早稲田商学第 464 号
２０２２年１２月

You are coming home: when efficient adoption of corporate governance practices is overturned*

Yuki TORIDA

Abstract

This study(1) investigates the mechanism underlying reversion of practice, defined as abandoning a shareholder-oriented corporate governance practice for a stakeholder-oriented one after temporary adoption from the stakeholder to the shareholder. Integrating the efficient choice perspective in Abrahamson (1991) with a network perspective, I test the following arguments:1) efficient adoption of a shareholder-oriented practice by imitating other firms with great features impedes a focal firm from abandoning the adopted shareholder orientation, and 2) the focal firm experiencing efficient adoption of shareholder orientation abandons shareholder orientation for stakeholder orientation when embedded into inter-firm networks. To test these arguments, I use data on Japanese listed firms between 2005 and 2018. The empirical outcome illustrates that efficient adoption impedes firms from abandoning their adopted shareholder-oriented practices; however, firms engaging in efficient adoption abandon the adopted shareholder for stakeholder orientation when embedded into inter-firm networks. This result illustrates that efficient adoption is nullified by institutional contexts such as networks, which hinders the institutionalization of shareholder-oriented corporate governance in non-Anglo-American states. These findings contribute academically to corporate governance research.

＊　2022 年 9 月 15 日原稿受付　2022 年 12 月 3 日掲載承認

1. Introduction

This study investigates the mechanism underlying *reversion of practice* or abandoning a shareholder-oriented corporate governance practice for a stakeholder-oriented one after temporary adoption from the stakeholder to shareholder oriented. Prior literature often examines the factors that impact adoption from stakeholder- to shareholder-oriented practices (*adoption of practice*). However, few studies have investigated the mechanism of abandoning shareholders for stakeholder-oriented practices (*abandonment of practice*) (Gruenhagen and Parker, 2020). Integrating the efficient choice in Abrahamson (1991) with network perspectives, I test the following two arguments:1) *efficient adoption*, defined as adopting a shareholder-oriented practice for efficient reasons, such as imitating other firms with superior features, deters a focal firm from implementing the abandonment of practice, and 2) the focal firm experiencing efficient adoption engages in the abandonment of practice when deeply embedded in inter-firm networks.

To test these arguments, I focus on Japan, where many firms have experienced adoption from the stakeholder orientation they had been featured as having in the post-war period to shareholder orientation since the late 1990s. The movement toward globalization remains a factor that impedes firms from abandoning their practices. Meanwhile, the recent rise in attention to better corporations, called B-corp, or frequent corporate misconduct, has driven Japanese firms to abandon shareholder-oriented practices (Marquis, 2021: Uchida, 2021). These movements suggest that firms abandon shareholder-oriented practices for stakeholder-oriented practices after their temporary adoption from the stakeholder to shareholder orientation, defined as reversion of practice. The mechanism of the reversion of practice in non-Anglo-American countries such as Japan, where firms historically introduced a stakeholder orientation, is different from that of abandonment in Anglo-American states such as the US, where shareholder orientation prevailed. Given the limited number of studies focusing on the reversion of practice in

non-Anglo-American countries, this study, which aims to explore this mechanism, has valuable implications for corporate governance studies. Therefore, Japan is ideal for testing our arguments.

Using data on Japanese listed firms, I begin by measuring firms' corporate governance practices, defined as a combination of multiple corporate governance components, to capture changes in corporate governance (Gompers et al., 2003). As a result of estimating corporate governance practices, I find the coexistence of Japanese, Japanese hybrid, U.S. hybrid, and U.S. practices, arranged from stakeholder-to shareholder-oriented practices.

The empirical results are robust to our argument. I find that efficient adoption by imitating the corporate governance of other firms with great features impedes a focal firm from abandoning its adopted shareholder orientation for stakeholder orientation. Moreover, empirical evidence clarifies that firms that adopt efficient adoption abandon their adopted shareholder orientation for stakeholder-oriented practices when deeply embedded into inter-firm networks. These findings have academic implications for corporate governance studies. First, the present research probes the factors that hinder the institutionalization of a shareholder orientation. Additionally, it demonstrates that the difference in reliance on institutional contexts, such as networks across firms, gives birth to the variation in corporate governance in a context. The evidence presents insight into the reasons why the efficient adoption of shareholder orientation has been overturned.

The remainder of this paper is organized as follows. Section 2 reviews the corporate governance literature. Section 3 explains adoption and abandonment and develops the hypotheses. Section 4 details the data and methods used in this study, and Sections 5 and 6 present the empirical results. Section 7 discusses the empirical findings and concludes the study by demonstrating its contributions, limitations, and future avenues of research.

2. Literature review

2.1 Corporate governance transition

Owing to globalization and economic prosperity in Anglo-American states that stress shareholders' interests, scholars have focused on the adoption of stakeholder-oriented to shareholder-oriented corporate governance in non-Anglo-American countries. They examined drivers in various units of the analysis. Aguilera and Cuervo-Cazurra (2009) and Miletkov, Poulsen, and Wintoki (2017) clarify the effects of country-level factors, such as legal changes or issuance of corporate governance codes on the adoption of practice. Jain et al. (2017) found that industry-level drivers, such as industry codes, foster the adoption of practice. Additionally, many studies have examined how firm-level factors, such as the ratio of foreign directors on boards, cross-listing of firms, and declining performance, and inter-firm drivers, such as competition or collaboration among firms, foster the adoption of practice (Ahmadjian and Robbins, 2005; Ahn and Wiersema, 2021; Buchanan et al., 2012; Chizema and Shinozawa, 2012; Sanders and Tuschke, 2007; Westphal and Park, 2020). Further, some studies find that path-dependent norms, such as egalitarianism, or institutional contexts, such as inter-firm networks or financial institutions, hinder the adoption of practice (Witt, 2006). Hence, there is an accumulation of studies examining both drivers impelling and impeding the adoption of practice.

Despite the recent increased interest in multi-stakeholder-oriented or B-corp, few studies have investigated the mechanism of transitioning from a shareholder orientation to a stakeholder orientation or abandonment of practice (Marquis, 2021). An exception is the study by Uchida (2021), which examines the effects of institutional and managerial factors, such as the increased presence of foreign investors and CEO equity in annual general meetings, and demonstrates that improved performance and managerial power over the board drove the reversion of the day from non-peak-day (representing shareholder-oriented practice) to peak-day (representing stakeholder-oriented

practice). However, this research insufficiently accounted for the effect of the reasons for transition from the peak day to the non-peak day on another transition from the non-peak day to the peak day, as the changes in the dates of annual general meetings were investigated separately rather than sequentially. Moreover, it unveils the drivers to foster the reversion of one of the corporate governance components, but insufficiently explores the influence of institutional contexts, such as networks or changing regulations. Considering the finding in prior studies that corporate governance is affected by institutions (Aoki, 2001), a lack of interest in the influence of institutions is problematic. Consequently, we have limited knowledge about the factors impelling the abandonment of practice or the circumstances under which firms implement them.

Therefore, I observe that the research needs to further explore the mechanism of practice abandonment.

2.2 Corporate governance practice

Prior studies have generally focused on changes in one component of corporate governance, such as the introduction of stock options or changing the number of outside directors, which is not always the case (Chizema and Shinozawa, 2012; Geng, Yoshikawa and Colpan, 2016; Sanders and Tuschke, 2007; Tuschke and Sanders, 2003). However, as corporate governance comprises numerous components, a change in one component does not alter the entire corporate governance process (Aguilera and Jackson, 2010; Aoki, 2001; González et al., 2021; Rasheed and Yoshikawa, 2012; Witt. et al., 2022). Moreover, since interactive relationships among the components are assumed, a shift toward shareholder-oriented practices in one component invites a stakeholder-oriented shift in another component to maintain equalization (Aoki, 2001). Prior studies have found the emergence of hybrid practices, or the combination of shareholder- and stakeholder-oriented practices in non-Anglo-American countries (Aoki and Jackson, 2008; Buchanan and Deakin, 2009; González et al., 2021). However, changes in one corporate governance compo-

nent are unlikely to capture hybrid practices. Consequently, previous studies have insufficiently described the movement from or to hybrid practices.

Recent studies have focused on configuration or bundle approaches to capture corporate governance (Desender et al., 2013; Yoshikawa et al., 2014). Some studies examine a combination of various corporate governance components called corporate governance practices or indices (Aoki and Jackson, 2008; Gompers et al., 2003; Jackson, 2009; Larcker et al., 2007; Lei and Song, 2012). Gompers et al. (2003), Larcker et al. (2007), and Lei and Song (2012) examined the effect of estimated corporate governance practices on corporate performance, such as return on assets (ROA). However, few studies have estimated corporate governance practices to trace this transition. Aoki and Jackson (2008) and Jackson (2009) combined three corporate governance components and identified the coexistence of diverse corporate governance practices in Japan. However, these studies did not sufficiently explore the mechanism of dynamic transition. Thus, this study estimated corporate governance practices by combining multiple components to capture variations in corporate governance.

