much emphasis on the interests of employees, such as stability of employment and improvement in wages (Dore, 1990; Jacoby 2005). The situation seems to change since the 1990s, when some foundations which had traditionally supported employee-oriented management were eroded. Firstly, collapse of the “main financing bank” system and increase of foreign investors force Japanese companies to put much emphasis on the interests of shareholders (Learmount 2002; Ahmadjian & Robbins 2005; Jacoby 2005). Secondly, following the U.S. model, many legislative reforms were carried out, enabling Japanese companies to shift to

the U.S. style corporate governance system, which puts much emphasis on the interests of shareholders.

Nevertheless, it may be difficult to conclude that Japanese companies are now undergoing a straightforward reform towards the U.S. model. A questionnaire survey conducted by Japan Management Association suggests that directors who put much value on profits of shareholders have been decreasing since 2004¹. In fact, companies which have actually shifted to the U.S. style corporate governance system are very few².

Whether companies put emphasis on the interests of employees or that of shareholders has big influence on the distribution of national wealth (Dore 2006). Thus it is important to assess how far the shareholder-oriented corporate governance will be accepted in Japan. Competitiveness of companies is undoubtedly an important factor; Japan Corporate Governance Forum ed. (2001) and Nakatani (2003) argue that the old Japanese style corporate governance which favors employees' interests is inefficient, while Itami (2000), Koike (1994, 2004) and Iwai (2003, 2005) believe that a company can develop well just by putting emphasis on the voices of employees who will then contribute in the form of long-term technical improvement of the company³.

Another important factor is social norms about corporate governance. Social norms are an important element composing what Abegglen (1958, 2004) calls the "cultural background" to

¹ Newly appointed directors of public companies responded to the questionnaire. The question is "As a director, whose interests are your first priority?" The ratio of respondents who answered "shareholder" is declining from 40.5% (2003) to 38.4% (2004), 37.4% (2005), and 25.1% (2006) (Japan Management Association Group Press Committee, 2006).

² According to Japan Corporate Auditors Association, only 70 public companies are adopting the U.S. style corporate governance as of July 26, 2006. (http://www.kansa.or.jp/PDF/iinkai_list.pdf)

³ According to Arikawa et al. (2006), companies with management practice which put much emphasis on employees, is excellent in sales and marketing power and technical capability.

which companies should adapt. They also form the basis for national characteristics of corporate organizations to develop (Dore, 1990)⁴. In a research which compares the Japanese and the U.S. corporate governance, Jacoby (2005) argues that each society has inherent social norms⁵, and that social norms influence the actual practice of corporate governance⁶. In other words, how far the U.S. style shareholder-oriented corporate governance will be accepted in Japan depends on the social norms about corporate governance. Here exists the subject of this paper.

Social norms about corporate governance can be divided into two categories. One is the norms shared by managers, and the other is those shared by the general public. Doubtlessly the norms shared by managers affect the actual practice of corporate governance, but from the sociological point of view, the norms shared by the general public can never be ignored. The general public provides labor to the companies, while at the same time act as consumers and investors. Thus, without paying attention to their norms, a company cannot run properly. Moreover, especially in case of large companies, opinions of the general public may exert direct influence on their behavior^{7,8}. Additionally, in government policy making and legislative procedures concerning

⁴ He states that a market-oriented enterprise grows when the social definition of the firm is “property of the shareholders,” and an organization-oriented enterprise grows when its definition is “a community of people.” (Dore, 1990: 426).

⁵ He points out that social norms such as “the obligation of employers to employees, of suppliers to customers, and, what discourages hostile takeovers” are ruling Japanese companies. (Jacoby, 2005: 37)

⁶ Morck & Steier (2005) shows similar arguments, too.

⁷ As an example, a turmoil involving a hostile takeover plan of a broadcasting company by a large IT company at the beginning of 2005 can be cited. Although most people had no direct interests in these two companies, this plan attracted much attention of the general public. Since opinions of the general public inclined to the anti-takeover side, the turmoil finished with reconciliation (cf. Japan Institute for Labour Policy and Training (2005) for detailed analysis on this incident).

⁸ In general, it is known that the mass media demonstrate great power when opinions of the general public exert

corporate governance, opinions of the general public play an important role⁹. For these reasons, this paper will focus on the norms concerning corporate governance shared by the general public.

