Approaches to Corporate Governance: An Introduction

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1. Locating the Problem

Japan's economy, which became the object of international attention and admiration after the two oil crises of the 1970s, experienced a bubble, epitomised by stock and real estate speculation, during the latter half of the 1980s. It then experienced the collapse of that bubble in 1990-91. During the 1990s, the Japanese economy faced an extended period of stagnation, evidenced by low growth rates and rising unemployment rates (although there were, of course, alternating up and down phases). For Japanese firms, too, the 1990s were a difficult decade. The decade saw the deteriorating performance of many firms, and failures affected not only small and medium-sized firms but large firms as well. In the retail sector, supermarket chain operator Yaohan and the Sogo department store chain failed, while in the financial sector, Hokkaido Takushoku Bank, Yamaichi Securities, and the Long Term Credit Bank of Japan went under one after another. In the industrial sector, or, more pointedly, the core automobile sector, in which Japanese firms had become leading global players, Nissan fell into business difficulties, consequently looking to France's Renault for rescue and becoming affiliated with the French carmaker. Recently, Mitsubishi Motors has also fallen on hard times and requested German-American DaimlerChrysler to bail it out.

Japanese firms, which had swept the world with their direct investment offensive during the 1980s, faced a severe situation and often failure in their overseas projects during the 1990s and pulled out one by one. The Japan that had risen so rapidly as an investment and creditor superpower during the 1980s soon hit a massive wall in the 1990s. There was a feeling that Japan might experience in only one generation a rise to the status of investment and creditor power and subsequent fall, a history that in Great Britain had taken more than one hundred years to unfold.

In the past generation, we have observed the following changes in the Japanese economy and enterprises:

1) rapid success in the ten years following the first oil crisis,
2) a bubble economy in the latter half of the 1980s, and

3) a decade-long stagnation in the 1990s.

Examining the reasons for the stagnation in the last decade, while focusing on enterprises, we therefore have to raise the following three questions:

1) the causes for the success of Japanese firms in the ten years following the first oil crisis in 1973;
2) the causes for the bubble economy; and
3) the causes for the genuine failures of Japanese firms in the 1990s.

The first question relates to the success of Japanese firms. We must ask the causes for the phenomenal achievements of Japanese firms after the Second World War and especially in the ten years following the first oil crisis in 1973. Hidemasa Morikawa, who has been at the forefront of research in business history in Japan, has written on this point in a review of Alfred Chandler, Jr.'s *Scale and Scope*:

> I cannot support the Professor's view that the cause for the stalling of American capitalism lies in the excessiveness of global oligopolistic competition after the 1960s. Was not oligopolistic competition the condition that forged organisational capabilities? It was not the intensification of oligopolistic competition that caused American industrial firms to stall but rather their defeat by Japanese managerial enterprises in that competition. But why were they beaten? We must ask why Japanese managerial firms won.... We must study separately how organisational capabilities at large American, German, British, and Japanese firms, as well as these firms' interrelationships, shifted and how they were transformed after the 1960s. In so doing, might we not find that the flaws -- the vestiges of personal capitalism -- which link the period of American competitive managerial capitalism's greatest prosperity with its current defeat are immanent in that system? Were Japanese managerial enterprises able to achieve victory exploiting these flaws because they, painstakingly and over many years, forged and

> accumulated organisational capabilities that focused on human skills? It is necessary to shed light on these kinds of problems.[1]

This was published in 1991. Around this time, besides Chandler's book, the English version of Morikawa's book on Zaibatsu and other important literature also appeared.[2] At that point, however, firms in Japan were already intoxicated with the bubble economy, and, by curious coincidence, the bubble economy went bust immediately thereafter. As a precautionary postscript, it should be noted that Morikawa's raising of these questions in no way loses its importance because of this recessionary state of affairs. Both then and now, such questioning is important and appropriate.