2.3 Japanese context

The stagnation or bank crisis following the burst of the bubble economy in the early 1990s gave birth to forces to change corporate governance in Japan. The economic downturn cast doubt on the Japanese business system, and underperforming banks caused the growth of foreign shareholders and eventually dismantled bank-centered inter-firm relationships, called cross-shareholding (Anchordoguy, 2007). Firms voluntarily responded to pressure to reform corporate governance by introducing an executive officer system or adding non-executive directors to the board (Buchahan and Deakin, 2009). Resultantly, the 1990s can be regarded as a decade of firm-level enthusiasm for the adoption of a shareholder-oriented practice termed global best practice (Vogel, 2006).

The firm-level movement in the 1990s was followed by government-level

movement from the 2000s onwards. The government revised the Commercial Code in 2003, which formally permitted the optional introduction of corporate structure with three committees – nomination, remuneration, and auditing although most firms retained the conventional structure with auditors (Chizema and Shinozawa, 2012). In 2005, it issued the Company Law (Gilson and Milhaupt, 2005). Further, after Shinzo Abe assumed the post of Prime Minister in 2012, the government tackled corporate governance reform by issuing the Stewardship Code in 2014 and the Corporate Governance Code in 2015, including formalized permission to introduce firms with the Audit and Supervisory Committee System, called the Abenomics (Miyajima and Saito, 2021). Legal changes serve to accelerate the reform of corporate governance to shareholder-oriented practices (Miyajima and Saito, 2021).

Despite attempts to reform corporate governance, their consequences are limited because of forces for continuity (Sako and Kotosaka, 2012: Lechevalier, 2014). Many firms have increased outside directors, defined as those who have never worked for the firm to their board of directors after Abenomics began in 2013 (Miyajima and Saito, 2021). However, the reform of increasing outside directors to the board or introduction of the firms with the Audit and Supervisory committee system was made not voluntarily but to comply with the regulation (Miyajima and Saito, 2021). Moreover, large firms employed outside directors before Abenomics began in 2012 because of globalization. Furthermore, the boards of most Japanese firms are still constituted by a majority of inside directors. The factors impeding or delaying the sea of corporate governance reforms are documented to be path-dependent norms, such as egalitarianism or societally coordinated adjustment (Anchordoguy, 2007; Witt, 2006). “Those norms delayed or impeded institutional adjustment because they involved the cooperation or negotiation of a lot of actors like employees or business associations toward changing institutions” (Witt, 2006; 62). The norms embedded in the context serve as forces of continuity.

The clash between the forces for change and continuity, differing with

the extent of the clash, caused the coexistence of multiple corporate governance (Ahmadjian and Robbins, 2005; Sako and Kotosaka, 2012). The trajectory of corporate governance reform and the coexistence of multiple corporate governance models make Japan an ideal setting to investigate the mechanism of corporate governance transition as we can trace the mechanism underlying the reversion of practice, namely, the transition from stakeholder to stakeholder orientation after adopting shareholder orientation, because there are a variety of transient patterns.

3. Hypothesis development

3.1 Conceptual model

I refer to the conceptualized model in Abrahamson (1991) to test the argument that efficient adoption, such as imitating other firms with great features, impedes a focal firm from abandoning a shareholder-oriented practice, but that the focal firm experiencing efficient adoption implements the abandonment of practice when embedded into inter-firm networks. The research mentions that "organizations efficiently choose the innovation that will allow them to most efficiently produce the outputs that are useful for attaining their goals" (Abrahamson, 1991, 592). Organizations are aware of their preferences and goals. Consequently, they adopt efficient practices to reduce discrepancies between their goals and goals that are attainable (Piazza and Abrahamson, 2020). Thus, the conceptualized model matches our assumption that organizations reform their corporate governance practices by imitating others with superior features, such as large firms, firms with great performance, and reputation (*superiors*) (Lieberman and Asaba, 2006; Naumovska, Gaba and Greve, 2021).

3.2 Impeding the abandonment hypothesis

The literature often investigates the underlying mechanisms of adopting practices introduced by superiors. Haunschild and Miner (1997) mention that

"firms adopt the practice of legitimate organizations and that legitimacy is inferred from traits such as large size and success" (1997, p.475). Posen et al. (2020) state that, in homogeneous environments, firms engage in "copy-the best," concluding that they imitate the practice of profitable companies in other groups. Kennedy and Fiss (2009) mention that firms are likely to follow reputational practices to enhance their legitimacy. Lieberman and Asaba (2006) theorized information-based imitation, defined as the adoption behavior of setting the practice of superiors as the target of imitation. They argue that firms imitate other superiors under uncertain circumstances to economize the costs of searching for information or minimizing risks. Firms attempt to reduce uncertainty by collecting information and imitating the practices of superiors. Superiors who adopt a certain practice perform well because they know that the practice is associated with profitability. Moreover, setting firms with superior features as targets of imitation demonstrate the quality or capability of the focal practice. Hence, adopting the practice introduced by superiors can be regarded as an efficient behavior of a focal firm (Abrahamson, 1991). Once firms adopt an efficient practice, they attempt to adhere to the adopted practice to maintain their efficiency or avoid bearing the risks accompanying deviations from the practice valued as efficient (Liberman and Asaba, 2006). Therefore, firms that adopt shareholder-oriented practices by imitating superiors (*efficient adoption*) are likely to continue with adopted shareholder orientation.

Japanese firms often prioritize the interests of banks, partner firms, and employees over those of shareholders (Aoki, 2001). Owing to frequent legal revisions and depressed performance since the late 1990s, Japan has pursued globalization and transformed the stakeholder-oriented business system into a globally accepted shareholder-oriented system. Legal changes have led to the increased presence of new shareholders, such as foreign and institutional investors, whose interests differ from traditional Japanese shareholders, causing conflicts between existing and emerging institutions (Ahmadjian and Robbins, 2005; Cuomo et al., 2013). Moreover, poor performance has driven

pioneering firms such as Sony, Hitachi, Toshiba, and Mitsubishi to reform their corporate governance. These reforms, moving in the direction of shareholder orientation, included adopting the executive officer system enacted in 1997 to separate decision-making from the control function, and adapting the corporate system of board committees—the system modeled after Anglo-American corporations—formalized in 2003, when the Commercial Code was revised (Yoshikawa, Tsui-Auch and McGuire., 2007). The movement of these large firms toward the introduction of shareholder orientation may encourage others to adopt corporate governance in the direction of shareholder orientation and continue with the adopted practice due to their reputation or success.

Therefore, firms are likely to continue with their adopted shareholder orientation if they adopt corporate governance from a stakeholder to a shareholder for efficient reasons such as imitating superiors (Younkin, 2016). Thus, the following hypothesis is proposed:

Hypothesis 1: Firms that adopt shareholder-oriented corporate governance practices for efficient reasons by imitating superiors are likely to continually adhere to the adopted shareholder-oriented practices.

3.3 Impelling the abandonment hypothesis

Networks provide virtues and vice to their constituents. For instance, the literature explains accessibility of information, shared knowledge, and mutual trust as the positive aspects of networks (Chung et al., 2000; Uzzi, 1996). Firms placed around the center of networks enjoy these advantages and use them to form new alliances or innovate (Ahuja, 1999; Chung et al. 2000).

Nevertheless, networks have recently been reported to impede firms from choosing the best option or restructuring. The vicious dimension of a network is explained as a suboptimal choice or network inertia in previous literature. Mitsuhashi and Min (2016) clarify that embeddedness in networks

impels constituent firms to select suboptimal options. Moreover, Kim et al. (2006) defined network inertia as impeding its constituents from changing their structure, despite the increasing necessity to restructure. Jackson and Miyajima (2007) argue that deep embeddedness in path-dependent institutions impedes Japanese firms from reforming their corporate governance as a result of complementarity among institutions. Further, they demonstrate that once Japanese firms move away from the path-dependent stakeholder orientation toward the globally accepted shareholder orientation, existing institutions such as inter-firm networks serve as the forces to pull back from the adopted shareholder orientation to the stakeholder orientation. These studies suggest that even if firms change their corporate practices, the network causes constituent firms to pull back to the existing one.

Application of the network perspective to the present research context leads us to the prediction that even if firms engage in efficient adoption, those deeply embedded in the network are likely to abandon an adopted shareholder orientation for stakeholder orientation. The efficient adoption of shareholder orientation may have a positive effect on firms. Hence, firms should optimally adhere to adopted shareholder orientation. However, despite the lack of necessity to abandon adopted shareholder orientation, networks force firms to choose the suboptimal option, namely, abandoning the adopted shareholder orientation for the less efficient stakeholder orientation because of the inertia or suboptimal selection effects that networks bring. Thus, I propose the following hypothesis:

Hypothesis 2: Firms that adopt their corporate governance practices from stakeholder orientation to shareholder orientation for efficient reasons by imitating superiors are likely to abandon an adopted shareholder-oriented practice for a stakeholder-oriented one when embedded into inter-firm networks.

4. Methods

4.1 Sample

The research sample comprises all firms listed in Japan, excluding banks, life insurance firms, and firms with missing data. It is limited to firms listed between 2005 and 2018. In 2005, the company law was enacted for the first time in the history of Japan, thereby granting greater discretion to corporate managers to shape the corporate governance of their firms; Livedoor's attempt to take over Nippon Broadcasting System Inc., widely known as the Livedoor shock, was recorded. Since then, managers have been conspicuously conscious of their corporate governance (Ahmadjian and Okumura, 2006). Hence, 2005 was a valid departure point to investigate the changing corporate governance in Japan. 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 or simultaneity (Hill et al., 2021). The final number of observations was 30,128.

