What kind of costume should we wear?

A study on the transition of corporate governance practices in Japan

Yuki TORIDA

Abstract

This study examines the effects of inter-form-level factors on the convergence of stakeholder-oriented corporate governance to shareholder-oriented governance in non-Anglo-American countries. Building on the window-dressing perspective, which describes corporate governance as a costume that retains or attracts investors, I argue that firms reform their corporate governance to gain investors' preference. Considering this argument, I test the following two assumptions: firms foster convergence 1) by imitating firms with similar attributes or firms belonging to the same industry as the focal firm, and 2) by imitating superiors, which are defined as firms with large size, great performance, or reputed corporate governance. Utilizing 2005–2018 data on Japanese firms, I measure corporate governance practices reflected in the combination of multiple corporate governance components in the Japanese context. Additionally, the empirical outcomes illustrate that firms imitate the corporate governance practices of their superiors to impress investors with the superiority of their corporate governance. The findings illustrate that firms reform their corporate governance practices in response to those adopted by their superiors. This study theoretically contributes to the literature on window-dressing, imitation, and corporate governance. Additionally, this study provides academic implications for comparative corporate governance research.

Keywords: corporate governance practice, corporate governance transition,

imitation, shareholder-oriented, stakeholder-oriented, window-dressing perspective

コーポレート・ガバナンスの収斂に関する研究

鳥田　友起

要旨

本稿は、企業間レベルの要素が、いかにステークホルダー志向のコーポレート・ガバナンスから、現在、世界基準となっている株主志向のコーポレート・ガバナンスへの収斂に影響を及ぼすかに関する検証を行っている。Window-dressing perspective に基づいて、我々は、コーポレート・ガバナンスを投資家や株主の関心・選好を引き付けるためのコスチュームであると定義づけている。そうした定義の下で、模倣理論を活用する事によって、我々は２つの前提の構築を行っている。第一に、現在の均衡状況を維持するために、自社と類似した特色を有する他社を模倣して、収斂を行うという隣人仮設。更には、自社よりも大きな企業、高収益を達成している企業、先進的なコーポレート・ガバナンスを有していると評価されている優れた企業を模倣対象とするという上位仮説である。そうした前提の下に、４つの仮説の構築を行っている。

そうした仮説を検証するために、本稿は、2006 年から 2018 年にかけての日本における上場企業に関するデータを用いて、定量分析を行った。その検証を行うために、複数のコーポレート・ガバナンス要素を活用することによって、コーポレート・ガバナンス実践の推定をまず第一に行った。その推定結果は、日本国内には、複数のコーポレート・ガバナンス実践が共存しているという事を明らかにするものであった。加えて、我々は、投資家の関心や選好を得るために、企業は優れた企業のコーポレート・ガバナンスを模倣する可能性が高いという分析結果を得ている。そうした発見は、上位仮説と一貫するものであり、優れた他社のコーポレート・ガバナンスの変化状況に対応して、自社はコーポ

レート・ガバナンス改革に着手するという事を物語っている。結果的に、本研究は、コーポレート・ガバナンス移行、模倣理論、そして window-dressing perspective への学術的貢献を有している。

キーワード：コーポレート・ガバナンス実践、コーポレート・ガバナンス移行、模倣、株主志向、ステークホルダー志向、window-dressing perspective

1. **INTRODUCTION**

This study examines the transition mechanisms from stakeholder-oriented corporate governance to shareholder-oriented governance. Following previous studies that have termed the transition as convergence because of its global acceptance (Gordon and Roe, 2005), I define it as the "*convergence of practices.*" The existing literature has identified various factors, such as firm-, industry-, and country-level factors, that drive convergence (Shishido, 2001; Sanders and Tuschke, 2007; Chizema and Shinozawa, 2012; Jain, Aguilera and Jamali, 2017). However, the effects of corporate governance adopted by other firms on a focal firm remain underexplored (Yoshikawa, Tsui-Auch, and McGuire, 2007). Hence, I aim to examine the effects of an inter-firm-level factors on the convergence of practices.

An increasing number of studies are measuring corporate governance practices as the combination of corporate governance components (Gompers, Ishii and Metrick, 2003; Larcker, Tuna and Johnson, 2007: Lei and Song, 2012; Schiehll, Lewellyn and Muller-Kahle, 2018). They examine the effects of various practices on firm performance. However, few studies have explored the aspects that drive the changes in practices (Aoki and Jackson, 2008). This study begins by measuring the utilized practices to test our hypotheses.

The recent enhanced application of institutional theory in corporate governance has popularized the window-dressing perspective, which describes corporate governance as a "costume" to attract investors and enhance market value (Westphal and Zajac, 1998; Fiss and Zajac, 2004). The window-dressing perspective suggests that firms scrutinize other firms' corporate governance practices so that the adopted practices can impress investors and benefit shareholders (Westphal and Park, 2020). Therefore, firms have two methods for adopting other firms' practices in their convergence. One is that firms imitate

the practices of other firms with similar attributes (referred to as “neighbors” hereafter), such as affiliation with the same network, to avoid losing investors to neighbors or rivals and maintain the current competitive parity. Another practice involves firms imitating those with superior features (referred to as “superiors” hereafter) such as larger size, better performance, or reputed corporate governance. The practices of this firm are imitated to convey a superior quality corporate governance practice to investors and deliver a subsequently higher return to shareholders. The window-dressing perspective highlights the importance of scrutinizing other firms’ practices, necessitating the examination of the influence of their practices on the convergence of practices. I argue that firms imitate the corporate governance practices of neighbors or superiors to appeal to investors. Furthermore, there is a side-by-side orientation, called “*Yokonarabi*” in Japanese, which shows the validity of using imitation to analyze the changing corporate governance in the country. Thus, this study focuses on the imitation perspective to test the argument from the window-dressing perspective because of the similarities, namely, placing the interest of the perspectives in the effects of other firms’ influence on a focal one.

This study uses data on Japanese firms to test this argument. I measure corporate governance practices following Gompers et al. (2003) and find the coexistence of Japanese, Japanese hybrid, U.S. hybrid, and U.S. practices. They are accordingly ordered from stakeholder- to shareholder-oriented practices.

The Japanese practice includes a conventional system with auditors, an obscured separation of control and execution, and a dependent board. Firms that have adopted this practice have either slightly reformed corporate governance or not at all. This practice is consistent with the traditional stakeholder-oriented Japanese corporate governance, which features ineffective monitoring mechanisms resulting from entrenched trust in insiders such as employees (Colpan and Yoshikawa, 2012; Yoshikawa et al., 2007). The

Japanese hybrid practice includes a conventional system with auditors and either a high-level separation of control and execution or an independent board. This shows the gradual reform in the internal monitoring mechanism through the development of the executive officer system or further independence of the board (Yoshikawa et al., 2007).