Previous Studies

Major surveys on the norms about corporate governance shared by the general public include “Questionnaire about Citizens’ View of Company (QCVC)” conducted by the Japan Institute for Social and Economic Affairs (JISEA) every year, “Opinion Poll about Securities Investment (OPSI)” conducted by the Cabinet Office in 2002, and “Special Opinion Poll about Equity Investment (SOPEI)” conducted by the Cabinet Office in 2004.

QCVC is conducted every year to capture opinions of the monitor of JISEA. According to the QCVC surveys, those regarding “keeping and creation of employment” as an important role of a company have been decreasing since the late 1990s while those considering “improvement of stock price and stable dividends” important have been increasing in the 2000s. Cross tabulation shows that the elderly and unemployed people tend to answer “individual shareholder” as one of important stakeholder of a company¹⁰.

OPSI asked the general public, in order to boost up the security market, whether the government should encourage companies to pay maximum attention to the interests of shareholders. Cross tabulation shows that the male sex, people in their 40’s and 50’s, white-collar workers and residents of big cities tend to take side on a shareholder-oriented policy. SOPEI, using the same question and similar tabulation, shows that male, people in their 30’s, employees of companies, white-collar

direct influence on corporate behavior (Dyck & Zingales, 2002).

⁹ As an example, in the incident introduced in note 7, movement towards restrictions on foreign capital took place.

¹⁰ “Unemployed people” stands for all people without a full-time or part-time job.

workers and students tend to take side on a shareholder-oriented policy.

From these surveys, it is clear that increasing people give support to shareholder-oriented corporate governance (QCVC), and that demographic and occupational factors such as “male” and “white-collar workers” may reinforce pro-shareholder opinions (OPSI, SOPEI). However, these surveys are still inadequate in the following aspects. Firstly, as QCVC surveys’ targets are the monitors of the economic organization, their results may be greatly different from the results of those surveys dealing with the general public. Secondly, OPSI and SOPEI were originally aimed to know what government should do for the security market, instead of investigating the norms about corporate governance shared by the general public. Thirdly, as all analyses remain at the level of simple cross tabulation, their results may include spurious correlations.

Therefore, in spite of its importance, the norms about corporate governance shared by the general public have not been investigated sufficiently. This paper, based on national random sampling data, will investigate how many people and what kinds of people support shareholder-oriented corporate governance in Japan.

Hypotheses

The norms about corporate governance shared by the general public may be influenced by 3 factors. (Table 1)

First, people with a strong identity as shareholders may tend to support shareholder-oriented corporate governance. Those with higher incomes as well as unemployed people may be included in this category¹¹. The former tends to have more capital for investment, while the latter holds a position closer to pure shareholders compared with those working as labor. It can be called the

¹¹ In this paper, the term “unemployed people” stands for all people without a full-time or part-time job.

“capitalist/labor” factor.

Second, those enjoying more vested rights in companies may tend to support employee-oriented corporate governance, while those with fewer vested rights in companies may tend to support shareholder-oriented corporate governance. In general, it is restricted to the large company sector where employee-oriented corporate governance has been functioning. And Inagami and Whittaker (2005) points out that only male, regular (full-time) employees have been receiving the benefits of employee-oriented corporate governance in Japanese company. In addition, since 1990s, prolonged depression led to exclusion of many young people from employment (Genda 2000). Thus, female, the younger generation, non-regular employees, and employees of small companies may tend to support shareholder-oriented corporate governance. It can be called the “insider/outsider” factor.

Third, as pointed out by Dore (2000, 2005, 2006), the neo-liberalism ideology, which desires deregulation of economy and free competition between companies, may have influence on the actual practice of corporate governance. Surely, deregulation and free competition conflict with vested rights of particular people. Thus, those with neo-liberalism ideology (beliefs in deregulation and free competition) may tend to support shareholder-oriented corporate governance.

Table 1. Factors which May Have Influence on the Norms about Corporate Governance

(Hypotheses)

| | | |
|-------------------------|--|----------------------|
| Capitalist/labor factor | High income, unemployed | shareholder-oriented |
| Insider/outsider factor | female, young, non-regular employee, small company | shareholder-oriented |
| Neo-liberalism factor | beliefs in deregulation and free competition | shareholder-oriented |

The data are analyzed based on these hypotheses. The composition of this paper is as follows.

Data and variables are described in the next section. Section 3 makes cross tabulations to overview

the data, then moves onto investigate the determinants of shareholder-oriented opinions using ordinal logistic regression models. Section 4 is a discussion on the results, and section 5 is the summary of this paper.

