Organizing the Firm:
Corporate Governance in Germany and Japan, 1870-2000

Gregory Jackson

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ABSTRACT

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This study offers a historical comparison of corporate governance in Germany and Japan. Both countries are regarded as having broadly similar nonliberal types of corporate governance. In contrast to the liberal shareholder-oriented model of the United States, their post-war models were characterized by the limited marketization and parallel integration of capital and labor within the corporation. Yet their historical origins and underlying institutional differences have remained neglected. A sociological framework is developed for comparing the national diversity of corporate governance in terms of organizational practices, their institutional settings and national politics. The study historically traces the institutional factors shaping the “de-marketization” of capital and labor, as well as the unintended fit resulting between them within the firm. In contrast to explanations rooted in economic efficiency or culture, Germany and Japan’s nonliberal trajectories are explained by similarities in the political dynamics of corporate governance. Their state-society relations underwent parallel sequence of development through 19th Century conservative social reform, its failure and post-war democracy. This sequence politically influenced two critical junctures for nonliberal corporate governance: the transition from family to intercorporate ownership and the democratization of paternalistic labor management that established industrial citizenship within the corporation. The study also examines the consequences of internationalization for national diversity during the 1990s.
While most observers see internationalization as leading to convergence on a liberal shareholder-oriented model, this study presents a more differentiated view of how Germany and Japan’s national models adapt through a novel process of hybridization. The viability of the emerging hybrid depends on reconciling a greater market-orientation for capital and a modified version of industrial citizenship in a new model of enlightened shareholder value.
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