Data on corporate governance practices were gathered from the Nikkei NEEDs corporate governance evaluation system (the Nikkei NEEDS Cges) and the Handbook of Directors published by Toyo Keizai ("*Yakuin Shikiho*" in Japanese). The independent variables (the imitation factors) are from the Nikkei NEEDS Cges and the Capital IQ provided by Standard & Poor's, called the S&P Capital IQ. Furthermore, data on corporate attributes, such as sales volume and the age of firms, are from the S&P Capital IQ and Speeda databases (https://www.ub-speeda.com/). Data on the ratio of equities held by main banks and the number of dispatched directors are from the Nikkei NEEDS Cges. The main bank of each firm was drawn from the Nikkei NEEDS Cges.

4.3 Dependent variable

This study examines the abandonment of adopted shareholder-oriented practices. Incumbent studies have set only one component of corporate gov-

ernance, that is, introducing a firm's committee system, as the target of analysis (Chizema and Shinozawa, 2012; Geng et al., 2016). The following three corporate governance components were used to measure corporate governance practices: the committee firm system, separation of control and decision-making, and independence and heterogeneity of the board. The components represent the separation of control and decision-making, are independent and heterogeneous, and regarded as critical dimensions of corporate governance (Ahmadjian et al., 2013; Aoki and Jackson, 2008).

The first binary variable is generated for the committee firm system (Chizema and Shinozawa, 2012), a corporate system with audit, nomination, and compensation committees modeled after corporate governance systems in Anglo-American states. This system was formally introduced through a revision of the 2003 Commercial Code (Buchanan and Deakin, 2009; Shishido, 2006). The revised law allows firms to choose either a committee firm system or a traditional system with auditors (Gourevitch and Shinn, 2007). A firm's decision to introduce the committee firm system or adhere to the auditor firm system signals its attitude toward reforming its corporate governance (Gilson and Milhaupt, 2005). Thus, I create the committee firm system variable, which codes 1 if a firm opts for the committee firm system and 0 otherwise. The variable was coded as *firm with committee system*.

The second binary variable was generated for the separation of control and decision making. After Sony informally introduced the executive officer system in charge of executing day-to-day business operations in 1997, the system rapidly diffused among the listed companies (Aoki, 2004; Buchanan and Deakin, 2009). The executive officer system splits supervisory and executive functions by leaving supervisory authority to the board and delegating executive officers' execution responsibilities (Aoki and Jackson, 2008). However, introducing the executive officer system is not an optimal proxy for measuring the separation of supervisory and executive functions because many inside directors simultaneously assume the positions of executive officers (Aoki, 2004). Hence, following Ahmadjian et al. (2013), this study measured the

percentage of inside directors who do not concurrently hold the position of executive officers among the total number of directors, including inside, affiliated, and outside directors, and used it as a corporate governance component to estimate corporate governance practices. The separation value was then decomposed into the above- and below-median ratios. Finally, the binary variable is generated and coded 1 if the firms have an above-median ratio of directors who do not concurrently assume the positions of executive officers and 0 otherwise. The variable is operationalized as *separation of decision making and control*.

The last binary variable was generated for board independence and heterogeneity. These aspects are often measured as the ratio of outside directors who have never worked in the firm to the total number of board members (Colpan and Yoshikawa, 2012). Adams (2017) defines outside directors as "either independent directors, that is, directors with no business, family, or interlock connections to the firm or affiliated (or grey) directors, who possess some formal connection to the firm" (2017:317). However, the definition of outside directors has been debated (Mukherjee and Bonestroo, 2021). In the Japanese context, it is unclear whether directors dispatched from main banks and partner firms associated with traditional business groups can be defined as outside 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), this research defines directors from the main bank or partner firms as affiliate directors, because of their interest in the focal firm. Board members were classified into the following categories:1. insiders—those who were internally promoted; 2. affiliated directors—directors dispatched from the main bank or partner firms; and 3. independent directorsthose who are neither insiders nor affiliated directors (Adams, 2017; Colpan and Yoshikawa, 2012; Donadelli, Fasan and Magnanelli, 2014; Neville et al., 2019; Mukherjee and Bonestroo, 2021).

Boards of Japanese firms consisted of insiders and affiliated directors in the post-war period. 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 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: Miyajima and Saito, 2021). 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. These findings suggest that board heterogeneity illustrates the interests of the shareholders represented by each director and the independence of the board. The greater the heterogeneity of the board, the more diverse shareholders' interests within the boardroom (Colpan and Yoshikawa, 2012: Yoshikawa and Phan, 2005). This results in greater power of the board and an eventual increase in its independence (Adams, 2017: Jo and Harjoto, 2011). Adams (2017) suggests the importance of diversity of directors, arguing that diversity across directors fosters the board to gather costly information and, consequently raise its power over the CEO or managers. Therefore, board heterogeneity, representing the interests of shareholders, reflects the independence or diversity of the board. Hence, the use of board heterogeneity to estimate the 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 independent and heterogeneous (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 and heterogeneity are above the median value, and 0 otherwise. This variable is operationalized as *independence and heterogeneity of the board*(2).

The details of the three corporate governance components are presented in Table 1.

Table 1. The changes in the corporate governance components

	Year					
Corporate governance components	2006	2007	2008	2009	2010	2011
Firms with committee system	2	0	2	2	2	1
Separation of decision-making and control	192	231	220	237	240	233
Independence and heterogeneity of board	224	204	194	187	198	208

Year						
2012	2013	2014	2015	2016	2017	2018
1	1	1	1	3	1	1
226	234	231	188	196	259	252
198	224	223	292	375	344	347

Note: N is 2152 per year

The table demonstrates the dynamic change in the number of firms abolishing the formalized committee system, engaging in a reduction in the ratios of separation between decision-making and control, and heterogeneity of the board between 2006 and 2018. This illustrates that a few firms abolished the committee systems legalized through an amendment to the commercial code from 2006 to 2018. Moreover, the dynamic fluctuation in the number of firms that decrease the ratio of directors who do not concurrently assume the position of executive officers between 2006 and 2018 is provided. Further, the

heterogeneity of the board presents the change in the number of firms experiencing the decreased value of the Herfindahl Hirschman Index as a proxy for board independence or diversity over time.

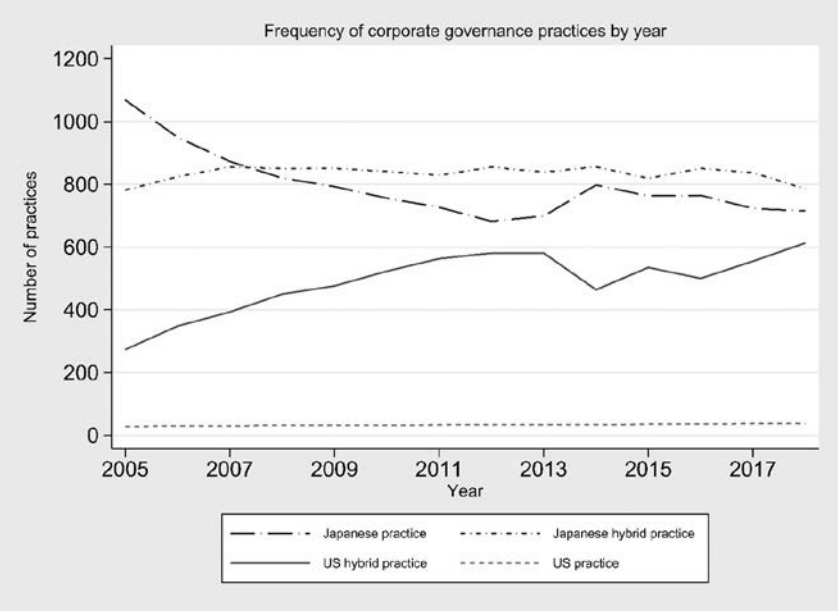
Following Gompers et al. (2003), I used the equal-weighted sum of the three binary variables to estimate each firm's corporate governance practices. Additionally, like Gompers et al. (2003), this study uses binary variables to measure the corporate governance practices. Larcker et al. (2007) and Lei and Song (2012) used principal component analysis to combine corporate governance components, including numerical and binary variables. Considering the features of the variables, using their equal-weighted sum is valid. The estimated corporate governance practice scores range from 0 to 3. Based on these premises, the Japanese, Japanese hybrid, U.S. hybrid, and U.S. practices were 0, 1, 2, and 3, respectively.

Japanese practice has a conventional system with auditors, obscured separation of control and execution, and a dependent and homogenous board. Firms adopting this practice either slightly reformed their corporate governance or did not. This practice is consistent with traditional stakeholder-oriented Japanese corporate governance, which features ineffective monitoring mechanisms because of entrenched trust in insiders such as employees (Colpan and Yoshikawa, 2012; Yoshikawa et al., 2007). The Japanese hybrid practice has a conventional system with auditors and either a high-level separation of control and execution or an independent and heterogeneous board. This shows the gradual reform of internal monitoring mechanisms through either developing an executive officer system or further board independence and heterogeneity (Yoshikawa et al., 2007).