2. DATA AND VARIABLES

In this paper, the dataset of “Questionnaire about Welfare and Consciousness of Fairness” conducted by Department of Sociology, University of Tokyo, in 2005 is used¹². In this survey, staff of a research company visited 3,000 people aged 20 to 79 throughout the country selected by random sampling, and 1,320 people responded to the questionnaire. The ratio of respondents is 44.0%.

The dependent variable is the norms about corporate governance. To measure it, the question “In a large company, when the interests of shareholders and employees oppose each other, which should be given priority?” is used. Choices to this question include “interests of shareholders,” “rather interests of shareholders,” “rather interests of employees,” “interests of employees,” and “I don’t know.”

Independent variables include demographic and occupational, and ideological variables (strength of beliefs in deregulation and free competition). Demographic and occupational variables include sex, age, educational background (years of education), status of employment, nature of employment, occupation, company scale and income (individual and household)¹³. To measure the strength of

¹² Author of this paper participated in the survey project.

¹³ Sex, age, status of employment, nature of employment, company scale and income are included in the hypotheses. Although not included in the hypotheses, educational background and occupation are included in the independent variables because they are important social-economic factors.

beliefs in deregulation and free competition, two questions are used: “Do you think that governmental regulation on private economic activities should be reduced as far as possible?” and “Do you think that assistance for the growth of industries is a responsibility of the government?”¹⁴

In addition, N.A. is processed as missing data.

3. RESULTS

Distribution of Opinions (Cross Analysis)

Table 2 shows the distribution of dependent variables by demographic and occupational variables. This table shows three main results. The first one is the distribution of opinions on this problem across the country. Figures on the highest row of this table shows that 5.7% of all respondents answer “interests of shareholders,” 13.1% answer “rather interests of shareholders,” 48.0% answer “rather interests of employees,” 21.1% answer “interests of employees,” and 12.1% say ‘I don’t know.’ In a nutshell, two out of ten support shareholder-oriented corporate governance, and seven out of ten support employee-oriented corporate governance. In addition, the fact that a considerable number of people answer “I don’t know” is also notable. As this survey was conducted by personal interviews in which respondents were urged strongly to choose one of the four options¹⁵, most respondents who said “I don’t know” might simply not have enough knowledge about the issue.

The table also shows what kinds of people tend to support shareholder-oriented corporate governance. Male, young people, those with better academic career and those with higher

¹⁴ As to “governmental regulation,” those who answered “agree” and “rather agree” are given 1 point while others are given 0 point. As to “assistance for industrial growth,” those who answered “clearly, it is not the responsibility of government” and “rather, it is not the responsibility of government” are given 1 point, and others are given 0 point. After that, these points were summed up.

¹⁵ As to this question, the option “I don’t know” is not printed on the answer sheet shown to the respondents.

household incomes tend to support shareholder-oriented corporate governance more often than others. Among employed people, male, young people, those with better academic career, professional, technical and managerial individuals, those working at small companies and civil offices, those with higher individual incomes tend to support shareholder-oriented corporate governance more often than others.

Table 2. Distribution of Dependent Variables by Demographic and Occupational Variables

(Row Percentages)