Furthermore, the U.S. practice constitutes a system with committees, high-level separation of control and execution, and an independent board. An abrupt reform in corporate governance to shareholder-oriented practices can be detected in this practice (Chizema and Shinozawa, 2012). Firms with such practices do not introduce a formalized system with committees, but voluntarily strengthen the internal control mechanism. The practice can be interpreted as structurally proximate to a global best practice that stresses the separation of control and execution and independence of the board (Witt, Fainshmidt and Aguilera, 2021). Therefore, I define the U.S. hybrid practice as a globalized practice and determine the convergence from Japanese practice to the U.S. hybrid practice, as the target of our analysis.

The empirical evidence is consistent with our argument, suggesting that firms foster the convergence of practices by imitating superiors after controlling for the factors representing other firms' behavior. These findings indicate that investors consider firms to have better corporate governance practices when they regard superiors as their target for imitation. This motivates investors to invest. Our results are consistent with the window-dressing perspective.

The remainder of this paper is organized as follows: Section 2 presents a literature review on corporate governance. Section 3 describes the window-dressing and imitation perspectives and develops the hypotheses. Section 4 details the data and methods used in this study. Sections 5, 6, and 7 present and discuss the empirical findings. Section 8 concludes the study by presenting its contributions, limitations, and future avenues of

research.

2. LITERATURE REVIEW

The existing corporate governance-related studies have found several factors that drive the convergence of practices (Miletkov, Poulsen and Wintocki, 2017). Fiss and Zajac (2004) empirically provide evidence regarding the influence of ownership and top managers' educational background on the introduction of stock options in German firms. Chizema and Shinozawa (2012) identify firm performance, the rising presence of new shareholders, such as hedge funds, and cross-listing of motivators in Japanese firms to model their corporate governance system after those of shareholder-oriented countries, such as the U.K. This system is called the firm committee system and was legalized in 2003. Prior studies have shown various drivers of the convergence of practices. However, these studies are limited by the lack of focus on inter-firm-level factors and corporate governance practices in exploring corporate governance transitions.

2.1 Corporate governance practices

The existing studies have often identified the changes limited to a single corporate governance component as a proxy for the changes in the entire corporate governance system, in the exploration of drivers leading to the transition of corporate governance. They have introduced a firm committee system and increased the number of non-executive directors as proxies for the changes in corporate governance (Aoki, 2004; Chizema and Shinozawa, 2012). However, the recent prevalence of hybrid corporate governance, defined as the combination of stakeholder-oriented and shareholder-oriented practices in dealing with the pressure from multiple stakeholders, requires more attention in the study of corporate governance practices (Aoki and Jackson, 2008; Federo and Saz-

Carranza, 2018; Schiehll et al., 2018; Topaler and Üsdiken., 2021). Moreover, as corporate governance constitutes multiple components (Federo and Saz-Carranza, 2018), a change in only one component of corporate governance is not equivalent to a change in the entire system of corporate governance (Yoshikawa, Zhu and Wang, 2014). Various scholars have focused on corporate governance practices (Gompers et al., 2003; Larcker et al., 2007; Aoki and Jackson, 2008; Federo and Saz-Carranza, 2018; Schiehll et al., 2018). However, the underlying mechanism that drives the change in practices has not been sufficiently explored because prior studies have often examined the effects on firm performance and only a few studies have measured the practices to investigate the transition of corporate governance. Hence, there is a need to examine the changes in practices to deepen the understanding of corporate governance transitions.

2.2 Inter-firm level factors

Prior research suggests that firm-, industry-, and state-level factors drive the convergence of practices. Sanders and Tuschke (2007) clarify that low-performance or institutional investors' increased ownership fosters the convergence of practices. Chizema and Shinozawa (2012) find that cross-listing or foreign ownership encourages firms to adopt the system with committees. Moreover, Jain et al. (2017) show how the differences across industry codes influence the diffusion of corporate stakeholder orientations. Shishido (2001) tracks the effects of legal changes on corporate governance in Japan.

However, the recent popularity of the window-dressing perspective in corporate governance research necessitates focusing on inter-firm-level drivers as explanatory variables (Westphal and Park, 2020). The window-dressing perspective defines corporate governance as the apparatus to attract investors, suggesting that firms reform their corporate governance practices to cater to investors' preferences (Westphal and Zajac,

1998; Fiss and Zajac, 2004). Investors prefer firms that adopt the system to emphasize shareholders' interests. Considering the investment propensity, firms converge from their stakeholder-oriented corporate governance practices to shareholder-oriented ones to impress investors with the superiority of their corporate governance; otherwise, investors are unlikely to regard a focal firm as deserving. Some Japanese firms have announced that they reformed their corporate governance to meet investors' expectations or preferences. For instance, Honda and Nippon Paint Holdings introduced a firm committee system modeled after the system in Anglo-American states, to satisfy the expectations of investors, particularly foreign investors. Moreover, Eisai also reformed their corporate governance to meet shareholders' preferences. Furthermore, Toyo Keizai, a prestigious business article publisher in Japan, reported that firms change their corporate governance to appeal to foreign or institutional investors (Toyo Keizai, 2021). Therefore, the window-dressing perspective suggests that firms foster the convergence of practices by imitating their neighbors or superiors to show investors that their adoption practices favor shareholders (Lieberman and Asaba, 2006; Amdam et al., 2020). Thus, I use the imitation perspective to test our argument from the window-dressing perspective, which suggests that firms' convergence of practices is catalyzed by imitating their neighbors or superiors.

3. HYPOTHESIS DEVELOPMENT

3.1 Imitation and window-dressing perspectives

Imitation has been widely examined in interdisciplinary studies, including management, to analyze a focal firm's actions in response to others. Asaba and Lieberman (2017) state that firms may imitate each other's strategic decision-making behaviors, such as new product development. Amdam et al. (2020) examine the importance of social cues obtained from similar firms located close to each other in terms of their

internationalization. Imitation optimally explains the behavior of a focal firm in response to that of other firms. Therefore, I consider the common assumption from imitation and window-dressing perspectives which states firms make their decisions in response to others' practices. Accordingly, I focus on imitation to examine our argument from the window-dressing perspective.

To seek legitimacy and mitigate uncertainties, Haunschild and Miner (1997) decompose imitation into the following three approaches: frequency-, trait-, and outcome-based approaches. Haunschild (1994) formulates a network-based imitation approach. Frequency- and network-based approaches can be described as imitating firms with attributes similar to those observed in the same industry or network. Trait- and outcome-based approaches can be conceptualized as imitating firms with outstanding features. Lieberman and Asaba (2006) classify imitation into rivalry- and information-based imitation.

Rivalry-based imitation corresponds to frequency- and network-based approaches. This is based on the risk-minimization perspective, which illustrates that firms emulate their superiors to combat competition and maintain competitive parity (Lieberman and Asaba, 2006). Accordingly, a focal firm changes its practices to imitate its competitors and minimize risk. Consequently, when a focal firm adopts such imitative behavior, it is neither better nor worse off than other firms. I term the rivalry-based imitation as "imitation of neighbors."