Second, then, we must ask why the bubble economy occurred. It was a phenomenon that clearly demonstrated the deterioration of Japan's economy, but did Japanese firms bear any responsibility for it? Was the bubble economy a necessary consequence of Japanese managerial capitalism, or was it, rather, an undesirable deviation? Most centrally, did it demonstrate the failure of the Japanese firm?

Third, we must inquire into the causes for the genuine failures of Japanese firms. Because speculative activity will necessarily lead to collapse at some point, the collapse of stock and real estate speculation was inevitable, as was the demise of the accompanying bubble economy. But one must inquire again into the causes of the subsequent decade-long stagnation.

The Japanese economy and firms have, of course, experienced crisis conditions numerous times, even if we limit our discussion to the post-war era. One might,

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[1] Hidemasa Morikawa, "Book review," Keiei shigaku [Japan Business History Review], Vol. 26, No. 2, 1991.

[2] Hidemasa Morikawa, Zaibatsu: The Rise and Fall of Family Enterprise Groups in Japan, Tokyo, University of Tokyo Press, 1992; Mark Fruin, The Japanese Enterprise System: Competitive Strategies and Cooperative Structures, Oxford, Clarendon Press, 1992; William Lazonick, "Organisational Capabilities in American Industry: The Rise and Decline of Managerial Capitalism," in Business and Economic History, Second Series, Vol. 19, 1990.

therefore, argue that this period of long-term stagnation really showed not be a cause for surprise, is merely a psychological problem, or is something normal for a capitalist economy. With even a bit of investigation into the scale and character of the long-term stagnation, though, it is safe to view these sorts of arguments as based upon rather excessive optimism or as showing a thick headedness unbecoming a crisis.

Where, then, are the causes for the long-term stagnation to be found? Should factors external to the firm be considered? Even in that case, should we point to international factors (globalisation or Americanisation) or to the Japanese government's failures in fiscal, trade, currency, industrial, or competition policies? Or were there some sorts of problems within firms themselves? Even if one is inclined toward this sort of judgment, there is likely a divergence between those who see the cause in, for example, a late response to international changes (these explanations are linked to an emphasis on changes in international conditions, such as globalisation or Americanisation, although they probably do not absolve firms of responsibility) and those who see the cause first and foremost as problems inherent in the enterprise system or in business management (these are the hardcore Japanese-firms-as-guilty-party arguments).

Taken in this way, all of these arguments (excepting those which trace everything to government failure) may be seen as placing responsibility more or less with the firm. In fact, inter-firm relations (crossholdings of stock, keiretsu), the main bank system, and government-business relations (industrial policy, competition policy) are made the target of attack in treatments of the Japanese firm in the disciplines of economics and business management. The management system and industrial relations have also come under fire, and even the nature of the production and research and development systems has been called into question. The tone of the debate has become increasingly strident, even as people observe that the changes at Japanese firms have not in fact been quite so dramatic.

We must step back and calmly seek the causes rather than casually joining the fray. That task requires a new explication of the causes for the generation of the bubble economy, of course, and of the causes for the success of Japanese firms (even if there is no attempt here to touch on firms' growth prior to World War II). In this sense, the three foregoing questions are inextricably linked. In other words, the history of the success and failure of Japanese firms requires a consistent explanation. If industrial relations are emphasised as a factor in success, they may also have to be emphasised as a factor in failure.[3]

2. Approaches

These three issues regarding Japanese firms can be tackled through the application of various approaches. Here, the following three approaches are to be reviewed:

1) corporate governance debate;
2) convergence-divergence debate; and
3) globalisation and Americanisation discourse.

(1) Corporate Governance Debate

First, if we turn our attention to the ownership and management of firms (by examining shareholder-management relations) and also to their financial affairs (by examining creditor-management relations), a consideration of the corporate governance debate would seem to be a most effective approach. This approach, which traces its origins to the United States, has spread to Western Europe and East Asia.

