



# Comments on Jackson et al and Abe & Hoshi papers

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# Both papers focus on:

- Recent changes in Corporate Governance features in Germany/Japan
- CG features:
  - ◆ Corporate ownership and financing (F)
  - ◆ Human resource management (HRM)
- Changes in F  $\Leftrightarrow$  Changes in HRM

**Linkages/interactions?**

# Jackson et al on Germany

- German CG features up to 1980s
    - ◆ Ownership & finance
    - ◆ HR & industrial relations
    - ◆ Management
  - Institutional linkages as governance coalitions or interest constellations
    - ◆ Class conflict: S+M vs E
    - ◆ Insider-outsider conflict: S vs M+E
    - ◆ Accountability conflict: S+E vs M
- (S=shareholders, M=management, E=employees)

# Jackson et al on Germany

- 1990s Changes in Institutional Interactions
  - ◆ Corporate ownership & management
    - ☞ institutional investors, foreign ownership
    - ☞ less monitoring by banks
  - ◆ Employment relations
    - ☞ shrinking core employment
    - ☞ contingent (performance-related) pay
  - ◆ Industrial relations - shareholder value interactions
- Agnostic conclusions
  - ◆ Resilience of German institutions to adapt to new pressures (e.g. collective agreements incorporate contingent pay, transparency as tool for codetermination)
  - ◆ Globalisation of financial markets pressurize German HRM to become more market-based.

# Comments on Jackson et al

- Insider-outsider conflict not so much between shareholders vs M+E, but between works councils and unions, between employees in growth sector and those in contracting sector of a company
- Is there a transfer of power from unions to works councils? If so, what is the future of unions' presence in workplaces (cf France vs Japan)?
- By couching in terms of 'conflict', are the three ideal-typical patterns of interest constellations never stable? What brings about truce?

# Abe & Hoshi on Japan

- Aim to examine relationships between changes in corporate financing and changes in HRM in Japanese firms
- Matching DBJ data on financing and Romu Gyosi Kenkyujo data on HRM: 130 firms in matched sample
- Variables include:
  - ◆ FINANCING:
    - ☞ bank loan/total debt
    - ☞ % owned by foreigners
  - ◆ HRM:
    - ☞ flexi-time
    - ☞ award for continued employment
- Evidence of 'deviation from lifetime employment' associated with deviation from bank-based corporate finance

# Comments on Abe & Hoshi

- What is the underlying theory of change in corporate governance at the firm level? How does firm-level change relate to system-level change? What is causing what?
- Can causal directions be tested using time-series (as well as cross section) data?
- How can cyclical changes be distinguished from secular changes?
- Operationalization of financing and HRM variables may benefit from 'bundling' of characteristics in each arena

# Concluding Comment

- Jackson et al is sociological, Abe and Hoshi are informed by economics.
- Complementarity is defined differently
  - ◆ Abe & Hoshi: presence of one feature increases the return (efficiency) from the other feature
    - ☞ QUESTION: the ultimate test of complementarity must be with reference to firm-level performance  
Performance =  $f(F, HRM, F*HRM)$
  - ◆ Jackson et al: Complementarity does not imply economic efficiency, but a process of mutual reinforcement.
    - ☞ QUESTION: when are governance coalitions unstable and when are they mutually reinforcing?