Conversely, the US practice system has firms with a committee system formalized through legal change in 2003, high-level separation of control and execution, and an independent and heterogeneous board. An abrupt reform of corporate governance to shareholder-oriented practices can be observed (Chizema and Shinozawa, 2012). Finally, the US hybrid practice presents a conventional system with auditors, high-level separation of control and execu-

tion, and an independent and heterogeneous board. Firms employing this practice do not introduce a formalized system with committees, but voluntarily strengthen the internal control mechanism. The practice can be interpreted as structurally proximate to the practice regarded as the best global one by the Organisation for Economic Co-operation and Development (OECD), which stresses the separation of control and execution and board independence and heterogeneity (Witt et al., 2022). Moreover, the US practice may be over-conformity or one exceeding the norms regarded as a shareholder orientation prevailing in the Japanese context because the Japanese government emphasizes the separation of control and execution, heterogeneity, and independence of the board (Aguilera, Judge and Terjesen, 2018;

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 adopting each corporate governance practice.
X-axis is the year, between 2005 and 2018.

Schaede, 2020). Thus, I define U.S. hybrid practice as the best practice stressing the interests of shareholders. Consequently, I define the transition from Japanese to U.S. hybrid practices as representing the adoption of practice and transitioning from the US hybrid to Japanese as a proxy for the abandonment of practice. Therefore, I set the cases that transitioned from U.S. hybrid to Japanese practices following the temporary transition from Japanese practice to U.S. hybrid practices as our analysis target.

Figure 1 depicts the dynamic breakdown of the four corporate governance practices across the sampled firms.

Relying on the measured corporate governance practices, I operationalized the following time durations as our dependent variables: the transition duration from the Japanese to the US. hybrid practices (*propensity for adoption*) and that from the US. hybrid practice to the Japanese one (*duration before abandonment*). Whereas a long duration is the longer time for firms to change their corporate governance practices, a short duration indicates that firms adopt the change sooner (Greve, 1995).

4.4 Independent variable

This study first tests whether the efficient adoption of shareholder orientation fosters the abandonment of the adopted practice. It subsequently examines the circumstances under which the positive impact of efficient adoption on the abandonment of practices is overturned. This section describes how the independent variables of *efficient adoption* and *network centrality* were operationalized.

I measure efficient adoption by relying on information-based imitation and rivalry-based imitation in Lieberman and Asaba (2006). The former imitation is defined as imitating other firms with superior features, such as large size, outstanding performance, or reputation (*superiors*). A focal firm can collect information, minimize uncertainties, or raise the legitimacy of firms by setting superiors as the target of imitation. However, the latter imitation is that firms imitate others with similar features, such as those belonging to the

same industry or network (*neighbors*). Setting the practice wherein superiors introduce the imitation target suggests the efficiency of a focal firm because firm size, performance indicators, and legitimacy are interpreted as efficient thresholds to drive its imitation behavior. This illustrates that the adoption of a focal firm in the US. hybrid practice by imitating superiors demonstrates the efficiency of its behavior. Hence, I built the following two logit equations to measure efficient adoption:

$$y^* = \alpha + \beta 1x1 + \beta 2x2 + \beta 3x3 + \beta 4x4 + \beta 5x5 + e \cdots\cdots (1)$$

$$y^* = \alpha + \beta 1x1 + \beta 2x2 + e \cdots\cdots (2)$$

$$y = \begin{cases} 1\ (y^* = 1\text{: adoption to the US. hybrid practice}) \\ 0\ (y^* = 0\text{: not adoption to the US. hybrid practice}) \end{cases}$$

where y is the propensity for adoption, α is a coefficient, e is the residual, and xs are the imitation components: *industry bandwagon U.S. hybrid* (USHY), *bank network USHY*, *top10 size USHY*, *performance success USHY*, and *reputation-seeking USHY*.

Industry bandwagon USHY is measured as the percentage of firms introducing U.S. hybrid practices to the total number of firms in each industry based on the Nikkei two-digit classification. *Bank network USHY* is the ratio of firms adopting U.S. hybrid practices to the total number of firms interrelated via their main bank. These two variables can be interpreted as proxies for rivalry-based imitation (Asaba and Lieberman, 2017). *Top10 size USHY* is operationalized as the proportion of firms introducing U.S. hybrid practices to the ten largest firms in their industry. *Performance success USHY* is calculated as the ratio of firms adopting U.S. hybrid practices among the 30 most profitable firms in each industry (Asaba and Lieberman, 2017). *Reputation-seeking USHY* is operationalized as the percentage of firms adopting U.S. hybrid practices among the top 10 firms in Nikkei NEEDS Cges.

Efficient adoption is operationalized by subtracting the prediction value estimated in Equation (2) from that measured in Equation (1). Equation (1) estimates the prediction value of adopting the US hybrid practice by using *bank network USHY* and *industry bandwagon USHY* to represent rivalry-based imitation. Equation (2) measures the prediction of adopting from the Japanese to U.S. hybrid practices by relying on full imitation variables, namely, *bank network USHY*, *industry bandwagon USHY*, *top10 size USHY*, *performance success USHY*, and *reputation seeking USHY*. The estimated value is defined as the probability of each firm setting the superiors as the target of imitation when it adopts from a Japanese practice to a US hybrid. Setting the superiors, the target of imitation, illustrates efficient behavior because the success of firms demonstrates the quality or capability to manage. Therefore, the estimated value is operationalized as *efficient adoption* to represent efficient adoption from Japanese practice to the US hybrid.

Network centrality, a variable used to test Hypothesis 2, is measured as the extent of embeddedness in an inter-firm network (Burt, 1992). It is estimated using data on interlocking directorates or directors in a focal firm who have a seat in another firm. Using data on interlocking directorates, I measured Burt's constraint, defined as the extent of redundancy (Burt, 1992). The estimated value was coded as *network centrality*.

4.5 Control variable

I added variables to the estimation model to control for factors other than the independent variables on the dependent variable.

First, I include *log of firm size* and *log of firm age* as controls. *Log of firm size* and *log of firm age* are logarithms of sales volume and firm age, respectively. Moreover, *bank ownership*, *foreign ownership*, and *stable ownership* were added to the existing model. *Bank ownership* is the percentage held by the main bank of each firm among the total number of issued equities. *Foreign ownership* and *stable ownership* are the share ratios held by foreign investors and stable shareholders, respectively, of the total number of

issued shares. In addition, I add *performance deviation* to the existing control variables, which is the difference between the industry-median return on sales (ROS) and the performance indicator of firms adopting U.S. hybrid practices. Japanese firms stress sales or growth over profitability and efficiency (Schaede, 2006). Their decisions are likely to be affected by ROS rather than ROA or return on equity (ROE). Hence, the use of ROS as a performance indicator is valid in research on Japanese firms. Additionally, I included five imitation-related variables to control the transition to Japanese practice by following others: *bank network Japan* (JPN), *industry bandwagon JPN*, *top10 size JPN*, *performance success JPN*, and *reputation-seeking JPN*. *Bank network JPN* is the ratio of firms employing Japanese practices among the total firms interrelated via their common main bank. *Industry bandwagon JPN* is the percentage of firms that introduce Japanese practices among the total number of firms in each industry, and *the top 10 size* are estimated as the proportion of firms adopting Japanese practices to the 10 largest firms in each industry. *Performance success JPN* is the percentage of firms introducing Japanese practices among the 75 most profitable firms in the industry. *Reputation-seeking JPN* is the ratio of firms adopting Japanese practices among the top 50 firms in the Nikkei NEEDS Cges. Finally, an industry dummy was added; however, a year dummy was not included because the Cox proportional hazard method drops the time-related variable.

4.6 Econometric methods

The operationalized dependent and independent variables lead us to the following hypothesized relationships: 1) efficient adoption has a positive effect on *duration before abandonment* and 2) the interaction between *efficient adoption* and *network centrality* negatively influences *duration before abandonment*.

To test the hypotheses, I first used the fixed effects logit method as a result of the Hausman test (< 0.05). By running the fixed effects model, I estimate the probability of firms transitioning from stakeholder to shareholder orientation for efficient reasons such as imitating superiors. Operationalizing

the estimated efficient adoption by reference to imitation perspective as *efficient adoption*, the effect on *duration before abandonment* was tested using the Cox proportional hazard method, piecewise exponential, adjusted Poisson, and Poisson cubic spline methods.

4.6.1 Cox proportional hazard method

The Cox proportional hazard method was used to examine the effect of *efficient adoption* and *network centrality* on *the abandonment of practice*. The Cox method is a popular semiparametric approach for analyzing longitudinal and survival data with time-varying covariates, while controlling for time dependence (Rabe-Hesketh and Skrondal, 2012). Moreover, it is more effective than other methods, such as logit or probit, for dealing with right censoring in cases where the event of interest never occurs. (Greve, 1995). It is often used in empirical research, such as in the transition of corporate governance, strategic change, introduction of new products, and organizational change, which require reporting for right censoring (Asaba and Lieberman, 2017; Chizema and Shinozawa, 2012; Greve, 1995; Shi et al., 2018). Considering the features of our dataset and the fact that this study aimed to explore the transition in corporate governance, the Cox method was optimal.

The Cox method calculates the hazard rate for the ith individual (Shin, et al., 2021) as follows:

$$hi(t) = h_0(t)\ \exp(\beta_1 X_{1,i} + \ldots + \beta_k\ X_{k,i}),$$

where $h_i(t)$ is the hazard ratio of the abandonment of practices at time t, $h_0(t)$ is the baseline hazard, and exp ($X_{k,i}$) is the regression coefficient of time-varying covariates (Cox, 1972).