| | Interests of shareholders | Rather interests of shareholders | Rather interests of employees | Interests of employees | I don't know | N |
|---|------------------------------|--|-------------------------------------|---------------------------|--------------|------|
| All respondents | | | | | | |
| Total | 5.7 | 13.1 | 48.0 | 21.1 | 12.1 | 1320 |
| Sex | | | | | | |
| Male | 7.8 | 15.3 | 46.2 | 22.3 | 8.4 | 606 |
| Female | 3.9 | 11.2 | 49.6 | 20.0 | 15.3 | 714 |
| Age | | | | | | |
| 20-34 | 5.6 | 18.2 | 45.5 | 20.2 | 10.6 | 198 |
| 35-49 | 3.8 | 15.1 | 54.3 | 19.9 | 6.9 | 317 |
| 50-64 | 5.5 | 11.1 | 52.8 | 21.7 | 8.9 | 451 |
| 65-79 | 7.6 | 11.0 | 37.9 | 21.8 | 21.8 | 354 |
| Educational background | | | | | | |
| Less than high school | 4.6 | 11.0 | 37.1 | 26.1 | 21.2 | 283 |
| High school | 5.2 | 12.1 | 49.4 | 22.0 | 11.2 | 635 |
| Technical and junior college | 5.1 | 9.6 | 57.6 | 19.2 | 8.5 | 177 |
| Bachelor's or more | 9.6 | 22.1 | 50.5 | 13.0 | 4.8 | 208 |
| Status of employment | | | | | | |
| Employed | 5.3 | 14.2 | 50.1 | 21.8 | 8.6 | 829 |
| Unemployed | 6.4 | 11.1 | 45.1 | 19.8 | 17.7 | 486 |
| Household income (million yen) | | | | | | |
| 0.00-3.49 | 5.1 | 13.8 | 43.3 | 22.8 | 15.0 | 254 |
| 3.50-5.49 | 4.6 | 12.6 | 50.6 | 23.0 | 9.2 | 239 |
| 5.50-8.49 | 6.6 | 16.8 | 55.1 | 15.8 | 5.6 | 196 |
| 8.50- | 6.6 | 21.1 | 49.3 | 19.7 | 3.3 | 152 |
| Employed | | | | | | |
| Total | 5.3 | 14.2 | 50.1 | 21.8 | 8.6 | 829 |
| Sex | | | | | | |
| Male | 6.8 | 16.4 | 46.9 | 23.2 | 6.6 | 439 |
| Female | 3.6 | 11.8 | 53.6 | 20.3 | 10.8 | 390 |
| Age | | | | | | |
| 20-34 | 6.3 | 19.6 | 45.6 | 19.0 | 9.5 | 158 |
| 35-49 | 3.6 | 16.4 | 53.6 | 20.4 | 5.8 | 274 |
| 50-64 | 5.6 | 11.0 | 52.4 | 23.2 | 7.8 | 319 |
| 65-79 | 7.7 | 9.0 | 37.2 | 26.9 | 19.2 | 78 |
| Educational background | | | | | | |
| Less than high school | 3.4 | 11.9 | 39.0 | 32.2 | 13.6 | 118 |
| High school | 3.9 | 13.1 | 49.5 | 23.2 | 10.3 | 406 |
| Technical and junior college | 6.3 | 9.4 | 59.8 | 18.9 | 5.5 | 127 |
| Bachelor's or more | 9.6 | 22.2 | 51.5 | 13.8 | 3.0 | 167 |
| Nature of employment | | | | | | |
| Directors of companies | 6.4 | 14.9 | 53.2 | 19.1 | 6.4 | 47 |
| Regular employee | 5.2 | 15.0 | 51.4 | 23.0 | 5.5 | 366 |
| Non-regular employee | 4.1 | 14.9 | 49.1 | 21.6 | 10.4 | 222 |
| Self-employed and others | 7.2 | 11.4 | 47.3 | 20.4 | 13.8 | 167 |
| Occupation | | | | | | |
| Professional, technical, and managerial | 8.0 | 17.8 | 56.3 | 14.4 | 3.4 | 174 |
| Clerical | 4.9 | 14.1 | 54.0 | 21.5 | 5.5 | 163 |
| Sales and service | 5.9 | 12.8 | 45.2 | 23.3 | 12.8 | 219 |
| Craftsman, operative, and transport | 2.9 | 12.9 | 48.6 | 26.7 | 9.0 | 210 |
| Farmers and fishers | 5.7 | 11.4 | 37.1 | 25.7 | 20.0 | 35 |
| Others | 4.8 | 19.0 | 47.6 | 19.0 | 9.5 | 21 |
| Company scale (by number of staff) | | | | | | |
| -9 | 8.2 | 12.9 | 46.1 | 21.6 | 11.2 | 232 |
| 10-99 | 4.9 | 14.7 | 46.1 | 24.5 | 9.8 | 245 |
| 100-999 | 4.5 | 12.3 | 54.5 | 21.4 | 7.1 | 154 |
| 1000- | 4.1 | 17.3 | 52.0 | 22.4 | 4.1 | 98 |
| Public office | 3.2 | 20.6 | 60.3 | 12.7 | 3.2 | 63 |
| Individual income (million yen) | | | | | | |
| 0.00-1.49 | 4.0 | 13.9 | 46.6 | 23.8 | 11.7 | 223 |
| 1.50-3.49 | 2.5 | 12.3 | 52.7 | 23.2 | 9.4 | 203 |
| 3.50-6.49 | 8.0 | 17.0 | 46.6 | 24.4 | 4.0 | 176 |
| 6.50- | 8.6 | 24.7 | 50.5 | 14.0 | 2.2 | 93 |

Note: 'non-regular employee' includes part-timer, contract worker, and dispatched worker.

