The Berkeley Center for Law, Business and the Economy

BCLBE

Speaker Series

Thursday,
March 6

Boalt Hall 110
12:45 - 1:45 pm

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One hour CLE credit available

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Questions and/or RSVP:
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The Future of Japanese Corporate Governance

Japan's Internal Governance and Development of a Japanese-Style External Governance Through Engagement

Zenichi Shishido
Hitotsubashi University

Moderator: **Richard Buxbaum**
UC Berkeley School of Law

The firm is an incentive mechanism where the autonomy of human capital providers and the monitoring power of monetary capital providers incentivize each other to maximize their own payoff. In post-war Japan, internal governance developed so strongly that it was called "company community", while external governance was restricted by cross-shareholding. After the Japanese economic bubble of the 80's, when conflicting interests between human capital providers and shareholders free cash-flow became obvious, the system began to malfunction. Since the mid-90's, cross-shareholding has been declining and shareholder activism has been rising.

Now an increasing number of executives are ready for open dialogue with institutional investors. Japanese-style external governance will, however, be neither American-style institutional activism, nor British-style engagement. Japanese-style engagement will be even less confrontational than the British "behind-closed-doors", and institutional investors will play the role of an internal catalyst inducing management's initiative from within.

Zenichi Shishido is Professor of Law at Hitotsubashi University, Graduate School of International Corporate Strategy.

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