4.6.2 Piecewise exponential method

As the Cox method includes the duration of time until the event of interest occurs as a dependent variable, it systematically removes time-related variables such as year dummies (Greve, 2011). The piecewise exponential

method was used to address this issue. Owing to the similarities in the equations underlying the two methods, the piecewise exponential method was used to check the robustness of the Cox hazard method (Friedman, 1982). Wey et al. (2020, p.2) mention, "similar to the Cox proportional hazard method, the Piecewise exponential method models the conditional hazard function using a proportional hazard framework with constant but different baseline hazards within pre-defined intervals." Thus, intervals with different effects were selected before applying the piecewise exponential method. I specify the following model.

$$\ln\{h(t|dsi)\} = \alpha_1 d_{1si} + \alpha_2 d_{2si} + \ldots . \alpha_k d_{ksi}$$

where $d_{si} = (d_{1si}, \ldots d_{ksi})$ is a dummy variable for intervals from 1 to k (Rabe-Hesketh and Skrondal, 2012). By including time intervals in the model, I controlled for time/year effects. Thus, the piecewise exponential method is useful for checking the robustness of Cox's outcomes.

4.6.3 Adjusted Poisson method

In addition, the adjusted Poisson method is used to further check the robustness of the empirical outcomes. The adjusted Poisson method was estimated using the following formula:

$$\ln(u_{si}) = \ln(t_{si}) + \alpha_1 + \alpha_2 d_{2si} + \alpha_3 d_{3si} + \ldots . \alpha_k d_{ksi},$$

where u_{si} is the mean parameter of the Poisson distribution, t_{si} indicates the time at risk in interval s for firm i, and dk_{si} represents the dummy variables for intervals 2 to k. Although the event could only occur once in each episode, I counted the number of events that occurred for each combination of interval and covariate values. Poisson regression on such aggregated data yields the same result as the Cox method (Rabe-Hesketh and Skrondal, 2012).

4.6.4 Poisson cubic spline method

Poisson regression was utilized with a smooth baseline hazard method,

called the Poisson cubic spline method, for another robustness check by estimating the following formula:

$$\ln(u_{si}) = \ln(t_{si}) + \alpha_1 + \alpha_2 SP_{2si} + \alpha_2 SP_{3si} + \ldots . \alpha_k SP_{ksi},$$

where u_{si} is the mean parameter of the Poisson distribution, t_{si} indicates the time at risk in interval s for firm i, and SP_{ksi} represents the dummy variables for spline functions 1–k. The estimation formula was proximate to those of the Cox proportional hazard, piecewise exponential, and adjusted Poisson methods.

As some firms had multiple observations and events during the observation period, I clustered the observations at the firm level and used robust standard errors clustered by firms to correct for a lack of independence in all models (Rabe-Hesleth and Skrondal, 2012).

5. Empirical results

Table 2 presents descriptive statistics and a correlation matrix of the variables.

This table presents some interesting firm features and correlations between the variables. The mean ratio of equities held by the main bank of each firm to the total number of issued shares is merely around 3 percent, but that controlled by stable shareholders, such as partner firms or those belonging to the same *Keiretsu* group, is around 42.34 percent. The mean ratio of shares held by foreign investors is approximately 7 percent. This evidence illustrates that Japanese capitalism, featured as centering on the interests of partners or group firms, may remain intact. More than half of the 10 largest firms in each industry introduce US hybrid practices; contrastingly, only around 10 percent of them in the industry have the Japanese one. About 30 percent of the most profitable firms in each industry adopt Japanese practices, and around 20 percent of them have US hybrid practices. Half the firms in the top10 in the Nikkei Cges employ the US hybrid practice, but the per-

Table 2. Descriptive statistics and correlation matrix

Variables	Mean	SD	Min	Max	VIF	1	2	3	4
(1) log of firm age	3.852	0.605	0	5.231	1.09	1			
(2) log of firm size	10.915	1.656	5.278	17.196	2.11	0.133	1		
(3) bank ownership	3.05	1.54	0.01	28.5	1.12	0.02	-0.228	1	
(4) foreign ownership	7.906	11.044	0	86.63	1.98	0.132	0.616	-0.262	1
(5) stable ownership	42.34	17.7	0	100	1.61	-0.179	-0.535	0.168	-0.509
(6) bank network USHY	27.397	11.687	0	60	1.98	0.08	0.156	-0.125	0.027
(7) industry bandwagon USHY	22.214	7.585	0	100	2.87	0.02	0.027	-0.057	-0.002
(8) top10 size USHY	56.201	20.916	0	100	1.58	0.036	-0.151	0.03	-0.04
(9) performance success USHY	22.531	10.029	0	53.333	1.5	0.028	-0.014	-0.009	-0.028
(10) reputation seeking USHY	50.054	13.037	30	70	1.23	-0.053	0.034	-0.004	0.158
(11) bank network JPN	29.253	11.902	0	88.889	2.05	-0.076	-0.077	0.125	0.011
(12) industry bandwagon JPN	37.305	9.541	0	100	2.99	0.039	-0.001	0.081	0.006
(13) top10 size JPN	10.73	12.323	0	80	1.31	-0.001	-0.014	0.024	0.04
(14) performance success JPN	32.655	12.714	0	64	2.14	-0.06	-0.06	0.037	0.008
(15) reputation seeking JPN	0.304	0.718	0	2.041	1.17	-0.002	-0.047	-0.003	-0.188
(16) performance deviation	15.471	493.36	-453.2	13813	1.75	-0.13	0.042	-0.005	-0.014
(17) network centrality	0.53	0.338	0.047	4	1.14	-0.049	-0.331	0	-0.174

	5	6	7	8	9	10	11	12	13	14	15	16	17
5	1												
6	-0.179	1											
7	-0.082	0.209	1										
8	0.032	0.156	0.328	1									
9	-0.005	0.108	0.532	0.323	1								
10	0.028	-0.241	-0.179	-0.121	-0.137	1							
11	0.135	-0.685	-0.26	-0.187	-0.157	0.254	1						
12	0.034	-0.192	-0.739	-0.159	-0.393	0.152	0.26	1					
13	-0.012	-0.118	-0.237	-0.401	-0.238	0.085	0.14	0.115	1				
14	0.114	-0.23	-0.415	0.202	-0.077	0.137	0.276	0.597	-0.184	1			
15	-0.02	0.099	0.12	0.07	0.102	-0.325	-0.12	-0.102	-0.059	-0.107	1		
16	-0.051	-0.021	-0.047	-0.014	-0.015	0.01	-0.002	0.052	0.018	0.029	0.012	1	
17	0.14	-0.037	0.001	0.076	0.053	-0.027	-0.025	-0.005	0.037	0.02	0.027	-0.03	1

centage of firms that introduce the Japanese practice is below 1 percentage.

Regarding the correlation matrix, I find that *log of firm size* and *bank ownership* is negatively correlated with *stable ownership* and that there is a positive association between *log of firm size* and *foreign ownership*. A negative correlation is found between the *log of firm size* and *network centrality*. Moreover, *log of firm age* has a positive correlation with *foreign ownership* but is negatively related to *network centrality*. Additionally, there is a positive correlation between *industry bandwagon USHY* and *performance success USHY*. A positive relationship was observed between *industry bandwagon JPN* and *performance success JPN*. *Foreign ownership* has a positive effect on *reputation-seeking USHY* but a negative association with *reputation-seeking JPN* and *stable ownership*. *Stable ownership* has a positive relationship with *bank network JPN* and *performance success JPN* but a negative effect on *bank network USHY*.

There are some high correlations between variables that could bias our empirical outcomes. I observe a high correlation between *log of firm size* and *foreign ownership*, *industry bandwagon USHY*, *performance success USHY*, and between *industry bandwagon JPN* and *performance success JPN*. The variance inflation factor for each variable was checked. The values range from 1.00 to 2.99, well below the threshold of 4.0, thus alleviating concerns about multicollinearity (Greene, 2003).

Table 3 presents the empirical outcomes of using the fixed-effects logit and Cox proportional hazards methods.

Models 1 and 2 test the impact of imitation-related variables on *the propensity for adoption* to estimate *efficient adoption* by utilizing the fixed-effect logit model. Model 1 comprises *bank network USHY*, *industry bandwagon USHY*, and control variables; Model 2 adds *top10 size USHY*, *performance success USHY*, and *reputation seeking USHY* to the existing model.

