Organization and Performance: Understanding the Diversity of Firms

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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)

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

- 1980s

- 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

Lechevalier/Miyajima 2008/11/14
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?

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<th>Within Firms</th>
<th>realloc ation</th>
<th>New Entry</th>
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<tbody>
<tr>
<td>1996-2000</td>
<td>0.64</td>
<td>0.01</td>
<td>0.31</td>
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<tr>
<td>1996-2000</td>
<td>1.36</td>
<td>0.13</td>
<td>0.50</td>
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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.