Information-based imitation corresponds to trait- and outcome-based approaches, which show that superior firms enjoy a successful performance or reputational position as a result of the information advantage. Hence, the actions of such superiors are likely to be viewed as more informative than that of others (Lieberman and Asaba, 2006). I term the information-based approaches as "imitation of superiors."

3.2 Imitation of neighbors

The imitation of neighbors includes the bank network hypothesis. Firms with a common bank as their main bank compete for financing or services. While the main bank has a preference for borrower firms' corporate governance practices, other firms are unaware of the main bank's preference. If a focal firm adopts a different corporate governance practice but the main bank prefers the practices of competing firms, the focal firm loses the confidence of the main bank. Following the risk minimization perspective explained above, the focal firm may imitate the practices of competing firms to minimize the risk of losing the confidence of the main bank.

For instance, supposes firms currently adopt stakeholder-oriented corporate governance practices. If competing firms reform their practices to be shareholder-oriented ahead of the focal firm, the focal firm also reforms its practices to match the orientation. Therefore, in a focal firm's practice , the convergence of practices is influenced by the actions of other firms linked to each other through the main banks. This assumed relationship provides the following "bank network hypothesis":

H1: The ratio of firms that adopt shareholder-oriented corporate governance practices to the total number of firms linked to each other through the main bank, is greater and the likelihood of a focal firm following suit is greater.

3.3 Imitation of superiors

The imitation of superiors, which comprises the *top 10 size, performance success,* and *reputation-seeking* hypotheses, can be confirmed by relying on information-based imitation theories (Lieberman and Asaba, 2006). Firms do not know which corporate governance practices improve their performance. They can reduce such uncertainties by collecting information and adopting superiors' corporate governance practices. Superiors

adopting certain corporate governance practices perform well because they know that these practices are associated with great performance. Thus, imitating superiors can economize the cost of collecting information and reduce uncertainties. If superiors reform their practices to ne shareholder-oriented ahead of the focal firm, the focal firm also reforms its practices to a shareholder orientation to minimize data collection costs and reduce uncertainties. Therefore, I propose the following hypotheses regarding *top 10 size*, *performance success*, and *reputation seeking*.

First, I provide the "top 10 size" hypothesis, which posits that firms foster the convergence of practices when larger firms employ shareholder-oriented practices. Haunschild and Miner (1997) have mentioned that "firms adopt the practices of legitimate organizations and that legitimacy is inferred from traits such as large size and success" (p. 475). Firms follow the corporate practices of larger firms because their size symbolizes their success or legitimacy (Haunschild and Miner, 1997). Asaba and Lieberman (2017) have argued that firms imitate larger firms in highly uncertain environments using measures such as introducing new products. This is because large firms have more information about the market and understand potential market needs. As firm size can be viewed as the threshold to be imitated by others, I propose the "top 10 size hypothesis" as follows:

H2: The proportion of firms that adopt shareholder-oriented corporate governance practices among the largest firms in the industry is great, and the likelihood that a focal firm following suit is greater.

Moreover, I provide the "performance success" hypothesis, which assumes that firms foster the convergence of practices when profitable firms in the industry adopt shareholder-oriented practices. Haunschild and Miner (1997) have mentioned that

"organizations refer to the outcomes that occur after other organizations use a practice or structure to determine whether they should adopt to learn from success or mitigate uncertainties" (p. 476). Posen, Yi, and Li (2020) have stated that firms engage in "copy-the-best" behaviors in homogeneous environments, concluding that they imitate practices of profitable competitors in other groups. Thus, the "performance success hypothesis" is as follows:

H3: The percentage of firms adopting shareholder-oriented corporate governance practices among the most profitable firms in their industry is great, and the likelihood a focal firm following suit is greater.

Finally, the reputation-seeking hypothesis assumes that firms foster the convergence of practices when many legitimized firms employ shareholder-oriented practices. DiMaggio and Powell (1983) theorize mimetic isomorphism, suggesting that firms with a high level of legitimacy are the targets of other firms' imitations. Kennedy and Fiss (2009) have mentioned and strongly support the assumption that firms will likely follow reputational practices to enhance their legitimacy. This approach is similar to mimetic isomorphism in terms of the pursuit of legitimacy (DiMaggio and Powell, 1983).

Furthermore, Lieberman and Asaba (2006) have mentioned that "firms are seeking to send a signal about their legitimacy by copying more reputational ones" (p. 372). Imitating other firms with high reputation demonstrates the focal firm's quality or capability, which appeals to investors. Hence, the "reputation-seeking" hypothesis is as follows:

H4: The proportion of firms that adopt shareholder-oriented corporate governance practices among the firms reputed for reforming their corporate governance

practices to cater to shareholders' preferences is great and the likelihood of a focal firm following suit is greater.

4. METHODS

4.1 Sample

The research sample features all firms listed in Japan. First, banks, life insurance firms, and firms with missing data, were excluded. Second, 2005 was set as the departure point to test the imitation effects on the convergence of practices following 2005, when the Company Code was enacted. The research sample was limited to firms listed between 2005 and 2018. Consequently, the panel dataset was strongly balanced. A one-year lag was set between the dependent and independent variables to mitigate endogeneity concerns such as reverse causality. The final number of observations was 30,128.

The data on corporate governance practices were gathered from the Nikkei NEEDS Corporate governance evaluation system published by the Nikkei, which is one of the most prestigious business newspaper publishers in Japan (Nikkei NEEDS CGES), and the Handbook of Directors published by Toyo Keizai ("*Yakuin Shikiho*" in Japanese). The data for the independent variables (the imitation factors) were derived from the Capital IQ provided by Standard & Poors (S&P Capital IQ). Furthermore, data on corporate attributes, such as sales volume or firm age, were obtained from the Speeda database (https://www.ub-speeda.com/). Finally, data on the ratio of equities held by the main banks and number of dispatched directors were extracted from the Nikkei NEEDS CGES.

Using the completed dataset, I ran a Cox proportional hazards model. The

dependent variable was the duration of the change in corporate governance practices.

4.2 Japanese context

The Japanese business system prioritizes the interests of banks, partner firms, and employees over those of the shareholders (Yoshikawa et al., 2007). This traditional business system has experienced large-scale transformations because of globalization, frequent legal revisions, and depressed performance since the late 1990s (Shishido, 2001; Buchanan and Deakin, 2009). Globalization and legal changes have enhanced the presence of emerging shareholders, such as foreign or institutional investors, who have different interests than their traditional counterparts in Japan, inciting conflicts between existing and emerging institutions (Colpan and Yoshikawa, 2012). Moreover, poor performance has driven pioneering firms such as Sony to reform corporate governance. These reforms included the executive officer system enacted in 1997, which aimed at separating decision-making and control. Moreover, the adaption of the committee's corporate system—the system modeled after Anglo-American states — was formalized in 2003, when the commercial code was revised (Yoshikawa et al., 2007). Firms such as Hitachi, have followed these corporate governance reforms. However, firms such as Toyota have opposed the action around corporate governance reforms toward shareholder-oriented practices. Consequently, multiple corporate governance practices have coexisted since the early 2000s (Aoki and Jackson, 2008). Aoki and Jackson (2008) identified the coexistence of the following three corporate governance practices in this context: Japanese, the U.S., and hybrid practices.

