

# Organization and Performance: Understanding the Diversity of Firms

Sébastien Lechevalier (EHESS, Paris)

Hideaki Miyajima (Waseda, RIETI and WIAS)

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# Origin of this conference

- The Japanese case: from the Japanese model of the firm to increasingly heterogeneous firms
- What did we learn from the Japanese case?
- Is it possible to generalize these findings?

# Diversification of Japanese firms: From Tradition J to Hybrid= combination between Corp. governance and organizational architectures

(From Jackson and Miyajima 2007)

*Change of Corporate Governance in Japan*

33

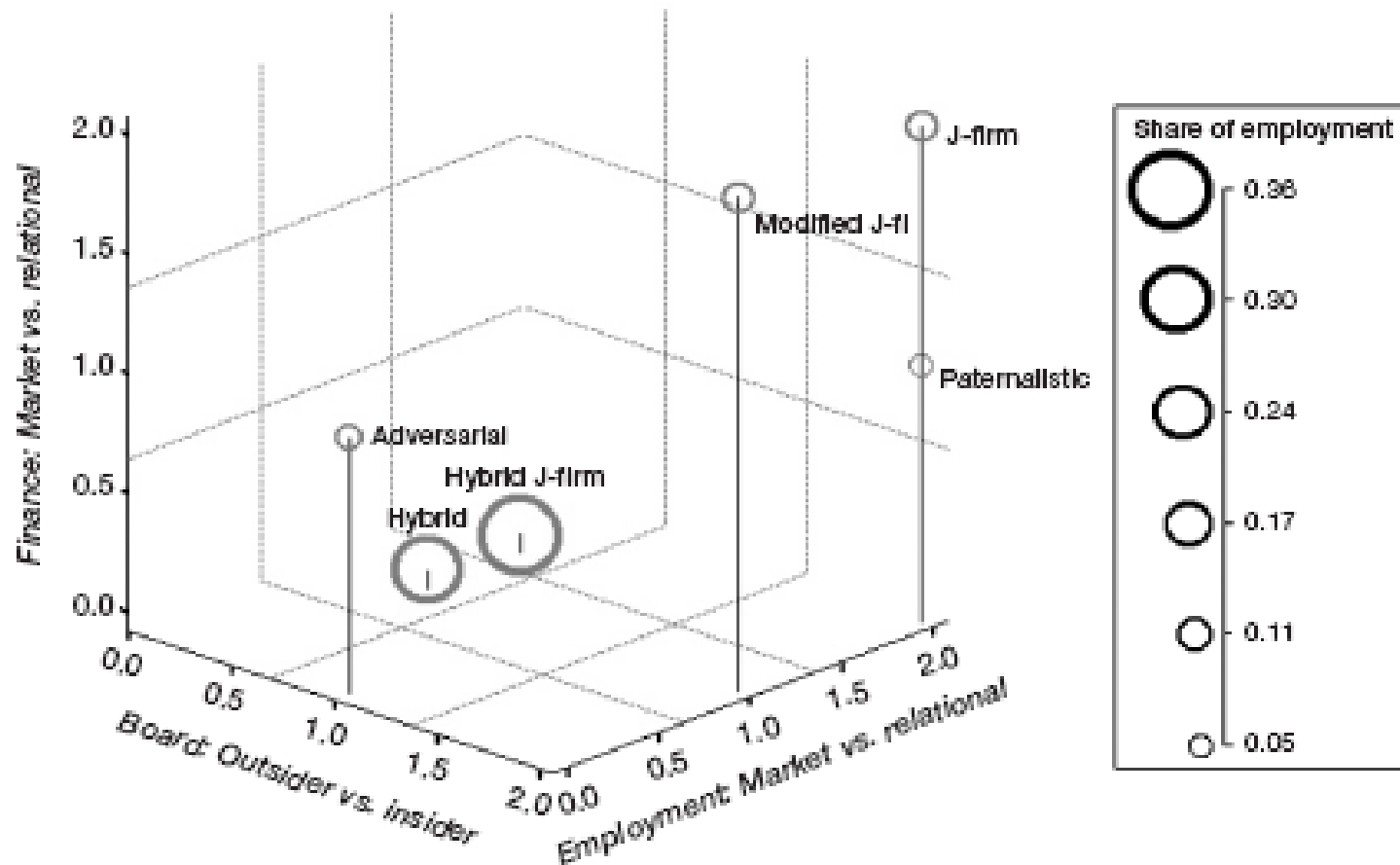


Figure 1.2 Corporate Governance in Japan: Finance, Board and Employment Characteristics