In the case of the United States, where the corporate governance debate originated, we can see that it was the product of a historical process that began in the 1960s to 1970s.

Starting in the 1960s, a movement for the rehabilitation of stockholders emerged. Someone has called it "the stockholders' anti-revolution," meaning a reaction against the managerial revolution. As factors for its emergence, Moriaki Tsuchiya, a

[3] See Akira Kudo, "The State of Business History in Japan: Cross-National Comparisons and International Relations," in Franco Amatori and Geoffrey Jones (eds.), Business History around the World, forthcoming.

management scholar, points to the following two facts, besides the beginning of pension funds' intervention in the boards of directors: "The changing attitude of society in general toward stockholders, as a result of the increasing weight of pension funds as stockholders," and "the fact that the stormy M&As in the first half of the 1980s had changed corporate behaviour toward placing much importance on stockholders."[4]

As Tadahiko Takaura, a business historian, notes, it was not until the 1970s that the term corporate governance began to be frequently used in literature and documents on corporate law in the United States.[5] As background to the phenomenon, Tsuchiya points out the fact that from the latter half of the 1970s lawyers called into question the discrepancies between the laws and the realities related to joint stock companies, and launched a movement for reforming the board of directors in order to adapt the realities to the laws. According to Tsuchiya, what in turn mobilised lawyers and resulted in reform of the board of directors included the citizens movements in the first half of the 1970s. From the end of the 1960s, the citizen movement against the Vietnam War criticised the managers of some chemical companies in the general meetings of stockholders on the one hand, while Ralph Nader began to attack General Motors on the other. The latter movement, the "Campaign GM", organised by militant one-share holders, which investigated the social responsibilities of GM at the beginning of the 1970s, had a more direct impact. The movement made concrete proposals for the establishment of outside directors and a monitoring committee in the general meeting of GM.[6]

Hiroshi Shibuya, a scholar of public finance, also cites the following background in the 1960s: Some members of the Diet, who belonged to the liberal group among the Democrats, argued that the "establishment" was formed through mutual stockholding

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[4] Moriaki Tsuchiya, "Formation Process of Modern Joint Stock Companies in the United States: From Division of Ownership and Management to Rehabilitation of Stockholders," in Proceedings of the 34th Annual Conference of the Association of Business History, Tokyo, 1998.

[5] Tadahiko Takaura, "History and Prospect of Corporate Governance: Focusing on Japan," in Ibid.

[6] Tsuchiya, op. cit.

relations and mutual director-despatching relations among large financial institutions and large firms, and criticised the custom of transactions behind closed doors by the "establishment" as anti-"free enterprise society."[7]

It was following a series of dismissals and resignations of CEOs in the United States at the beginning of the 1990s that the term corporate governance became widely acknowledged, as Takaura points out.[8]

In the 1990s, US firms recovered rapidly through the implementation of thorough restructuring and reengineering, while Japanese firms that sang the praises of the so-called Japanese style of management in the 1980s became embroiled in a series of irregularities from this time on and numerous problems came to light. The competitiveness gap between US and Japanese firms narrowed rapidly and some industries saw a reversal once more.[9] This contrast between the US and Japan was one of the main reasons why corporate governance theory took root in Japan.[10]

Moreover, the following point that Takaura raises is worthy of note: The fact that John Smith, who came from the financial department, took the post of CEO at GM was not evidence of the revival of a financial-management-led type of enterprise. John Smith was not a mere financial person; in 1982 he had come to Japan to negotiate with Toyota on the establishment of the joint-venture NUMMI as a director of world-wide product planning and as a mission leader; he had also managed to restructure GM Europe as its president from 1987 on; he was familiar with operations and also had an understanding of Japanese management.[11]