Since 2012, when Shinzo Abe assumed the position of prime minister, the government has actively tackled corporate governance reforms to strengthen shareholder-oriented practices by issuing corporate governance and stewardship codes. However, I suppose that multiple corporate governance practices have coexisted since

the Abe regime (see Figure 1). The ongoing coexistence of multiple corporate governance practices makes the Japanese context ideal for studying corporate governance transition.

4.3 Dependent variable

This study examines the convergence of corporate governance practices. Incumbent studies have analyzed only one component of corporate governance, such as the introduction of a firm committee system, as the target of analysis (Chizema and Shinozawa, 2012). However, I use the following three corporate governance components to measure corporate governance practices: the committee firm system, separation of control and decision-making, and independence and heterogeneity of the board of directors. These components represent the separation of control and decision-making and independence of the board, which are regarded as the key components of corporate governance (Aoki and Jackson, 2008; Ahmadjian, Yoshikawa and Kong, 2013). Hence, I measure the corporate governance practices by summing their scores.

The first binary variable was generated for the committee firm system (Chizema and Shinozawa, 2012). The committee firm system is a corporate system with audit, nomination, and compensation committees modeled after the corporate governance systems of Anglo-American states. This system was formally introduced through a revision of the 2003 commercial code (Buchanan and Deakin, 2009). The revised law gives firms the discretion to choose between the committee firm system and traditional system with auditors (Gourevitch and Shinn, 2007). A firm's decision on whether to introduce the committee firm system or adhere to the auditor firm system signals its attitude toward reforming its corporate governance (Buchanan and Deakin, 2009). Thus, I create a variable termed "committee firm system," which codes 1 if a firm opts for the committee firm system and 0 otherwise.

The second binary variable is generated for the separation of control and decision-making aspects. After Sony informally introduced the executive officer system in charge of executing day-to-day business operations in 1997, the system rapidly spread among listed companies (Aoki, 2004; Buchanan and Deakin, 2009). The executive officer system aims to split the supervisory and executive functions by deferring supervisory authority to the board and delegating executive responsibility to the executive officers (Aoki and Jackson, 2008). However, the introduction of the executive officer system does not present an optimal proxy for measuring the degree of separation between supervisory and executive functions because many directors simultaneously assume the positions of executive officers (Aoki, 2004). Hence, following Ahmadjian et al. (2013), I operationalize the separation of supervisory and executive functions by estimating the proportion of directors who do not concurrently assume the position of executive officers. The degree of separation was then decomposed into above- and below-median ratios. Finally, the binary variable was generated and coded 1 if the firms had an above-median ratio of directors who do not concurrently assume the positions of executive officers, and 0 otherwise.

The last binary variable was generated for the independence and heterogeneity of the board of directors. These aspects are often measured as the ratio of non-executive directors who have never worked in the firm to the total number of board members (Colpan and Yoshikawa, 2012). However, the definition of non-executive directors has been debated (Mukherjee and Bonestroo, 2021). In the Japanese context, it is unclear whether directors dispatched from the main bank and partner firms associated with traditional business groups, can be defined as non-executive directors (Neville et al., 2019). Here, the main bank refers to the largest lender and substantial shareholder of the firm and partner firms refer to those interrelated through informal and formal channels, such as cross-shareholding called *Keiretsu*. Following Colpan and Yoshikawa (2012), I

define directors from the main bank or partner firms as affiliate directors because of their interest in the focal firm. Thus, I classify board members into the following categories: 1. insiders—those who are internally promoted, 2. affiliated directors—directors dispatched from the main bank or partner firms, and 3,. independent directors—who are neither insiders nor affiliated directors (Colpan and Yoshikawa, 2012; Donadelli, Fasan and Magnanelli, 2014; Neville et al., 2019; Mukherjee and Bonestroo, 2021). In the post-war period, boards in Japanese firms consisted of insiders and affiliate directors. However, after the 1990s, when corporate governance reform was discussed, the growth of ownership held by active shareholders, such as foreign or institutional investors, who are proponents of changing corporate governance, was observed (Ahmadjian and Robbins, 2005). Greater ownership held by activists encourages firms to employ independent directors and raises the heterogeneity of boards composed of insiders and affiliated and independent directors (Colpan and Yoshikawa, 2012). Independent directors who represent the interests of active shareholders pressure CEOs or managers to reform corporate governance. Gedajlovic, Yoshikawa, and Hasihimoto (2005) found that greater heterogeneity of directors has a positive effect on corporate governance reform. The findings suggest that the heterogeneity of the board illustrates the interests of shareholders represented by each director and the independence of the board. The greater the heterogeneity of the board, the more diversely represented are shareholders' interests within the boardroom. This results in the greater power of the board and an eventual increase in its independence. Therefore, board heterogeneity representing the interests of shareholders also reflects independence of the board. Hence, the use of board heterogeneity to estimate corporate governance practices can be considered valid.

I estimate the extent of heterogeneity in each category of directors among the total number of board members based on the Herfindahl–Hirschman Index, as follows (Colpan and Yoshikawa, 2012):

$$1 - \sum_{i=i}^{3} pi^2,$$

where *pi* is the proportion of directors on the board and is categorized as the *i*th type. Thus, if the estimated value is higher, the board is more mixed and independent (Donadelli et al., 2014). The values representing the independence and heterogeneity of the board of directors are decomposed into above- and below-median values. Finally, the binary variable is coded as 1 if the board of directors' independence is above the median value and 0 otherwise. This variable is called the "independence and heterogeneity of the board of directors."

Following Gompers et al. (2003), I use the equal-weighted sum of the three binary variables to estimate each firm's corporate governance practices. Additionally, similar to Gompers et al. (2003), the variables used to measure corporate governance practices in this study are binary. Larcker et al. (2007) and Lei and Song (2012) used principal component analysis to combine corporate governance components because of their inclusion of numerical and binary variables. Considering the features of the variables, the use of an equal-weighted sum is valid. The estimated corporate governance practice scores range from 0 (the firm does not implement the committee firm system, has a lesser degree of separation between control and decision-making, and has a less independent board of directors) to 3 (the firm implements the committee firm system, has a clear separation of control and decision-making, and has a highly independent board of directors). Based on these premises, the Japanese, Japanese hybrid, U.S. hybrid, and U.S. practices were designated as 0, 1, 2, and 3, respectively. Figure 1 depicts the dynamic breakdown of the four corporate governance practices across the sampled firms.