Determinants of Shareholder-oriented Opinions (Ordinal Logistic Regression)

What are the determinants of shareholder-oriented opinions? To answer this question, the ordinal logistic regression model, setting four choices of answers except “I don’t know” be dependent variables, is used. In addition, the strength of beliefs in deregulation and free competition are put in as independent variables extra to those listed in table 2. Outputs are shown in table 3. The following paragraphs will make an examination on them.

Firstly, from model 1 which analyses all respondents, being male, having better academic career and being unemployed have positive, statistically significant effects on shareholder-oriented opinions. Being young and having higher household incomes do not necessarily have significant effects, although in cross tabulation they seem to have relationship with shareholder-oriented opinions. By controlling other variables, difference between employed and unemployed takes place, although it is unclear in cross tabulation.

Secondly, from model 2 which analyses all respondents, the strength of beliefs in deregulation and free competition is found to exert positive, statistically significant effects on shareholder-oriented opinions. In addition, the effects of demographic and occupational variables don’t weaken even if the ideological variable is put in as an independent variable.

Thirdly, from model 3 which analyses those employed, being young, having better academic career, being non-regular employee, being working at small companies, and having higher individual incomes, have positive, statistically significant effects on shareholder-oriented opinions. The effect of non-regular employee seems to appear when controlling individual income, but it is unclear in cross tabulation. Reversely, the effect of professional, technical, and managerial workers seem to disappear when controlling educational background and income, but it seems to take place in cross tabulation.

Fourthly, from model 4 which analyses those employed, the strength of beliefs in deregulation and free competition is found having a positive, statistically significant effect on shareholder-oriented opinions. In addition, after putting in the ideological variables as an independent variable, the effect of demographic and occupational variables doesn't change.

Fifthly, in each model, the extent to which dependent variable can be explained by independent variables is not necessarily large, with the Nagelkerke R2 being smaller than 0.1¹⁶. Thus, we can get an important finding that it is difficult to explain social norms about corporate governance only by independent variables used here.

¹⁶ Of course, because these models are statistically significant at the 0.1% level, it is clear that these models are effective.

Table 3. Ordinal Logistic Regression Models of Shareholder-Oriented Opinions

| | All respondents | | | |
|--|-----------------|-----------|---------|-----------|
| | Model 1 | | Model 2 | |
| | B | S.E. | B | S.E. |
| Female | -0.38 | 0.15 ** | -0.34 | 0.15 * |
| Age | | | | |
| 20-34 | 0.35 | 0.28 | 0.32 | 0.28 |
| 35-49 | 0.06 | 0.24 | 0.04 | 0.24 |
| 50-64 | -0.18 | 0.21 | -0.20 | 0.21 |
| (65-79) | | | | |
| Year of education | 0.09 | 0.03 ** | 0.08 | 0.03 * |
| Unemployed | 0.34 | 0.18 † | 0.32 | 0.18 † |
| Household income (million yen) | 0.03 | 0.02 | 0.03 | 0.02 |
| Beliefs in deregulation and free competition | | | 0.20 | 0.11 † |
| $\tau=1$ | -0.08 | 0.41 | 0.03 | 0.42 |
| $\tau=2$ | 2.42 | 0.42 | 2.54 | 0.43 |
| $\tau=3$ | 3.97 | 0.45 | 4.09 | 0.45 |
| N | | 761 | | 761 |
| -2LL | | 1239.27 | | 1463.14 |
| χ^2 | | 29.39 *** | | 32.64 *** |
| Nagelkerke R2 | | 0.04 | | 0.05 |
| <hr/> | | | | |
| | Working | | | |
| | Model 3 | | Model 4 | |
| | B | S.E. | B | S.E. |
| Female | -0.15 | 0.20 | -0.11 | 0.20 |
| Age | | | | |
| 20-34 | 0.85 | 0.37 * | 0.84 | 0.37 * |
| 35-49 | 0.45 | 0.34 | 0.47 | 0.34 |
| 50-64 | 0.11 | 0.33 | 0.13 | 0.33 |
| (65-79) | | | | |
| Year of education | 0.12 | 0.04 ** | 0.12 | 0.04 ** |
| Nature of employment | | | | |
| Directors of companies | 0.17 | 0.34 | 0.21 | 0.34 |
| (Regular employee) | | | | |
| Non-regular employee | 0.39 | 0.22 † | 0.36 | 0.22 † |
| Self-employed and others | 0.31 | 0.30 | 0.29 | 0.30 |
| Occupation | | | | |
| Professional, technical, and managerial | 0.50 | 0.65 | 0.47 | 0.65 |
| Clerical | 0.34 | 0.64 | 0.31 | 0.64 |
| Sales and service | 0.45 | 0.62 | 0.44 | 0.62 |
| Craftsman, operative, and transport | 0.17 | 0.61 | 0.18 | 0.61 |
| (Farmers and fishers) | | | | |
| Others | 0.54 | 0.76 | 0.54 | 0.76 |
| Company scale (by number of staff) | | | | |
| -9 | 0.55 | 0.32 † | 0.57 | 0.32 † |
| 10-99 | 0.20 | 0.27 | 0.22 | 0.27 |
| 100-999 | 0.14 | 0.28 | 0.12 | 0.28 |
| (1000-) | | | | |
| Public office | 0.35 | 0.35 | 0.36 | 0.35 |
| Individual income (million yen) | 0.08 | 0.04 † | 0.07 | 0.04 † |
| Beliefs in deregulation and free competition | | | 0.27 | 0.13 * |
| $\tau=1$ | 1.66 | 0.81 | 1.90 | 0.82 |
| $\tau=2$ | 4.13 | 0.83 | 4.39 | 0.84 |
| $\tau=3$ | 5.77 | 0.84 | 6.04 | 0.86 |
| N | | 598 | | 598 |
| -2LL | | 1265.78 | | 1294.92 |
| χ^2 | | 44.89 *** | | 49.37 *** |
| Nagelkerke R2 | | 0.08 | | 0.09 |