Models 1 and 2 present the significant and positive effect of *industry bandwagon USHY* on *propensity for adoption* ($\beta=0.043$, $p<0.05$ in Model 1; $\beta=0.071$, $p<0.01$ in Model 2). Moreover, I find a significant and positive rela-

Table 3. Empirical outcomes of fixed effect Logit and Cox hazard methods

Model	adoption model		abandonment model		
Methods	fixed effect logit		cox hazard		
Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Log of corporate age	0.424	0.196	0.273	0.245	-0.313
	[1.786]	[1.715]	[0.450]	[0.437]	[0.490]
Log of corporate size	0.221	0.283	0.148	0.151	0.119
	[0.513]	[0.517]	[0.124]	[0.123]	[0.175]
Bank ownership	0.218	0.266	0.231+	0.237+	0.14
	[0.244]	[0.247]	[0.132]	[0.132]	[0.190]
Foreign ownership	0.024+	0.025+	0.031*	0.030*	0.026+
	[0.015]	[0.015]	[0.014]	[0.014]	[0.016]
Stable ownership	0.014	0.012	0.011	0.01	0.012
	[0.017]	[0.017]	[0.012]	[0.012]	[0.014]
Performance deviation	-0.015	-0.016+			
	[0.010]	[0.010]			
Bank network USHY	-0.006	-0.013			
	[0.015]	[0.021]			
Industry bandwagon USHY	0.043*	0.071**			
	[0.019]	[0.022]			
Top10 size USHY		0.008			
		[0.008]			
Performance success USHY		-0.040**			
		[0.015]			
Reputation seeking USHY		0.150*			
		[0.076]			
Bank network JPN			0.007	0.007	-0.009
			[0.015]	[0.015]	[0.024]
Industry bandwagon JPN			0.017	0.019	0.049
			[0.080]	[0.078]	[0.137]
Top10 size JPN			0.044	0.051	0.084
			[0.067]	[0.067]	[0.081]
Performance success JPN			-0.076	-0.090+	-0.078
			[0.050]	[0.052]	[0.072]
Reputation seeking JPN			-1.401**	-1.429**	-17.158***
			[0.542]	[0.537]	[2.639]
Performance deviation			0.002**	0.003**	0.002
			[0.001]	[0.001]	[0.002]
Efficient adoption				7.675*	17.620*
				[3.247]	[7.314]
Network centrality					-0.02
					[0.789]
Efficient adoption*Network centrality					-20.869+
					[11.825]
Year dummy	Included	Included	—	—	—
Industry dummy	—	—	Included	Included	Included
Log likelihood	-330.507	-326.499	-271.449	-269.393	-148.469
N. of cases	1872	1872	3415	3415	1734

Note: Robust standard errors are reported in parentheses.
+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

tionship between *reputation-seeking USHY* and *propensity for adoption* in Model 2 ($\beta=0.150$, $p<0.05$ in Model 2). However, Model 2 presents a significant and negative effect of *performance success USHY* on *propensity for adoption* ($\beta=-0.040$, $p<0.01$ in Model 2). Furthermore, I find the insignificant and positive impact of *top10 size USHY* on *propensity for adoption*. These results illustrate that firms are likely to imitate others regarded as having a high rating of corporate governance when they engage in corporate governance reform. Moreover, firms refer to others that belong to the same industry in the reform of their corporate governance; however, they are unlikely to set a group of highest-performing firms as the target of imitation. They may reform their corporate governance not to enhance their performance, but to gain a high reputation or keep up with neighbors or rivals.

The number of observations in Models 1 and 2 illustrate that there are 1872 cases/observation (154 sample firms) experiencing the transition of corporate governance practice from the Japanese to the US hybrid. Consequently, I set 154 sample firms as the target of analysis in Models 3-14. Thus, this study mainly set the cases that experienced the transition from Japanese to US hybrid practices among the samples as the target of analysis in the models examining the impact of *efficient adoption* on *duration before abandonment* or the abandonment model.

The abandonment model using the Cox proportional hazard method included Models 3–5. Model 3 includes only control variables. Model 4 tests H1 by adding *efficient adoption* to the control variables, whereas Model 5 examines H2 and includes the interaction between *efficient adoption* and *network centrality* (*efficient adoption*network centrality*).

H1 concerns the relationship between the efficient adoption of a globally accepted shareholder-oriented practice and the likelihood that a focal firm abandons the adopted shareholder orientation for a stakeholder orientation. I find a significant and positive association between *efficient adoption* and *duration before abandonment* in Models 4 and 5 ($\beta=7.675$, $p<0.05$ in Model 4; $\beta=17.620$, $p<0.05$ in Model 5). Evidence indicates that efficient adoption by

imitating superiors impedes firms from abandoning adopted shareholder oriented for stakeholder-oriented practices. Hence, these results support H1.

H2 tests the prediction that firms that efficiently adopt shareholder-oriented practices abandon the adopted shareholder orientation for stakeholder orientation when deeply embedded into inter-firm networks. The significant and negative effects of *efficient adoption*network centrality* on *duration before abandonment* were found in Model 5 ($\beta=-20.869$, $p<0.1$ in Model 5). This finding illustrates that firms experiencing efficient adoption of shareholder orientation abandon their shareholder-oriented practices when they are embedded in inter-firm networks. Thus, our empirical findings support H2:

Regarding the control variables, there is a positive relationship between *bank ownership* and *duration before abandonment* in Models 3 and 4 ($\beta=0.231$, $p<0.1$ in Model 3; $\beta=0.237$, $p<0.1$ in Model 4). Moreover, I find a positive relationship between *foreign ownership* and *duration before abandonment* in Models 3–5 ($\beta=0.031$, $p<0.05$ in Model 3; $\beta=0.030$, $p<0.05$ in Model 4: $\beta=0.026$, $p<0.1$ in Model 5). Furthermore, a negative effect of *reputation-seeking JPN* on *duration before abandonment* was identified in Models 3–5 ($\beta=-1.401$, $p<0.001$ in Model 3; $\beta=-1.429$, $p<0.001$ in Model 4; $\beta=-17.158$, $p<0.001$ in Model 5). I find a negative impact of *performance success JPN* on *duration before abandonment* in Model 4 ($\beta=-0.090$, $p<0.1$ in Model 4). Additionally, a positive relationship between *performance deviation* and *duration before abandonment* was detected in Models 3 and 4 ($\beta=0.002$, $p<0.01$ in Model 3; $\beta=0.003$, $p<0.01$ in Model 4).

6. Ex post analysis

I use piecewise exponential, adjusted Poisson, and Poisson cubic spline methods to check the robustness of our empirical results.

Tables 4–6 present the outcomes of using these methods.

Table 4. Empirical outcome of Piecewise exponential method

	abandonment model		
Methods	piecewise exponential		
Variables	Model 6	Model 7	Model 8
Log of corporate age	0.387	0.353	-0.056
	[0.409]	[0.407]	[0.481]
Log of corporate size	0.124	0.13	0.087
	[0.142]	[0.142]	[0.202]
Bank ownership	0.238+	0.237+	0.203
	[0.124]	[0.125]	[0.177]
Foreign ownership	0.004	0.002	-0.003
	[0.021]	[0.021]	[0.026]
Stable ownership	0.004	0.003	-0.001
	[0.012]	[0.012]	[0.017]
Bank network JPN	-0.042+	-0.041+	-0.076*
	[0.022]	[0.022]	[0.031]
Industry bandwagon JPN	0.052	0.059	0.097
	[0.047]	[0.047]	[0.064]
Top10 size JPN	-0.014	-0.01	0.007
	[0.035]	[0.036]	[0.048]
Performance success JPN	-0.054	-0.066	-0.033
	[0.051]	[0.051]	[0.068]
Reputation seeking JPN	-0.188	-0.21	-0.612
	[0.269]	[0.271]	[0.566]
Performance deviation	0.002	0.002	0.001
	[0.002]	[0.002]	[0.003]
Efficient adoption		8.161*	22.463*
		[3.992]	[9.113]
Network centrality			0.292
			[0.621]
Efficient adoption*Network centrality			-28.570+
			[15.297]
0.interval	-17.463	-17.459	-17.164
	[4233.841]	[4156.761]	[3818.201]
2.interval	-1.147	-1.154	-1.169
	[0.992]	[0.994]	[1.458]
4.interval	-17.753	-17.718	-16.523
	[3387.152]	[3342.177]	[3087.425]
5.interval	-1.582+	-1.569+	-0.669
	[0.850]	[0.858]	[1.275]
7.interval	-0.3	-0.335	0.758
	[0.520]	[0.523]	[0.762]
11.interval	-0.022	0.015	0.307
	[0.605]	[0.604]	[0.908]
12.interval	0	0	0
	[.]	[.]	[.]
Cons	-6.374*	-6.228*	-7.315+
	[2.754]	[2.755]	[4.030]
Year dummy	—	—	—
Industry dummy	Included	Included	Included
Log likelihood	-99.064	-97.164	-48.216
N. of cases	3415	3415	1734

Note: Robust standard errors are reported in parentheses.
+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Table 5. Empirical results of adjusted Poisson method