INSERT FIGURE 1 ABOUT HERE

Figure 1 shows that the number of firms following Japanese practices steadily decreased during the observation period. The frequency of firms adopting the U.S. model remained low throughout the observation period. The number of firms adopting Japanese hybrid practices was stable during this period. However, the growth of firms that introduced U.S. hybrid practices can be identified.

Table 1 lists the diverse transition patterns. I find that some firms transition their corporate governance practices toward the stakeholder-oriented direction. However, this study aims to uncover the drivers that encourage convergence from Japanese practice to the U.S. hybrid practice because of the scarcity of research on the convergence of Japanese firms. Thus, I have determined the transition from Japanese to U.S. hybrid practices as the target of our analysis.

I estimated the duration spent in changing from Japanese to U.S. hybrid practices as the dependent variable and operationalized it as *duration*. I found 273 incidents of change from Japanese to U.S. hybrid practices. Accordingly, these 273 cases were used as the analysis targets.

4.4 Independent variables

This study tests the effects of imitation factors on the convergence of practices. I assume that imitation factors negatively affect *duration* because the shorter the time spent

reforming corporate governance practices, the more likely it is to accelerate the change. This section explains how imitation factors, which are independent variables, are operationalized.

Bank network, which is used to test H1, is operationalized by estimating the proportion of firms that adopt the U.S. hybrid practice to the total number of firms interrelated via their main banks, specified in the Nikkei NEEDS CGES. This variable is termed *bank network* and is assumed to be negatively related to *duration*.

The variable *Top 10 size* is used to test H2, It is operationalized by estimating the percentage of firms that reformed their U.S. hybrid practice among the ten largest firms in the industry, based on the Nikkei NEEDS two-digit industrial classification (Nikkei two-digit industry classification), each year. The total assets of each firm are used to measure firm size. I name this variable *top 10 size* and assume that it is negatively related to *duration*.

To test H3, *performance success* is operationalized as the ratio of firms that adopt U.S. hybrid practices to the 75 most profitable firms in their industry, based on the Nikkei two-digit industry classification. Return on sales (ROS) is used to represent firm performance. Japanese firms have emphasized sales or growth over profitability and efficiency in the post-war period (Schaede, 2006). Consequently, decision-making in Japanese firms is likely to be influenced by ROS instead of return on assets (ROA) or return on equity (ROE). Thus, the use of ROS in research on Japanese firms is valid. I term this variable *performance success* and assume that it is negatively related to *duration*.

To examine H4, *reputation seeking* is operationalized by estimating the ratio of firms that introduce the U.S. hybrid practice to the top 400 firms in the corporate governance ranking, published in the Nikkei NEEDS CGES (Ahmadjian et al., 2013). This variable is termed *reputation seeking* and is assumed to be negatively correlated with

duration.

4.5 Control variables

Control variables are introduced in the research estimation to remove the impact of elements other than the independent variables. The ROS in the previous year (*performance*) is controlled for. I measure corporate size using the natural logarithm of sales volume (*log of corporate size*) and corporate age (*log of corporate age*). The ratio of equity held by foreign investors (*foreign ownership*) is also controlled for. *Stable ownership*, namely, the ratio of equities held by stable investors such as cross-shareholders, is also controlled for. The ratio of equities held by the main banks (*bank ownership*) and number of directors dispatched from the banks are added to control for their influence (*bank director*). *A reputation dummy* is added as a control to determine whether firms are ranked among the top 400 firms of the Nikkei NEEDS CGES. Furthermore, *an industry bandwagon* is added to control for the impact of the popularity of corporate governance practices in each industry, based on the Nikkei two-digit industry classification. It is estimated as the percentage of firms that have introduced U.S. hybrid practices to the total number of firms in each industry. Finally, *industry dummies* using the Nikkei two-digit industry classification are included in the estimation model.

4.6 Estimation models

I operationalize *duration* as the dependent variable. Considering this variable, I utilize the Cox proportional hazards model to examine the hypotheses. The Cox model is applied where the hazard rate of adoption is modeled as the product of a specific hazard rate and an exponential function of independent and control variables (Shi et al., 2018, p. 90). Its estimation form is as follows:

$$h(t) = h_0(t)\exp(\beta x_i)$$

where *h(t)* is the hazard ratio at time *t*, $h_0(t)$ is the baseline hazard, and $exp(\beta x_i)$ is the regression coefficient of the independent and control variables (Cox, 1972).

As the Cox model includes *duration* as a dependent variable, it systematically controls for time-related variables such as year dummies (Greve, 2011). The issue of overlooking the year effect has been highlighted (Blossfeld, Rohwer and Schneider, 2019). To address this issue, I employ Poisson regression with a smooth baseline hazard model to check the consistency of the empirical outcomes. The model reflects the baseline hazard estimate using a smoothing function, such as the cubic spline, as indicators to represent a time-related variable. Referring to Rabe-Hesketh and Skrondal (2012), I impose a smooth function on the baseline hazard by estimating a cubic spline. I control for the year effect by adding cubic spline functions to the estimation model. The model using the Poisson regression with a smooth baseline hazard is termed as the Poisson cubic spline.

5. EMPIRICAL RESULTS

Table 1 presents the descriptive statistics and correlations among the variables. Table 2 summarizes the units and definitions of the variables.

INSERT TABLE 1 ABOUT HERE

INSERT TABLE 2 ABOUT HERE

I observe some interesting correlations between the variables. There is a positive relationship between *performance* and *rank dummy*. *Foreign ownership* is positively correlated with *performance*, *log of corporate size*, and *rank dummy*. Furthermore, negative correlations between the variables related to main banks (*bank ownership* and *bank directors*) and *performance* are identified.

Table 1 indicates a high correlation between certain variables, such as *reputation seeking* and *industry bandwagon*. However, the table shows that the mean value of the variation inflation factor (VIF), used to estimate the presence of multicollinearity, is 1.44. The scores range from 1.02 to 2.23 and are below the threshold of 4.00 (Colpan and Yoshikawa, 2012). Hence, the concerns about multicollinearity are mitigated (Greene, 2003).

Table 3 presents the empirical results of the Cox proportional hazard model. Model 1 includes only the control variables. Model 2 includes control variables and an independent variable, *bank network*, to represent the imitation of neighbors. Model 3 examines H2-H4. It also comprises control variables and three independent variables, *top-10 size*, *performance success*, and *reputation seeking*, as proxies for the imitation of superiors. Finally, Model 4 constitutes the full model.

INSERT TABLE 3 ABOUT HERE

H1 indicates the relationship between the popularity of corporate governance practices in networks and likelihood of a focal firm fostering the convergence of practices. An insignificantly positive effect of *bank network* on *duration* is observed in Model 2. Model 4 identifies an insignificant and negative relationship between *bank network* and *duration*. Hence, H1, postulating that *bank network* has a negative impact on *duration*, is unsupported.