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7 Hiroshi Shibuya, "Institutional Investors and Corporate Governance in the United States: An Essay to Set a Viewpoint for Research," in Shoken keizai kenkyu [Journal of Security Economy], No. 22, 1999, p. 27.
8 Takaura, op. cit.
9 Ibid.
10 In Britain, Cadbury Committee, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992; and [Hampel] Committee on Corporate Governance, Final Report, London, 1998, were published. For East Asia, see Akira Suehiro, "Asian Corporate Governance: Disclosure-Based Screening System and Family Business Restructuring in Thailand," unpublished paper, September 2000.
11 Tadahiko Takaura, "GM and Corporate Governance: Focusing on the Resignation of

Examination of these individual cases in the United States suggests that we need to focus not only on issues of ownership and management, but also on industrial relations. It has become evident that, in practice, the reorganisation of owner-management relations requires, directly or indirectly, the reorganisation of industrial relations.

In Japan today, the following observation by Shozo Kono, a management scholar, is widely adhered to: Since the collapse of the bubble economy in 1990-91, various kinds of illegal behaviour and irregularities are revealing themselves among financial institutions and other companies. While in the 1980s, Japanese firms had boasted of their global superiority in *corporate management* under the banner of a Japanese style of management, they had totally lacked *corporate governance* as a system for monitoring the adequacy of management.[12]

Kono further points out:

> 1) In Japan, generally speaking, business management lays more importance on ROI (return on investment) than ROE (return on equity). Therefore, it is observed that managers are keen to promote the growth and development of companies themselves.
>
> 2) In Japan, labour unions are organised not according to industry, but on a company basis. Therefore, the interests of labour are included in individual companies, and, as a result, it is in fact impossible for labour to monitor managers.
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> 3) In the managerial control [of Japanese firms], various functions and authority are concentrated within a representative director and president (or the committee of managing directors, with him as a core member, or other bodies) and excessive discretionary rights are given to a top manager. For example, a top

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President Stempel," in Rikkyo keizaigaku kenkyu [Rikkyo Journal of Economics], Vo. 54, No. 1, 2000, pp. 138-139.

[12] Business Management Group of Tohoku University, Kesu ni manabu keieigaku [Business Management Studied through Cases], Tokyo, Yuhikaku, 1998, p. 265.

manager has the right to ask certified public accountants to audit the company and to appoint outside directors and inside auditors. It is no exaggeration to say that those who are required to check have no power to do so.

4) Thus, the only feasible avenue left is to strengthen the rights of stockholders.

4a) The 1981 revision of the commercial law approved the right of stockholders to propose issues and the agenda at stockholders' general meetings.

4b) The 1993 revision of the commercial law implemented the right of stockholders to sue management (Article 267 of the commercial law), which was taken up also in the Strategic Structural Initiative between Japan and the US, and strengthened the right of stockholders to revise audits.[13]

This was a common observation by researchers at the end of the 1990s in Japan.

In journalism, too, the following kind of article was frequently seen: According to "A questionnaire to 100 top managers" (92 responded), it is worthy of note that these firms are attaching more importance to stockholders by way of providing sufficient information to stockholders at general meetings of stockholders, holding round-table conferences on their products and services, and raising the prices of their own stocks through the depletion of their stocks. As much as 37% of them have already introduced or are considering introducing an executive director system in order to divide the decision making function of management and the execution of business. Management reform is also progressing rapidly toward the establishment of corporate governance by way of strengthening the auditors' function and appointing outside directors.[14]

The observations and research referred to above seem to be, however, too normative, setting aside the question of whether they are agreeable or not. The following research, based on questionaires, indicates that the reality is a mixture of change and the status quo:

A) Business management and corporate governance:

[13] Ibid., pp. 266-267.
[14] Nihon Keizai Shinbun, 25 June, Morning Edition, 1998.

A1) The following five reforms are to be observed:

1) Making clear the responsibility of management and strengthening consolidated management as a business group;

2) Promoting a personnel system, at the executive level, based on meritocracy and promoting efficiency through the centralisation of management execution;

3) Shifting the emphasis from sales volume to ordinary profit;

4) Shifting from indirect financing to direct financing; and

5) Attaching importance to interfacing with stockholders.

