



# The erosion of stable shareholder practice in Japan (“Anteikabunushi Kosaku”)

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## Abstract

This study reviews the academic literature to explain internationalisation, mode of entry choice and strategic momentum theory. In this research, we ask whether DiMaggio’s theory of isomorphism can be applied to Japan, given the country’s Anteikabunushi Kosaku practices and the evidence cited in the literature that suggests that national culture influences managerial work values and Japanese entry mode strategies.

We suggest that Japanese management attitudes towards entry mode strategy are changing due to a change in corporate governance policy and competition. In response, we argue that Japan’s stable shareholder practice is eroding and that as a result of this erosion, the change observed in institutional behaviour is isomorphic.

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## 1. Traditional internationalisation theory

The globalisation of markets and the increase in international trade that has been observed over the last 5 years, has resulted in a variety of theories being proposed by

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academics to explain why companies may choose to transplant their businesses abroad. The explanation posited by scholars as to why companies internationalise is essentially encompassed within five key theories. Industrial organisation theory originates from the work of Stephen Hymer in 1960. Hymer (1960) had studied the international operations of national firms and suggested that if organisations wanted to be successful abroad then they needed to ascertain a source of competitive advantage over domestic firms in that foreign marketplace, since he believed that domestic firms were better placed to meet local market demands, given their knowledge of the market and its customers (Hymer, 1960).

More recently, Hymer's contribution to the international business literature has been reaffirmed in a collection of papers which appeared in the *International Business Review* special issue entitled: "Stephen Herbert Hymer and/on the (Theory of the) MNE and International Business" (Pitelis, 2006). In this 2006 special issue, a number of scholars revisited Hymer's contribution to international business theory. For example, Strange and Newton (2006) highlighted the externalisation contribution proposed in Hymer's theory (Dunning, 2003; Pitelis, 2002; Strange & Newton, 2006), whilst Buckley highlighted the "three phases, one approach" component of Hymer's thinking (Buckley, 2006). Over the years, Hymer's contribution to international business theory has been appraised and critiqued by a number of scholars. For example, Dunning extended Hymer's theory (Dunning, 1977, 1979, 1980) and put forward a model to explain the international development path pursued by firms, describing the ownership, locational and the incentives to internalisation that could be obtained through foreign direct investment and the changing patterns of international production. In a reflective contribution, he later reappraised the applicability of his *eclectic* paradigm and proposed some extensions to the model to symbolise the changes that had taken place in what he described as the "age of alliance capitalism" (Dunning, 1977, 1979, 1980, 1988, 1993, 1995, 2000; Dunning & Narula, 1997; Dunning & Pitelis, 2003). Itaki then questioned whether the ownership component of the model was redundant (Itaki, 1991), whilst Brouters, Brouters, and Werner (1999) had conducted empirical studies to investigate whether the model can be used to evaluate the suitability and choice of entry modes among small firms. Somlev and Hoshino (2005) looked at the way locational factors influence mode of entry choice by analysing the behaviour of 405 Japanese manufacturing MNEs and highlighted the importance of locational variables on mode of entry strategy. Oxelheim, Randøy, and Stonehill (2001) suggested that the finance-specific factors needed to be considered in the OLI framework, since they postulated that FDI activity is more likely when credit ratings are high, given that an MNE's financial capabilities and resources impact on an organisation's competitive position (Oxelheim et al., 2001). The importance of network relationships and inter-firm alliances have been integrated into the *eclectic* framework through the work conducted by scholars such as Scott-Kennel, who have measured through an exploratory study, the transfer of firm-specific advantages and resources at the subsidiary level (Scott-Kennel & Enderwick, 2004).

Internationalisation theory offers an alternative view of the entry mode decision-making process. For example, the behavioural model proposed by Johanson and Vahlne develops Penrose's original argument on the endogenous growth that firms experience through the knowledge creation process and the resource-based perspective (Penrose, 1959; Pitelis, 2004). The Johanson and Vahlne studies describe internationalisation as a sequential process, which results from a number of stages. In this model, the authors suggest that knowledge development and market commitment increase as the international process

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