H2 concerns the effect of the corporate governance practices of the ten largest firms adopting a focal firm's convergence of practices. Model 3 shows a significantly negative relationship between *top 10 size* and *duration* ($\beta = -0.004$, $p < 0.01$ in Model 3). Model 4 also provides empirical evidence to support a significantly negative relationship ($\beta = -0.004$, $p < 0.01$ in Model 4). Thus, firms mostly imitate the corporate governance practices of larger firms. Hence, H2 is supported.

H3 tests the impact of corporate governance practices introduced by the most profitable firms on the probability of a focal firm adopting shareholder-oriented practices. In Model 3, I find a significantly negative impact of *performance success* on *duration* ($\beta = -0.071$, $p < 0.05$ in Model 3). Model 4 shows a significantly negative relationship ($\beta = -0.071$, $p < 0.05$ in Model 4). Firms foster the convergence of practices by imitating the corporate governance practices of high-performing neighbors. These results support H3.

H4 examines the effect of corporate governance practices introduced by reputational firms on the likelihood of a focal firm adopting shareholder-oriented practices. Model 3 presents a significant and negative relationship between *reputation seeking* and *duration* ($\beta = -0.261$, $p < 0.05$ in Model 3). However, the Model 4 identifies significantly negative consequences of *reputation seeking* on *duration* ($\beta = -0.262$, $p < 0.01$ in Model 4). Firms imitating others are rated as having a reputed corporate governance practice in their convergence of practices. Hence, these results support H4.

Regarding the control variables, I find a significantly positive relationship between *log of corporate size* and *duration* across all models ($\beta = 0.248$, $p < 0.01$ in Model 1). Moreover, there is a significantly negative relationship between *reputation dummy* and *duration* ($\beta = -0.643$, $p < 0.1$ in Model 3). Furthermore, *industry bandwagon* has a significantly negative effect on *duration* across all models ($\beta = -1.003$, $p < 0.001$ in Model 1; $\beta = -1.070$, $p < 0.001$ in Model 2; $\beta = -1.010$, $p < 0.001$ in Model 3; and $\beta = -1.076$, $p < 0.001$ in Model 4).

6. EX-POST ANALYSIS

To check the robustness of the empirical outcomes, I use the Poisson cubic spline model. Table 4 presents its empirical results.

INSERT TABLE 4 ABOUT HERE

Models 6 and 8, which examine H1, present an insignificant effect of *bank network* on *duration*. H1 is supported neither in the Poisson cubic spline model nor in the Cox proportional hazard model (i.e., Models 2 and 4).

Models 7 and 8 test H2 to show the significantly negative impact of *top10 size* on *duration* ($\beta = -0.002$, $p < 0.1$ in Model 7; $\beta = -0.002$, $p < 0.1$ in Model 8). The empirical results are consistent with those of Models 2 and 4, which use the Cox proportional hazard model. The empirical results support H2.

Performance success is significantly and negatively associated with *duration* in Models 7 and 8, which examine H3 ($\beta = -0.044$, $p < 0.05$ in Model 7; $\beta = -0.044$, $p < 0.05$ in Model 8). These empirical results are consistent with those of Models 2 and 4. They provide robust support for H3.

Additionally, *reputation seeking* has a significant and negative effect on *duration* in Models 7 and 8, which aim to test H3 ($\beta = -0.153$, $p < 0.1$ in Model 7; $\beta = -0.153$, $p < 0.1$ in Model 8). The empirical findings are identical to those of Models 2 and 4. Thus, H4 is robust.

The findings provide robust evidence supporting the negative effects of the three variables (*top 10 size*, *performance success*, and *reputation seeking*) representing the imitation of superiors on *duration*. H2, H3, and H4 are supported by robust empirical evidence. However, I find an insignificant effect of *bank network* as a proxy for the imitation of neighbors on *duration*. Robust evidence supporting H1 cannot be identified.

7. DISCUSSION

This study empirically explores the driving forces behind convergence from stakeholder-oriented corporate governance practices to shareholder-oriented practices by

measuring corporate governance practices. Based on the window-dressing perspective, I define corporate governance as the apparent "costume" that retains or attracts the preference of investors. Building on this perspective, I postulate and test the following two assumptions: firms foster the convergence of practices 1) by imitating their neighbors to appeal to investors and 2) by imitating their superiors to appeal to investors.

To examine these assumptions, I have focused on the imitation perspective. The empirical findings provide two pieces of evidence. First, firms imitate their superiors to foster the convergence of practices. However, there is insignificant evidence suggesting that firms imitate their neighbors in their convergence of practices. The findings are consistent with those related to the imitation of superiors (H2, H3, and H4) and do not support those related to imitation of neighbors (H1).

The significant impact of the variables representing superiors (*top10 size*, *performance success*, and *reputation seeking*), holds after controlling for the imitation of neighbors and other variables. Imitating superiors indicates that corporate governance reform improves investors' returns, while imitating neighbors does not send a direct message to investors. Therefore, evidence against H1 does not affect or support the window-dressing perspective. Our evidence, illustrating that firms imitate superiors instead of neighbors to obtain a preferable reaction from investors, is consistent with the window-dressing perspective.

8. CONCLUSION

8.1 Contributions

The findings offer some theoretical contributions to the corporate governance literature and related areas of research. To the best of our knowledge, this is one of the

only studies to highlight the importance of the window-dressing perspective in research on corporate governance transition. Our findings demonstrate that it is essential to emphasize the window-dressing perspective, which defines corporate governance as a facade aimed at appealing to investors, for a deeper understanding of the corporate governance transition. Therefore, this study reinforces the institutional theory that corporate governance is a symbolic concept.

Moreover, I find that firms reform their corporate governance in response to the actions of superiors. Our evidence shows the necessity of determining the inter-firm-level factors that drive the convergence of practices. This finding presents one of the focal contributions of this research because it focuses on the unexplored inter-firm-level drivers of the convergence of practices. Our findings support that firms' convergence of practices led by the imitation of imitating superiors is catalyzed by the desire to appeal to investors and the fact that adopting superior practices benefits shareholders. These implications also contribute to the development of corporate governance transition studies.

Furthermore, this study makes a theoretical contribution to imitation research. Incumbent studies that have distinguished between imitating similar firms and imitating superior firms have found that the degree of environmental uncertainty is an important factor (Lieberman and Asaba, 2006). In a highly uncertain environment, firms tend to imitate superiors to utilize their information and reduce uncertainty. However, our findings suggest that the targets that firms appeal to matter. As argued by the window-dressing perspective, firms are more likely to imitate superiors than neighbors, indicating that they deliver a higher return to investors. However, if firms appealed to their customers for imitation, they would imitate their neighbors, that is, the competing firms in the product market. This is because such imitation may prevent firms' customers from switching to competitors' products. Thus, depending on the targets of the imitation, firms

decide to imitate either the neighbors or superiors. The finding suggests that targets of the imitation influence the behavior of the focal firm and makes a valuable contribution to the development of imitation studies.