A2) On the other hand, the following aspects of the status quo can be observed:

1) Attaching importance to prior stakeholders (subordinates, stockholders, and managers);

2) Attaching importance to good relations with stable stockholders;

3) No say by stable stockholders about management organisation and management behaviour; and

4) Insider promotion at the level of executive personnel management and a strong authority of a top manager regarding executive personnel management.

B) Employment practices and industrial relations:

B1) Changing aspects:

1) Employment management based on individuals;

2) "Regression" of seniority orders and a shift toward multi-dimensional labour-conditions decisions;

3) Increasing employment opportunities for older people;

4) Growing importance of personnel management at the level of business groups;

5) Reforming the methods of running of corporate pension systems; and

6) Diluting the presence of company unions.

B2) Unchanged aspects:

1) Life-time employment or long-term stable employment;

2) The corporate pension system; and

3) Company-based industrial relations.[15]

Moreover, in a symposium held by academics as well as researchers in business, both changes and the status quo were pointed out.[16] Hideaki Miyajima, the organiser of the symposium, writes: The Japanese type of enterprise system that established itself in the high-growth era was characterised by long-term relations in such areas as firm-bank relations, transaction relations, stockholding relations, and industrial relations. In the 1990s, enormous changes began, although the degree of progress and the orientation differed from area to area. On the other hand, however, changes in other aspects of the Japanese type of enterprise system, especially in manufacturing sectors, were not necessarily big, despite the enormous changes in economic circumstances. Skills acquisition based on long-term employment, which had been supporting the Japanese economy, remained an unchanging aspect. Under such conditions, the efficiency and competitiveness of manufacturing sectors does not decline. In corporate governance, too, the role played by subordinates in Japanese firms remains important. Firms seem to make employment adjustments based on a relatively long-term perspective, responding to their external circumstances.[17]

However, one fact needs to be mentioned as a changed aspect, which the literature referred to above does not clearly point out. That is the rapid increase in the share of stocks held by foreigners. The share of stocks held by foreigners (companies and individuals) in the total market value of stocks in Japan increased sharply throughout the 1990s and almost reached the level of 20% at the end of the decade,

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15 Working Group on Personnel and Labour Management, Nihon rodo kenkyu kiko (JIL), Shin seiki no keiei senryaku, koporeto gabanansu, jinji senryaku ni kansuru chosa kenkyu: chukan hokoku [Inquiry and Research on Business Management, Corporate Governance, and Personnel Strategy in the New Century: Interim Report], Tokyo, JIL, 1999, pp. 29-32.

16 Institute of Industry and Business Management, Waseda University, Sanken akademikku foramu [IIBS Academic Forum], No. 4, 1999.

17 Juro Hashimoto, Shin Hasegawa, Hideaki Miyajima, Gendai nihon keizai [The Modern Japanese Economy], Tokyo, Yuhikaku, 1998, p. 384.

catching up with the share of stocks held by Japanese individuals.[18] The share of stocks held by foreigners in all issued stocks of companies at the March 1998 account settlements was: Sony 44.9%, Hitachi 27.1%, Matsushita 21.4%, Bridgestone 21.3%, Honda 19.6%, Toyota 8．8%, Murata Seisakusho 36．2%, Orix 35.4%, Omron 29.5%, and Kyocera 26.0%. Moreover, some companies are rapidly reforming themselves: Sony decreased the number of its directors from 38 to 10, including 3 outside directors, in July 1997, and established an incentives committee and a nomination committee in May 1998.[19] The cases of Nissan, which came under the umbrella of Renault, and Mitsubishi Motors, which entered the DaimlerChrysler group, are also worthy of observation.

The corporate governance debate is, so to say, a kind of domestic-based approach. However, just as the fact that the corporate governance of some firms such as Sony is influenced by foreign stockholders' voices, we also have to apply a more international approach.

