

# 22020 JAPANESE BUSINESS II

**INSTRUCTOR:** Marc Bremer

## **COURSE DESCRIPTION**

This course is an overview of Japan's business environment. It covers industrial groups, corporate governance, financial markets and the banking system. The format of the course will be the lecture method supplemented by class discussions. Lectures, assignments and research materials will be mostly in English. Each student will write a research paper on a Japanese business topic of his/her choice subject to approval by the teacher. The paper should be ten to fifteen double-spaced A4 pages long with 2.5 cm margins using a 12-point font. The paper must be the student's own writing. The topics listed below may be revised to better match the level and interest of the majority of students enrolled in the course.

## **COURSE SCHEDULE**

1. Background of the Japanese Economy
  - Ito: Chapters 1 (Introduction to the Japanese Economy) and 2 (Historical Background of the Japanese Economy)
2. Economic Growth
  - Ito: Chapters 3 (Economic Growth) and 4 (Business Cycles)
  - Hoshi and Kashyap: Chapter 4 (The Keiretsu Era)
3. Labor Markets
  - Ito: Chapter 8 (The Labor Market)
  - Hasegawa: Chapters 1 (Special Features of Japanese Management) and 2 (People-Centered Management)
  - Debroux: Introduction, Chapters 1 (The Post-War Ideology of Work), 2 (The Basis of the HRM System) and 3 (The Catalysts of Change).
4. The Japanese Firm
  - Aoki and Dore: Chapters 1 (Introduction) and 14 (Equality-Efficiency Trade-offs: Japanese Perceptions and Choices)
  - Hasegawa: Chapters 3 (Harmony, Consensus and Decision Making), 4 (Middle Managers and *De Facto* Leaders), and 5 (Japanese-Style Planning and Personnel Management)
  - Ohtsu and Imanari: Chapters 1 (The Convergence-Divergence Debate and Japanese Management) and 2 (Characteristics of Japanese Business and Management)
  - Porter, Takeuchi and Sakakibara: Chapter 3 (Rethinking Japanese Management)
5. Industrial Policy
  - Ito: Chapter 7 (Industrial Structure and Policy)
  - Schaede: "The 'Old Boy' Network and Government-Business Relationships in Japan," *Journal of Japanese Studies* (1995) pp. 293-318.
6. The Automobile Industry
  - Liker: Chapters 2 and 3 (Toyota Production System)
  - Womack, Jones and Roos: Chapters 1 through 8 (Mass Production to Lean Production)
7. Banking System
  - Aoki and Dore: Chapter 11 (Hoshi: The Economic Role of Corporate Grouping and the Main Bank System)
  - Gao: "Banks as Lenders and Shareholders: Evidence from Japan," *Pacific-Basin Finance Journal* (2008) pp. 389-410.
  - Hoshi and Kashyap: Chapter 5 (Bank Interventions)
  - Morck and Nakamura: "Banks and Corporate Control in Japan," *Journal of Finance* (1999) pp. 319-339.
  - Okabe: "The Financial System and Corporate Governance in Japan" Keio University Working Paper (#17).
8. Stock Markets
  - Aoki and Dore: Chapter 12 (Sheard: Interlocking Shareholdings and Corporate Governance in Japan)
  - Chew: Chapters 19 (Aoi: To Whom Does the Company Belong? A New Management Mission for the Information Age) and 21 (Kester: The Hidden Costs of Japanese Success)
  - Hirose, Kato and Bremer: "Can Margin Traders Predict Future Stock Returns in Japan?" *Pacific-Basin Finance Journal* (2009) pp. 41-57.
9. Deregulation

- Carlile and Tilton: Chapter 3 (Miyamajima: The Impact of Deregulation on Corporate Governance and Finance).
  - Degeest and Bremer: “The 1997 Reversal of the Ban on Holding Companies: Will the *Zaibatsu* Return?” *Nanzan Management Review* (1998) pp. 353-367.
  - Hoshi and Kashyap: Chapters 8 (The 1990s: Crisis and Big Bang) and 9 (The Future)
10. Financial Distress
    - Hoshi and Kashyap: “Japan’s Financial Crisis and Economic Stagnation,” *Journal of Economic Perspectives* (2004) pp. 3-26.
    - Peek and Rosengren: “Unnatural Selection: Perverse Incentives and the Misallocation of Credit in Japan,” *American Economic Review* (2005) pp. 1144-1166.
  11. Bankruptcy
    - Inoue, Kato and Bremer: “Corporate Restructuring in Japan: Who Monitors the Monitor?” *Journal of Banking and Finance* (2008) pp. 2628-2635.
    - Inoue, Uchida and Bremer: “Post-Restructuring Performance in Japan,” Nanzan University Working Paper (2009).
  12. Mergers, Acquisitions and Restructurings
    - Burkart: (1999) “Economics of Takeover Regulation,” Stockholm School of Economics Working Paper (December)
    - Dyck and Zingales: “Private Benefits of Control: An International Comparison,” *Journal of Finance* (2004) pp. 537-600.
    - Inoue, Kato and Bremer: “Controlling Controlling Shareholders in Japan,” Nanzan University Working Paper (2009).
    - La Porta, Lopez-de-Silanes, Shleifer, and Vishny “Investor Protection and Corporate Valuation” *Journal of Finance* (2002) pp. 1147-1170.
    - *Nihon Keizai Shimbun* “Hankyu and Hanshin to Integrate by October” (June 20, 2006) (in Japanese).
    - *Nihon Keizai Shimbun* “Hanshin Share Price Becomes Lower Than TOB Price for the First Time” (June 16, 2006) (in Japanese).
    - *Nikkei Shimbun* (2007) “M&A and Individual Investors: Little Choice Left Even When They Are Not Satisfied” (November 20, 2007) (in Japanese).
  13. The Unique Business Practices of Nagoya
    - Ishii: *The Nagoya That You Do Not Know*, (in Japanese).
    - Iwanaka: *Business Methods of Nagoya*, (in Japanese).
  14. Student research paper presentations

## TEXTS

### *Textbook*

The main reading material will be distributed in class.

### *Required Readings*

Hasegawa, Keitaro, (1986) *Japanese-Style Management* (Kodansha), Chapters 1 to 5.

Womack, James P., Daniel T. Jones and Daniel Roos, (1990) *The Machine that Changed the World* (Rawson), Chapters 1 to 8.

## ASSESSMENT

Attendance/class participation 20%; Short quiz on Japanese labor practices 10%;

Short quiz on lean production 10%; Research paper on Japanese business 60%