Note: () is reference group.

†: p<0.1, *: p<0.05, **: p<0.01, ***: p<0.001.

4. DISCUSSION

Who Supports Shareholder-oriented Corporate Governance?

In table 3, being male, being young, having better academic career, being unemployed, being non-regular employee, working at small companies, having higher individual incomes, and having the strong beliefs in deregulation and free competition show a significantly positive effect on shareholder-oriented opinions.

These findings support the hypotheses mentioned in section 1 as follows. First, concerning the “capitalist/labor” factor, those with higher incomes and those unemployed tend to support shareholder-oriented corporate governance. A possible explanation may be that, as the position of those with higher incomes is relatively close to that of capitalists, and as unemployed people are relatively distant from labor, the two parties tend to have shareholder-oriented opinions. This implies that there exists a sharp contrast between the opinions of capitalists and labor. Second, concerning the “insider/outsider” factor, young people, non-regular employees, and those working at small companies are found to have tendency to support shareholder-oriented corporate governance. The possible explanation may be that, as young people, non-regular employees and those working at small companies have fewer opportunities to enjoy benefits from employee-oriented corporate governance, they tend to have shareholder-oriented opinions. It means that the “insider/outsider” hypothesis is to some extent effective when discussing social norms about corporate governance. On the other hand, contrary to the hypothesis, male respondents assumed to have more vested rights as employees tend to have shareholder-oriented opinions. Third, concerning the neo-liberalism factor, those with the strong belief in deregulation and free competition tend to support shareholder-oriented corporate governance. It suggests that recent upsurge of neo-liberalism facilitates the development of shareholder-oriented corporate governance

through the change of social norms. Fourth, as an extra finding, those with a better academic career tend to have shareholder-oriented opinions.

There are also several findings different from the hypotheses. They are the effects of male and those with a better academic career. They can be explained as follows. As table 2 shows, male and those with a better academic career have more knowledge about corporate governance issue than others¹⁷. It means that they have a higher possibility to know the legal principle that “a company is a property of its shareholder.” Thus, it is predicted that they are more likely to share the norm that a company should put much emphasis on the interests of shareholders.