(2) Convergence-Divergence Debate as a means for international comparison

The focal points lie in owner-manager relations as well as in creditor-manager relations on the one hand, and in industrial relations on the other. The inclusion of such issues, then, causes a widening of the debate to cover business management as a whole: R&D, production technology, production management, quality control, sales policy, financial policy, and others. Furthermore, inter-firm relations and business-government relations need to be considered: concentrations, cartelisation, business groups, long-term continuous relational transactions, financial keiretsu, distribution keiretsu, and subcontractor relations as inter-firm relations; and industrial policy and competition policy as business-government relations.[20]

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18 The Economist, February 17, 2001.

19 Yoshiaki Takahashi, "Comment," in Proceedings of the 34th Annual Conference of the Association of Business History, Tokyo, 1998.

20 A few examples of polific literature on this topic are Ronald Dore, "Equity-Efficiency Trade-offs: Japanese Perceptions and Choices," in Masahiko Aoki

Moreover, we have to include in our observation the wide range of stakeholders, as corporate governance theory in its wider meaning calls them, such as subordinates, suppliers, customers, and local communities. Something that might provide a clue for furthering our understanding of this broadened debate is the so-called convergence-divergence debate, which examines the convergence or divergence of national economies amid economic globalisation.

Both the convergence camps and divergence camps possess a hard-line element and a soft-line one, and the former, naturally enough, comes across as holding sway in either camp.

Examples of convergence arguments are too many to enumerate, but let us look at some. Robert Boyer points to four types of capitalism: market-led (the United States), company-led (Japan), social-democratic regime led (North European nations), and state-led (France); Germany is located between the social-democratic regime led type and the state-led type. He stresses the robustness of those four types.[21] Michel Albert argues that Germany is only one example of the Rhine type of capitalism, with which North European countries, Switzerland, and Japan have similarities.[22] Yusuke Fukada and Ronald Dore note: There are a number of streams of capitalism in the world. One is the Anglo-American type centering around the United States and Britain, while another type is different from the Anglo-American type in various ways and is found in the cases of Germany, Sweden, Norway, Denmark, the Netherlands, Switzerland, Japan,

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and Ronald Dore (eds.), The Japanese Firm: The Sources of Competitive Strength, Oxford, Oxford University Press, 1994; W. Carl Kester, “American and Japanese Corporate Governance: Convergence to Best Practice?” in Suzanne Berger and Ronald Dore (eds.), National Diversity and Global Capitalism, Ithaca (NY), Cornell University Press, 1996.

[21] Robert Boyer, “The Japanese Capitalism and Other Exceptionalisms: Irreversible Convergence or Long lasting Specificity?” in Glenn Hook and Harukiyo Hasegawa (eds.), The Global Meaning of Japan, forthcoming. See also do., “The Convergence Hypothesis Revisited: Globalization but Still the Century of Nations?” in Berger and Dore, ibid.

[22] Michel Albert, Capitalisme contre Capitalisme, Paris, Editions du Seuil, 1991 [p. 133].

and so on. If we are to classify those various streams into two types, we will have the Anglo-American type and the Japanese-German type.[23]

However, this convergence-divergence debate is inevitably inclined to be normative. Convergence arguments are similar to globalism discourse, while divergence arguments are similar to anti-globalism discourse. For example, Albert, a divergence advocate, says: We have proved the economic and social superiority of the Rhine type of capitalism. We can, therefore, expect also its political victory. Unexpectedly, however, the opposite is happening.[24]

In evaluating this convergence-divergence debate, there is another, and more important point. That is, it is necessary to return to the roots of the debate and evaluate economic globalisation itself, rather than becoming mired in a static comparison of various national economies. In order to tackle this task, it is imperative that we consider international factors or international relations. To put it another way, we should address ourselves to a more dynamic debate, one that evaluates globalisation and Americanisation.