Moreover, this study provides several business-related implications. The motivation to imitate the corporate governance practices of superiors may stem from herd behavior, or "the actions of others conveying information that is valuable in one's own private decision making" (Palley, 1995, p. 444). Consequently, herd behavior leads to fashion or over-adaptation to the environment and may lead to sudden change the institutions in society. Firms and investors are required to recognize that corporate governance reform does not necessarily lead to improved corporate performance, but may cause fragility in the external environment (Palley, 2013).

8.2 Limitations

Although our study also offers important theoretical contributions, it is not without its limitations. The first limitation stems from the generalizability of our findings. Subsequent research should examine whether our findings can be applied to other stakeholder-oriented countries.

Second, no fact-based evidence could be provided to reinforce the empirical finding that a change in the corporate governance practice of a focal firm is catalyzed by other firms' actions. Concerns about spurious correlations, that is, the likelihood that firms will imitate each other by focusing on the same model, cannot be eliminated. Fact-based evidence can help in mitigating these concerns. Thus, the empirical findings would have been more convincing if qualitative evidence was available to indicate that firms scrutinize or imitate other firms' actions when changing their corporate governance practices.

8.3 Avenues for future studies

Our study also presents some avenues for future research. I identify the coexistence of certain corporate governance practices and focus on the convergence of practices. Research on the reversion of corporate governance practices has not yet been conducted. However, Brexit is likely to foster a transition back to stakeholder-oriented practices. Furthermore, the growing attention toward multi-stakeholders or better-performing corporations called B-corps and adoption of proposals for SDGs in the United Nations, have driven the transition from shareholder-oriented corporate governance to stakeholder-oriented governance. This suggests that research is needed to explore the mechanism of the recent trends in transition pattern.

8.4 Conclusion

This study examines the effects of inter-firm-level factors on the convergence of corporate governance practices from the imitation perspective. I find that firms shift from transitional stakeholder-oriented to shareholder-oriented corporate governance practices by imitating other firms that are larger in size, achieve better performance, or hold legitimate practices to attract investors. This finding makes an academic contribution to the literature on corporate governance transition.

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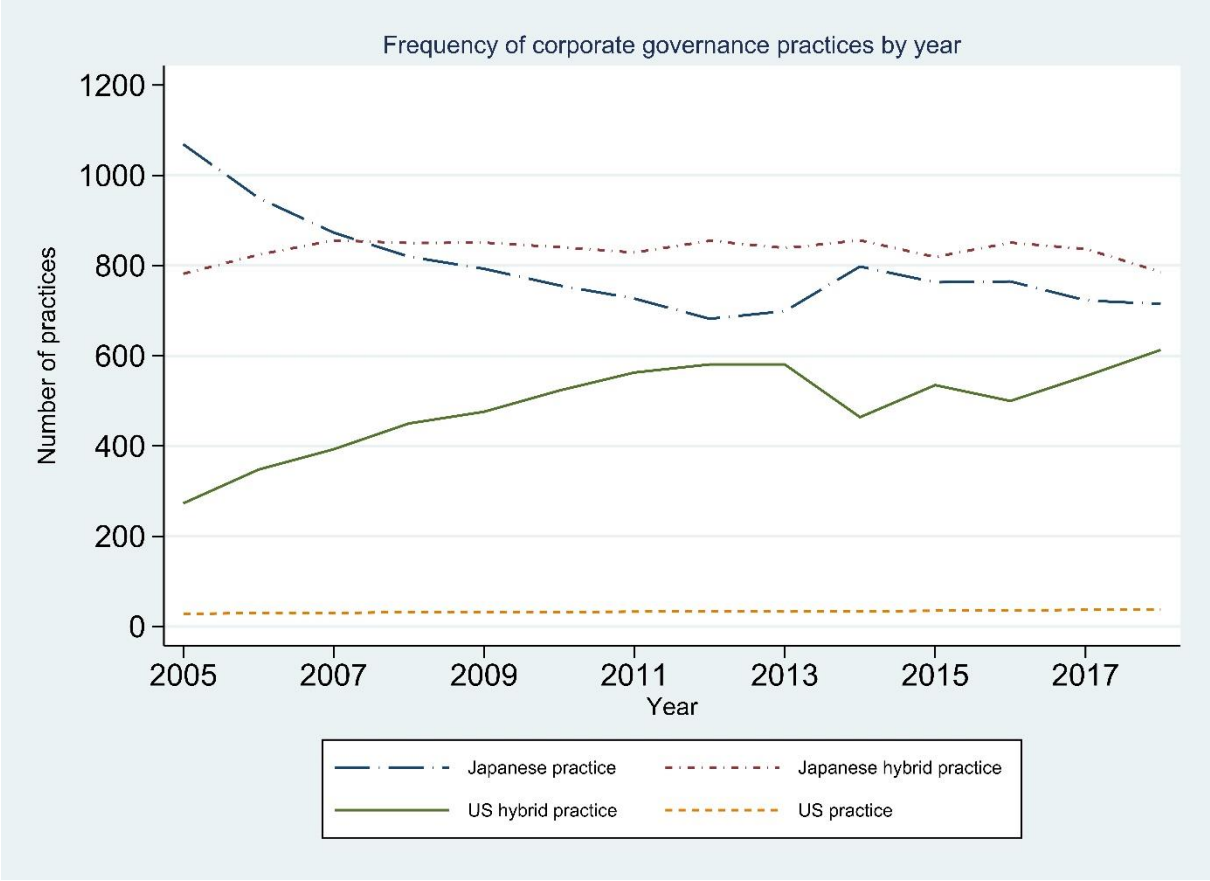
Figure 1. Breakdown of Corporate Governance Practices between 2005 and 2018 in Japan



Notes: n = 2152. The number of firm-year observations is 30128.

The y-axis denotes the number of firms that adopt each corporate governance practice.

X-axis is the year, between 2005 and 2018.

Table 1. VIF, means, standard deviation, and correlation matrix of constructs

Variables	VIF	Mean	Std. Dev.	Min	Max	1	2	3	4
(1) Performance	1.22	4.833	6.860	-364.286	54.780	1			
(2) Log of corporate size	1.67	10.599	1.685	2.079	17.162	0.114	1		
(3) Log of corporate age	1.09	3.839	0.608	0.000	5.220	-0.067	0.171	1	
(4) Foreign ownership	2.17	10.620	11.624	0.000	81.885	0.294	0.606	0.104	1
(5) Stable ownership	1.40	42.571	17.405	0.000	100.000	-0.048	-0.360	-0.153	-0.498
(6) Bank ownership	1.05	3.097	1.512	0.010	28.500	-0.072	-0.092	0.075	-0.161
(7) Bank director	1.02	0.028	0.175	0.000	3.000	-0.011	0.063	0.033	0.023
(8) Rank dummy	1.34	0.116	0.320	0.000	1.000	0.337	0.276	-0.016	0.430
(9) Industry bandwagon	2.23	28.077	7.621	14.155	39.529	0.01	0.086	0.159	0.099
(10) Bank network	1.55	27.203	11.672	0.000	80	-0.012	0.212	0.135	0.176
(11) Top10 size	1.1	1.986	56.421	-400.000	400	0.003	-0.016	-0.032	-0.018
(12) Performance success	1.18	19.712	8.975	0.000	40	0.001	0.003	0.021	0.034
(13) Reputation-seeking	1.74	30.831	4.089	21.303	38	-0.077	0.063	0.114	0.011