Model	abandonment model		
Method	adjusted poisson		
Variables	Model 9	Model 10	Model 11
Log of corporate age	0.387	0.353	-0.057
	[0.440]	[0.428]	[0.460]
Log of corporate size	0.124	0.129	0.087
	[0.132]	[0.134]	[0.187]
Bank ownership	0.238*	0.237*	0.203
	[0.119]	[0.121]	[0.180]
Foreign ownership	0.004	0.002	-0.003
	[0.022]	[0.023]	[0.029]
Stable ownership	0.004	0.003	-0.001
	[0.013]	[0.013]	[0.016]
Bank network JPN	-0.042*	-0.041*	-0.076***
	[0.017]	[0.017]	[0.019]
Industry bandwagon JPN	0.052	0.059	0.097+
	[0.047]	[0.047]	[0.056]
Top10 size JPN	-0.014	-0.01	0.007
	[0.029]	[0.028]	[0.044]
Performance success JPN	-0.054	-0.066	-0.033
	[0.048]	[0.048]	[0.066]
Reputation seeking JPN	-0.187	-0.21	-0.612
	[0.273]	[0.285]	[0.574]
Performance deviation	0.002*	0.002*	0.001
	[0.001]	[0.001]	[0.001]
Efficient adoption		8.162*	22.460**
		[3.609]	[8.262]
Network centrality			0.292
			[0.684]
Efficient adoption*Network centrality			-28.566*
			[12.752]
0.interval	-14.393***	-13.950***	-17.025***
	[0.853]	[0.859]	[1.255]
2.interval	-1.147	-1.155	-1.169
	[1.034]	[1.035]	[1.176]
4.interval	-15.844***	-16.357***	-16.725***
	[0.604]	[0.610]	[0.803]
5.interval	-1.582+	-1.569+	-0.669
	[0.901]	[0.915]	[1.283]
7.interval	-0.301	-0.335	0.758
	[0.556]	[0.559]	[0.797]
11.interval	-0.022	0.015	0.307
	[0.690]	[0.678]	[0.967]
12.interval	0	0	0
	[.]	[.]	[.]
Cons	-6.374**	-6.228**	-7.315*
	[2.381]	[2.399]	[3.344]
Year dummy	—	—	—
Industry dummy	Included	Included	Included
Log likelihood	-205.606	-203.707	-113.971
N. of cases	3415	3415	1734

Note: Robust standard errors are reported in parentheses.
+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Table 6. Empirical results of Poisson cubic spline method

Model	abandonment model		
Method	Poisson cubic spline		
Variables	Model 12	Model 13	Model 14
Log of corporate age	0.397	0.37	-0.037
	[0.417]	[0.409]	[0.411]
Log of corporate size	0.199	0.193	0.144
	[0.131]	[0.129]	[0.183]
Bank ownership	0.234+	0.238+	0.168
	[0.125]	[0.125]	[0.182]
Foreign ownership	-0.017	-0.017	-0.028
	[0.019]	[0.019]	[0.023]
Stable ownership	0.003	0.002	-0.005
	[0.012]	[0.012]	[0.015]
Bank network JPN	-0.039+	-0.038*	-0.078**
	[0.020]	[0.019]	[0.025]
Industry bandwagon JPN	-0.005	-0.003	0.02
	[0.055]	[0.055]	[0.078]
Top10 size JPN	0.015	0.018	0.043
	[0.032]	[0.033]	[0.043]
Performance success JPN	-0.051	-0.057	-0.038
	[0.041]	[0.041]	[0.061]
Reputation seeking JPN	0.442	0.376	0.325
	[0.397]	[0.404]	[0.641]
Performance deviation	0.002+	0.001+	0.001
	[0.001]	[0.001]	[0.001]
Efficient adoption		5.385*	16.361**
		[2.379]	[6.176]
Network centrality			0.207
			[0.637]
Rational adoption*Network centrality			-20.104*
			[10.044]
sp1	-0.06	-0.058	-0.343
	[0.898]	[0.899]	[1.644]
sp2	-2.866	-2.883	6.708
	[15.698]	[15.594]	[23.484]
sp3	-2.256	-1.66	-65.007
	[81.156]	[80.476]	[107.918]
sp4	22.888	21.783	102.094
	[88.818]	[88.114]	[106.693]
sp5	-28.243	-27.585	-62.934+
	[33.992]	[34.194]	[34.361]
sp6	-20.059	-18.493	-15.225
	[41.751]	[42.631]	[50.492]
Cons	-6.408+	-6.240+	-5.034
	[3.358]	[3.341]	[5.317]
Year dummy	—	—	—
Industry dummy	Included	Included	Included
Log likelihood	-192.279	-191.193	-104.207
N. of cases	3415	3415	1734

Note: Robust standard errors are reported in parentheses.
+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

6.1 Piecewise exponential method

Model 6 includes the selected interval variables and controls in the table, whereas Models 7 and 8 report the empirical outcomes of the independent variables.

Model 7 presents a significant and positive relationship between *efficient adoption* and *duration before abandonment* ($\beta=8.161$, $p<0.05$ in Model 7). A significant and positive association was also observed in Model 8 ($\beta=22.463$, $p<0.05$ in Model 8). Moreover, a significant and negative impact of *efficient adoption*network centrality* on the *duration before abandonment* was observed in Model 8 ($\beta=-28.570$, $p<0.1$ in Model 8). These empirical outcomes are identical to those in Models 4 and 5 in Table 3.

6.2 Adjusted Poisson method

Models 9–11 in Table 5 present the results of the adjusted Poisson method. Model 9 comprises interval and control variables. Models 10 and 11 add *efficient adoption* to the existing model.

Models 10 and 11 display a significant and positive impact of *efficient adoption* on the *duration before abandonment* ($\beta=8.162$, $p<0.05$ in Model 10: $\beta=22.460$, $p<0.01$ in Model 11). Additionally, a significant and negative relationship between *efficient adoption*network centrality* and *duration before abandonment* was detected in Model 11 ($\beta=-28.566$, $p<0.05$ in Model 11). These empirical results are consistent with those obtained using the Cox hazard and piecewise exponential methods (Models 4 and 5, and Models 7 and 8).

6.3 Poisson cubic spline method

Model 12 includes the spline functions and control variables in the table, and Models 13 and 14 add *efficient adoption* to the existing model.

I found a significant and positive effect of *efficient adoption* on the *duration before abandonment* in Models 13 and 14 ($\beta=5.385$, $p<0.05$ in Model 13; $\beta=16.361$, $p<0.01$ in Model 14). I also found a significant and negative influence of *efficient adoption*network centrality* on the *duration before abandonment* in

Model 14 ($\beta = -20.104$, $p < 0.05$ in Model 14). These empirical results are consistent with those of other methods used in this study.

Overall, the consistency of the empirical outcomes across the methods demonstrates the robustness of our empirical evidence. I find evidence that the efficient adoption of shareholder orientation defers firms from abandoning the adopted shareholder-oriented practice; however, the relationship is overturned when embedded in inter-firm networks, consistent with our hypotheses. Therefore, I find robust support for Hypotheses 1 and 2.

7. Discussion and conclusion

This study empirically investigates the mechanisms underlying the abandonment of corporate governance practices. Based on the efficient choice and network perspectives, I built two hypotheses to test:1) *efficient adoption* by imitating the corporate governance of other firms with great features impedes a focal firm from abandoning the adopted shareholder orientation for a stakeholder one, and 2) the firm that implements efficient adoption abandons the adopted shareholder orientation for a stakeholder one when deeply embedded in inter-firm networks.

This study presents two empirical findings. First, the efficient adoption of a shareholder-oriented practice by imitating superiors impedes a focal firm from abandoning its adopted shareholder orientation for a stakeholder one; however, the firm engaging in efficient adoption abandons the adopted shareholder-oriented practice for a stakeholder-oriented one when deeply embedded in inter-firm networks.

The findings of this study contribute to the literature. First, firms once firms are likely to continue with a practice once they efficiently adopt one. However, by focusing on the reversion of practice, I find that efficient adoption is surpassed by institutional contexts such as networks. The introduction of an efficient practice is likely to improve firm performance; however, firms abandon their adopted practices when they are placed at the center of exist-

ing networks. Even if firms adopt corporate practices for efficient reasons, such as imitating superiors, their adoption is promptly retracted when they are embedded in the institutional context. This illustrates that temporary adoption of a shareholder orientation is likely to be triggered by performance or legal changes, but its institutionalization necessitates changes in the institutional contexts surrounding firms. Otherwise, efficient practice is not fully institutionalized because of the forces of institutions to retract. Efforts to reform corporate governance can be easily neutralized. This evidence contributes to corporate governance research.

Moreover, these findings reveal the factors driving the heterogeneity of corporate governance within a country (DiMaggio and Powell, 1983). I know the factors that make corporate governance similar through the refinement of imitation or isomorphism perspectives; however, there is insufficient understanding of the mechanism that gives rise to the diversity of corporate governance practices in a context (Strang and Macy, 2001). Evidence indicates that reliance on institutional contexts fosters the abandonment of adopted practices. This illustrates the drivers diverging from an accepted practice, providing insight into the drivers behind their heterogeneity and contributing to corporate governance research.

The results of this study have several practical implications. Firms generally reform their practices by emulating others with great features, but their efficient reforms are retracted by their institutions. Firms that engage in reforms must consider institutional contexts. Otherwise, efforts to reform their practices would be in vain.

Although our study makes significant contributions to the literature, it has some limitations. First, the issue of generalization as I limited the research sample to Japanese firms. Further research is required to test whether our findings can be applied to other countries. In particular, the drivers behind the abandonment of practice may differ between capitalist and communist states. Another limitation is the method of operationalizing *efficient adoption*. Efficient adoption of the US hybrid practices can be estimated

by relying on an imitation perspective. However, we cannot recognize whether firms imitate others when they engage in reforming their corporate governance. This point has been a long-debated issue in studies referring to the imitation perspective. This limitation could not be overcome in the present study.