(3) Globalisation and Americanisation Discourse as a means for examining international relations

The origins of the dynamics of globalisation, that is, its causes, the process thereof, and its result, must be discussed. In doing so, we must take into account the transformation of the international political, military, and economic systems as evidenced by, for example, the end of the Cold War, the frequent outbreak of local or regional conflicts, and the advance of regional integration; and such issues as technological progress (particularly in the fields of information and communications); the huge amount of international debt of the United States and the international monetary systems; and the

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[23] Yusuke Fukada and Ronald Dore, Nihongata shihonshugi nakushite nanno nihon ka (What Kind of Japan without Japanese Style of Capitalism?), Tokyo, Kobusha, 1993, p. 35.

[24] Albert, op. cit., [p. 211].

sharp contrast between the US economy and the economies of Western Europe and East Asia. We would also do well to consider so-called global issues such as the environment and safety.

In order to examine the structure of globalisation, we need to pay attention to an asymmetry, that is, the United States' unique position at the heart of that structure. Therefore, it is of necessity and importance to consider Americanisation as well as globalisation.[25]

At least for Japan, a considerable part of globalisation has been Americanisation.[26] During the 1970s and 1980s, firms in Japan differed from their American counterparts in such areas as owner-management relations, inter-firm relations, and industrial relations. Observers argued for the advent of Japanese-style management, and often hailed this as a new model for business management and for capitalism itself. Ironically, however, just after that era, firms in Japan experienced the conditions of a bubble economy, its collapse, and a decade-long stagnation. Thus, in the 1990s, the formerly trumpeted Japanisation of American business was driven to the verge of oblivion, and a much talked about Americanisation of Japanese firms has now come to take its place. While the term Americanisation indicates the influence of the United States in general, here it is being used to mean the economic influence of the U.S., especially in the areas of business management and technology. While the principal routes for this influence are direct investment and multinational firms, trade, technology tie-ups (licensing agreements), and diverse other routes exist, among which may be counted indirect investment, currency and financial policy, and, recently, economic policy.[27]

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[25] Akira Kudo, "Globalization and the Japanese Economy," in Hook and Hasegawa, op. cit.; and do., "A Note on Globalization and Regional Integration," ISS Joint Research Project Discussion Paper, No. 1, 2000.

[26] See the two papers referred to in Note 25.

[27] Akira Kudo, "West Germany and Japan under Americanization: Problematizing the Concept," a paper presented at the Third Japanese-German Business History Conference, University of Tokyo, 24-25 March 2000.

The influence of American business extended to various corporate functions but was especially pronounced in corporate finance and accounting practices and in corporate governance. This American business influence was closely linked to the influence of American-style capitalism in areas such as finance and insurance, business philosophy, business education, and business consulting.

3. The Tasks of the Workshop

This workshop, therefore, taking the three questions regarding Japanese firms as its starting point and applying, for the time being, an approach based on corporate governance theory, must concern itself with the issues and with the broader debate referred to above, in order to get to grips with the points of contention in corporate governance theory. Moreover, it must, as a matter of course, afford the same weight to industrial relations as it does to ownership issues (owner-management relations) and financial affairs (creditor-management relations).

Furthermore, rather than discussing in greater detail what ought to be done next, we must address ourselves to a thorough investigation of what exactly has taken place with regard to corporate governance during the last decade. This question must first be answered with respect to the United States, and we must be clear on whether a connection existed between corporate governance and the robust performance of the US economy, and, if so, its extent and the process thereof must also be clarified. We should then similarly address the situation in Japan and Western Europe. Regarding international relations, ties between Japan and neighbouring Asian nations are also important, although this workshop neglects to focus on this point. In Japan's case, the discussion will, most likely, focus on whether or not there has been any transformation in the business groups that have traditionally secured cross share-holding, or in industrial relations that have traditionally aimed at co-operation between the two sides; if there has been any change, what kind of shift has occurred, and what relation these points have had to the prolonged economic stagnation of the past decade also need to be examined.