	5	6	7	8	9	10	11	12	13
5	1								
6	0.061	1							
7	-0.010	0.016	1						
8	-0.285	-0.120	0.029	1					
9	-0.065	-0.037	0.091	0.003	1				
10	-0.130	-0.118	0.025	0.043	0.560	1			
11	-0.003	0.012	-0.034	-0.001	-0.273	-0.140	1		
12	-0.045	-0.027	0.001	0.036	0.331	0.148	-0.085	1	
13	-0.005	-0.028	0.026	-0.004	0.615	0.349	-0.254	0.356	1

Table 2. Summary of variables

Variables	Unit	Variables definition
Performance	%	Return on sales: operating income divided by sales volume
Log of Corporate Size		Natural log of sales volume
Log of Corporate Age		Natural log of firm age
Foreign ownership	%	Percentage of equity held by foreign investors among the total number of issued shares
Stable ownership	%	Ratio of equity held by cross-shareholders to the total number of shares
Bank ownership	%	Percentage of shares held by the main banks among the total outstanding stocks in each firm
Bank director	Number	Number of directors dispatched from the main bank to firms each year
Rank dummy	Binary	A binary variable equal to 1 if a firm is ranked in the top 400 of the Nikkei NEEDS CGES and 0 otherwise
Industry bandwagon	%	Proportion of firms introducing the U.S. hybrid practices to the total number of firms in the industry based on the Nikkei two-digit industrial classification
Bank network	%	Ratio of firms introducing the U.S. hybrid practice to the total number of firms that have the same main banks
Top10 size	%	Percentage of firms with the U.S. hybrid practice among the 10 largest firms in each industry based on the Nikkei two-digit industrial classification
Performance success	%	Proportion of firms adopting the U.S. hybrid practice to the 75 most profitable firms in the industry based on the Nikkei industrial classification
Reputation seeking	%	Ratio of firms introducing the U.S. hybrid practice in the top 400 ranked firms in the Nikkei NEEDS CGES
Industry		Industrial classification based on the Nikkei two-digit classification

Table 3. Analytical Outcome of the Cox Proportional Hazard Model

Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Performance	-0.006	-0.005	-0.001	0.000
	[0.027]	[0.027]	[0.027]	[0.027]
Log of Corporate Size	0.235**	0.228**	0.219**	0.214**
	[0.072]	[0.073]	[0.073]	[0.074]
Log of Corporate Age	0.128	0.131	0.079	0.082
	[0.208]	[0.207]	[0.212]	[0.212]
Foreign ownership	0.003	0.003	0.003	0.003
	[0.013]	[0.013]	[0.013]	[0.013]
Stable ownership	0.002	0.002	0.005	0.005
	[0.007]	[0.007]	[0.007]	[0.007]
Bank ownership	0.060	0.062	0.044	0.046
	[0.040]	[0.040]	[0.044]	[0.043]
Bank director	-0.634	-0.621	-0.576	-0.565
	[0.545]	[0.543]	[0.546]	[0.543]
Rank dummy	-0.640+	-0.643+	-0.587	-0.589
	[0.377]	[0.378]	[0.385]	[0.385]
Industry bandwagon	-1.003***	-1.010***	-1.070***	-1.076***
	[0.144]	[0.144]	[0.107]	[0.107]
Bank network		0.006		0.005
		[0.013]		[0.013]
Top10 size			-0.004**	-0.004**
			[0.001]	[0.001]
Performance success			-0.071**	-0.071**
			[0.023]	[0.023]
Reputation-seeking			-0.261**	-0.262**
			[0.088]	[0.089]
Industry	Included	Included	Included	Included
Log likelihood	-875.45	-875.32	-795.17	-795.09
Number of cases	12347	12347	10814	10814

Notes: Robust standard errors are reported in parentheses.

+: p<0.10, : p<0.05, **: p<0.01, and ***: p<0.001

Table 4: Analytical Results of the Poisson Cubic Spline Model

Methods	Poisson cubic spline			
Variables	Model 5	Model 6	Model 7	Model 8
Performance	-0.004	-0.003	0.000	0.000
	[0.027]	[0.027]	[0.027]	[0.027]
Log of firm size	0.197**	0.189**	0.179*	0.174*
	[0.070]	[0.071]	[0.071]	[0.072]
Log of firm age	0.169	0.172	0.107	0.109
	[0.207]	[0.207]	[0.210]	[0.210]
Foreign ownership	0.007	0.007	0.008	0.008
	[0.012]	[0.012]	[0.012]	[0.012]
Stable ownership	0.001	0.001	0.004	0.004
	[0.006]	[0.006]	[0.007]	[0.007]
Bank ownership	0.061	0.062	0.043	0.045
	[0.041]	[0.041]	[0.045]	[0.044]
Bank director	-0.589	-0.573	-0.548	-0.537
	[0.544]	[0.542]	[0.540]	[0.538]
Rank dummy	-0.637+	-0.639+	-0.557	-0.56
	[0.380]	[0.380]	[0.386]	[0.386]
Industry bandwagon	0.056	0.048	-0.104	-0.11
	[0.107]	[0.109]	[0.123]	[0.126]
Bank network		0.006		0.005
		[0.013]		[0.013]
Top10 size			-0.002+	-0.002+
			[0.001]	[0.001]
Performance success			-0.044*	-0.044*
			[0.022]	[0.022]
Reputation-seeking			-0.153+	-0.153+
			[0.083]	[0.083]
sp1	-0.010	-0.006	0.673	0.678
	[0.368]	[0.369]	[0.695]	[0.695]
sp2	-0.632	-0.646	-1.398	-1.415
	[1.213]	[1.215]	[2.039]	[2.040]
sp3	1.402	1.476	5.788	5.867
	[4.645]	[4.659]	[7.656]	[7.672]
sp4	22.647	22.329	-12.824	-13.173
	[20.761]	[20.841]	[34.222]	[34.333]
sp5	-47.646+	-47.342+	1.11	1.475
	[26.644]	[26.717]	[42.154]	[42.271]
Industry	Included	Included	Included	Included
Cons	-9.970***	-9.888***	-3.313	-3.238
	[2.023]	[2.044]	[3.239]	[3.277]
Log likelihood	-628.858	-628.708	-573.109	-573.035
Number of cases	12347	12347	10814	10814

Notes: Robust standard errors are reported in parentheses.

+: p<0.10, : p<0.05, **: p<0.01, and ***: p<0.001