# Historical Evolution

● 1980s

Traditional J

The early 2000s

**Hybrid I = Dominant**  
Market based finance with relation  
base organization

**Traditional J =**  
Target of M&A, Bankrupt etc

**Hybrid II**  
relation based finance  
& contract based  
organization

1997-04  
**No of listed firms  
= 794**  
**No of de-listed  
firms=330**

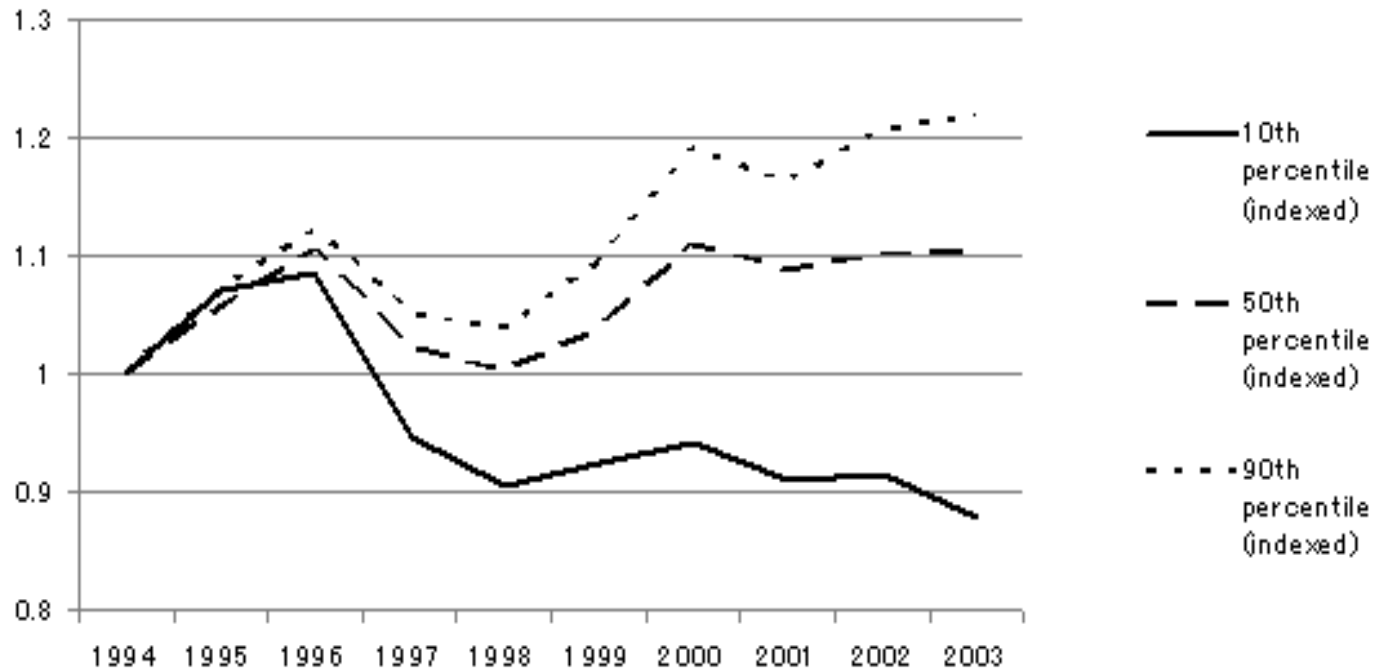
# Importance of organizational change on increasing TFP in Japan

Fukao et al. 2008: TFP estimation

- Importance of organizational changes within firms
- Modest role of new entry
- The delay of destruction?

	Within Firms	reallocation	New Entry
1996-2000	0.64	0.01	0.31
1996-2000	1.36	0.13	0.50

# Increasing Dispersion of Y/L for Non-manufacturing Firms (Ito and Lechevalier 2008)



# Questions we would like to address during this roundtable and this conference

- Why is this issue – diversity of firms – important?
- Stylized facts: what do we know now?
- What are the determinants of the evolution of the diversity of firms?
- Management matters
- Policy implications
- Towards a new research program?

# The diversity of firms: why is it important?

- Is it important from a theoretical point of view?
- Can managers/policy makers learn something from economic research on this issue?



## Stylized facts: what do we know about the diversity of firms (organization and performance)?

- Increasing diversity among firms on their corporate performance or not ?
- Increasing diversity among firms on their management and CG arrangements or not?
- Do profitable firms expand and unprofitable firms contract?
- Are there any differences across countries?
- How does diversity of firms evolve over time?

# What are the determinants of the evolution of the diversity of firms?

- Innovation = the driving force?
- Internationalization?
- Changing economic environment (exchange rates, taxes)?
- Deregulation and institutional reform?
- Business Cycles?
- What else?

# Management and CG matter

- How do economists analyze the different options that a manager faces?
- How to define good/bad management and corporate governance?
- Is there any correlation between diversity of organization and heterogeneous performance at the firm level?
- Are there a limited number of models?
- Do we observe any convergence towards a best practice model?

# Policy implications

- What are the implications of the diversity of firms at the macro level in terms of performance (growth, inequalities, etc.)?
- Why does a given set of reforms (e.g. deregulation, liberalization) affect firms differently?
- How should policy makers conceive and implement reforms in an environment with heterogeneous firms?

# Towards a new research program?

- We still have to know more on convergence and divergence of corporate performance.
- What are the determinants of firms' choices on organization, CG and management ?
- Interaction between external environment and internal governance / management.