

Discussion of:
Harada, K., 2005, “Did Efficiency
Improve? Megamergers in the
Japanese Banking Sector”

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Summary

- Analyzes the efficiency implications of large megamergers among Japanese banks
 - 5 events between 2001 and 2002
- Efficiency measured using data envelope analysis (nonparametric frontier approach)
 - Calculated between 1998 and 2002 for all banks involved in mergers
- Conclusions:
 - consolidation does not appear to improve efficiency

Simple suggestions: empirical work

- Run a regression of efficiency measures on merger dummy
 - What are the trends? Are they statistically and economically significant?
- Analyze later years
 - Last efficiency measures calculated in 2002
 - Not enough time after merger to tell efficiency implications
- Probit of M&A transaction on efficiency score
 - Are “inefficient” banks more likely to merge
- Clarify what “strong” or “healthy” and “weak” means
 - At what point is a bank considered efficient?
- Complement efficiency analysis by also looking at performance
 - Not clear how bad mergers were, since nonperforming loans decreased
 - How can these results be reconciled?

Less simple suggestions

- Why restrict to *large* banks?
 - Little work on Japanese mergers do a more comprehensive study looking at all bank mergers
- Why restrict to *banks*?
- Most importantly:
 - What is different about Japan?
 - Many studies on merger efficiency important to highlight the contribution of this paper
 - What are the reasons for potential changes in efficiency?
 - Who gains from the merger?

Power struggles?

- Wulf (2001) documents that “target” CEOs in MOEs trade power for premium
 - Target CEOs get benefits at expense of target shareholders
- Similar things going on here?

Role of lifetime employment

- What happens to long-term employment practices following a merger?
 - Shleifer and Summers (1987): breach of trust argument
 - Takeovers allow shareholders to renege on contracts with employees ex post, against managers' will
 - Shareholder gains are redistributions from stakeholders to shareholders
 - Interesting to document whether or not this happens in Japan
 - Do shareholders gain at the expense of employees? Do employees gain at the expense of other stakeholders?