These results can be summarized as follows (Figure 1). Firstly, concerning the “capitalist/labor” factor, as the hypothesis predicted, those with higher incomes and those unemployed have tendency to support shareholder-oriented corporate governance. The “capitalists” are favorable to shareholder-oriented corporate governance. Secondly, concerning the “insider/outsider” factor, as the hypothesis predicted, young people, non-regular employees, and those working at small companies tend to support shareholder-oriented corporate governance, although the effect of gender is opposite to the original prediction. The “outsiders” are partially favorable to shareholder-oriented corporate governance. Thirdly, concerning the neo-liberalism factor, as the hypothesis predicted, those with the strong belief in deregulation and free competition tend to support shareholder-oriented corporate governance. The “neo-liberalists” are favorable to shareholder-oriented corporate governance. Fourthly, as male and those with a better academic career have more knowledge about corporate governance, and thus have a higher possibility to

¹⁷ The ratio of “I don’t know” is saliently low in male and those with a better academic career than in female and those with lower academic career. It suggests that male and those with a better academic career have more knowledge about the corporate governance issue.

know the legal principle that “a company is a property of its shareholder,” they have a greater tendency to support shareholder-oriented corporate governance. The “intellectual people” are favorable to shareholder-oriented corporate governance.

In a word, the capitalist factor, the outsider factor (partially), the neo-liberalism factor and the intellectual factor have positive effects on shareholder-oriented opinions.

Figure 1. Factors Favorable to Shareholder-oriented Corporate Governance

| Hypotheses | | Results | |
|-----------------------|--|--|-------------------------|
| Capitalist factor | { higher income unemployed | higher income unemployed | } Capitalist factor |
| Outsider factor | { female young non-regular employee small company | young non-regular employee small company | } Outsider factor |
| Neo-liberalism factor | { beliefs in deregulation & free competition | beliefs in deregulation & free competition | } Neo-liberalism factor |
| | | male better education | } Intellectual factor |

Whereabouts of Corporate Governance in Japan

From the results above, the following implications about the future of corporate governance in Japan can be drawn. First, it is unrealistic to predict that shareholder-oriented corporate governance will develop abruptly under the support of the general public in the near future. Only less than 20% of Japanese support shareholder-oriented corporate governance, while about 70% support employee-oriented corporate governance. Most people still desire employee-oriented corporate governance.

Second, however, there is a possibility that the demand to shareholder-oriented corporate

governance will heighten gradually in the long term. Those with better academic career and non-regular employees tend to support shareholder-oriented corporate governance. It means that, if proportions of those with better academic career and non-regular employees increase in the future, people supporting shareholder-oriented corporate governance will increase as well¹⁸.

Third, young people have stronger tendency to have shareholder-oriented opinions. It can be comprehended in two ways. If it is the effect of age, those with shareholder-oriented opinions will decrease since the share of young people keeps on declining because of falling birthrates. On the other hand, if it is the effect of generation, the demand to shareholder-oriented corporate governance will increase since young people now will enjoy a more powerful political voice as time passes.

5. SUMMARY

This paper investigated how many people, and what kinds of people support shareholder-oriented corporate governance in Japan, based on a national random sampling survey. The results can be summarized as follows.

First, about two out of ten support shareholder-oriented corporate governance, while about seven out of ten support employee-oriented corporate governance. Furthermore, the fact that a considerable number of respondents answer “I don’t know” is also notable.

Second, among those supporting shareholder-oriented corporate governance, the following investigation can be drawn. Concerning demographic and occupational variables, those with higher incomes and those unemployed share a stronger shareholder identity, and tend to have

¹⁸ In Japan, the ratio of non-regular employees to all employees is increasing from 16.0% (1987) to 18.1% (1992), 21.0% (1997), and 27.9% (2002). (Employment Status Survey)

shareholder-oriented opinion. Young people, non-regular employees and those who work at small companies who have not enjoyed the benefits of employee-oriented corporate governance also tend to have shareholder-oriented opinions. Concerning the ideological variable, the beliefs in deregulation and free competition has a significant positive effect on shareholder-oriented opinions. As an unexpected results, male respondents and those having a better academic career tend to have shareholder-oriented opinions. Knowledge about corporate governance shared by male respondents and those with a better academic career, may have a certain extent of influence. In a nutshell, the capitalist factor, the outsider factor (partially), the neo-liberalism factor and the intellectual factor have positive effects on shareholder-oriented opinions.

From these results, it is unrealistic to predict that shareholder-oriented corporate governance will develop abruptly under the support of the general public in the near future. Nevertheless, it is possible that the demand to shareholder-oriented corporate governance will heighten gradually in the long term, given that the proportions of those with a better academic career and those working as non-regular employees increase. Moreover, if young people have a stronger tendency to support shareholder-oriented corporate governance because of the generation factor, there is a possibility that the demand to shareholder-oriented corporate governance will increase, either.

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