These findings also indicate some potential avenues for future research. In recent years, debate over the abandonment of practice has been observed in Anglo-American states. However, the transition from a shareholder to a stakeholder orientation may be overturned by path-dependent norms. The transition from a stakeholder to a shareholder orientation, following the temporary transition from a shareholder to a stakeholder orientation, is likely to occur. Investigating the differences in the mechanisms of reversion of practice between Anglo-American and non-Anglo-American states will be interesting. Furthermore, it would be worthwhile to investigate how unexpected events such as COVID-19 and Brexit affect the transition of corporate governance practices.

In sum, efficient adoption by imitating other firms with great features impels a focal firm to remain in the adopted shareholder-oriented practice; however, the firm experiencing efficient adoption abandons the adopted shareholder orientation for stakeholder orientation when deeply embedded into inter-firm networks. These findings contribute to corporate governance studies and the adoption, abandonment, or reversion perspectives.

Acknowledgement

This paper is a part of the research project conducted by the Grants-in-Aid for Scientific Research (KAKENHI: 19K13814 and KAKENHI: 21K01642). I am grateful to two anonymous referees for their constructive and effective comments. I specially appreciate Shigeru Asaba for the constructive comments to the development and sophistication of this paper. I am also thankful to Hitoshi Mitsuhashi for the advice to advance this study. Additionally, I

appreciate Naoto Onzo for his encouragement. I am grateful to Gerhard Schnyder, Douglas Fuller, and Geoffrey Owen for their insightful comment to this study. Finally, I feel so thankful to Sachiko Saito for her heart-warming support and encouragement.

NOTES

(1) This paper is the revised version of what was presented in the British Academy of Management Annual Conference in 2022.

(2) The value of independence and heterogeneity of board close to 0 does not fully illustrate that the board is composed entirely of insiders. The board composed entirely of outside directors also takes the value proximate to 0. However, there are few firms whose board is mostly constituted through outside directors in Japan. The evidence is presented in Table 7.

Table 7. Changing the features of board controllers

	Year													
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average of 14 yrs.
Insider-centred	99.442	99.303	99.164	99.024	99.21	99.071	98.885	98.467	98.327	98.188	98.141	97.955	97.677	97.305	98.582
Affiliated- centred	0.046	0.046	0.046	0	0.046	0	0	0	0	0	0.046	0	0	0.093	0.023
Independent- centred	0.697	0.929	1.022	1.115	0.651	0.929	1.441	1.766	1.487	1.533	2.184	2.835	4.043	3.95	1.755
Insider-controlled	92.937	92.286	90.799	90.242	89.173	88.151	87.361	86.989	86.059	85.13	75.139	62.593	56.413	52.138	81.100
Affiliated-controlled	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent-controlled	0	0	0	0.046	0.093	0.093	0.046	0.093	0.046	0	0.046	0	0	0.139	0.043

Note: N is 2152 per year

The table shows the change in the features of board between 2005 and 2018.

Insider- centred shows the ratio of the boards more than half of whose members are insiders, or inside promoters among total number of sample firms. Affiliated- centred is the proportion of the boards of which more than half the members are affiliated directors or those who come from the partner firms to the total number of sample firms. Independent- centred is the percentage of the boards of which more than half the members are independent directors who are

neither insiders nor affiliated directors to the total number of sample firms
In addition, insider-controlled shows the ratio of the boards of which more than 75% of members are insiders to the total number of sample firms. Affiliated-controlled is the percentage of the boards of which more than 75% of members are affiliated directors among the total number of sample firms. Furthermore, independent-controlled is the proportion of the boards of which more than 75% of members are independent directors to the total number of sample firms.

The table shows that insiders kept occupying more than half the seats in around 95% of sample firms during the fourteen years from 2005 to 2018. The ratio of the board of which more than half the seats were occupied by independent directors increased for the fourteen years, yet it remained low. The board of which more than half the members were affiliated directors remained at a low level for the fourteen years. There were a limited number of firms whose directors are mainly constituted through independent directors between 2005 and 2018. The average ratio of the board of which more than half the members were insiders over the fourteen years was 98.582, but the mean proportion of independent-centred during the same period was 1.755.

In addition, the ratio of the board of which the majority of seats are constituted through insiders gradually declined for the fourteen years; however, the percentage remained more than half the sample firms. There are no firms whose boards are controlled by affiliated directors for the fourteen years. Further, the proportion of firms of which the majority of directors were independent directors to total number of samples was zero in six among the fourteen years. Furthermore, the average ratio of the boards of which the majority of members were independent directors over the fourteen years was 0.043; the ratio of boards controlled by insiders during the same years was 81.1.

Consequently, most of the cases of taking a value close to 0 are controlled by insiders. In addition, I find the reduction in the percentage of the board controlled by insiders after 2015 but the remaining low level of the board controlled by independent and affiliated directors. The evidence illustrates that the board of Japanese firms diversified in recent years. Resultantly, the variation in the value of independent and heterogeneity of boards can be found. Prior literature relies on the value as the indicator to measure the independence and diversity of boards (Adams, 2017; Jo & Harjoto, 2011; Larcker et al., 2007). Thus, this study uses the value by referring to previous studies, but the value is likely to reflect the diversity rather than independence of the board.

REFERENCES

Abrahamson, E. (1991). Managerial Fads and Fashions: The Diffusion and Rejection of Innovations. *Academy of Management Review*, **16**(3), pp.586-612. https://about.jstor.org/terms.

Adams, Renée B. (2017). "Boards, and the Directors Who Sit on Them" in The Handbook of the Eco-

nomics of Corporate Governance, 1: pp.291–382. Elsevier. https://doi.org/10.1016/bs.hecg.2017.11.007.

Aguilera, R., & Cuervo-Cazurra, A. (2009). Codes of good governance. *Corporate Governance: An International Review*, **17**(3), pp.376–387. https://doi.org/10.1111/j.1467-8683.2009.00737.x.

Aguilera, R. v., & Jackson, G. (2010). Comparative and international corporate governance. *Academy of Management Annals*, **4**(1), pp.485–556). https://doi.org/10.1080/19416520.2010.495525.

Aguilera, R. v., Judge, W. Q., & Terjesen, S. A. (2018). Corporate governance deviance. *Academy of Management Review*, *43*(1), pp.87–109. https://doi.org/10.5465/amr.2014.0394.

Ahmadjian, C. L., & Robbins, G. E. (2005). A Clash of Capitalisms: Foreign Shareholders and Corporate Restructuring in 1990s Japan. *American Sociological Review*, 70(3), pp.451-471. https://doi.org/10.1177/000312240507000305.

Ahmadjian, C. and Okumura, A. (2006). 'Corporate governance in Japan'. In Mallin C. (Eds.), *Handbook in International Corporate Governance: Country Analyses*. Cheltenham: Edward Elgar, pp.130–50.

Ahmadjian, C., Yoshikawa, T., & Kong, L. (2013). Working Paper Series Killing Two Birds With One Stone: Board Reforms in the Japanese Electronics Industry Killing two birds with one stone: Board reforms in the Japanese electronics industry. www.gsb.columbia.edu/cjeb/research.

Ahn, A. M., & Wiersema, M. F. (2021). Activist hedge funds: Beware the new titans. *Academy of Management Perspectives*, **35**(1), pp.96–122. https://doi.org/10.5465/AMP.2018.0059.

Ahuja, G. (2000). Collaboration networks, structural holes, and innovation: A longitudinal study. *Administrative Science Quarterly*, **45**(3), pp.425–455. https://doi.org/10.2307/2667105.

Anchordoguy, M. (2007). *Reprogramming Japan: The High Tech Crisis under Communitarian Capitalism*. New York: Cornell University Press.

Aoki, H. (2004). Boardroom Reform in Japanese Business: An Analysis of the Introduction of the Executive Officer System and its Effects. *Asian Business & Management*, **3**(2), pp.173–199. https://doi.org/10.1057/palgrave.abm.9200085.

Aoki, M. (2001). *Information, Corporate Governance, and Institutional Diversity: Competitiveness in Japan, the USA, and the Transitional Economies*. Oxford: Oxford University Press.

Aoki, M., & Jackson, G. (2008). Understanding an emergent diversity of corporate governance and organizational architecture: An essentiality-based analysis. *Industrial and Corporate Change*, **17**(1), pp.1–27. https://doi.org/10.1093/icc/dtm037.

Asaba, S., & Lieberman, M. B. (2017). Who Imitates Whom? An Empirical Study on New Product Introductions in the Japanese Soft-drink Industry Who Imitates Whom? A Study on New Product Introductions in the Japanese Soft-drink Industry.

Buchanan, J. and Deakin, S. (2009). 'In the shadow of corporate governance reform'. In Whittaker, H. and Deakin, S. (Eds.), *Corporate Governance and Managerial Reform in Japan*. New York: Oxford University Press, pp.28–69.

Buchanan, J., Chai, D. and Deakin, S. F. (2012). *Hedge Fund Activism in Japan: The Limits of Share-*

holder Primacy. Cambridge: Cambridge University Press.

Burt, R. (1992). *Structural Holes: The Social Structure of Competition*. Cambridge: Harvard University Press.

Chizema, A., & Shinozawa, Y. (2012). The "company with committees": Change or continuity in Japanese corporate governance? *Journal of Management Studies*, **49**(1), pp.77–101. https://doi.org/10.1111/j.1467-6486.2011.01008.x.

Chung, S. (Andy), Singh, H., & Lee, K. (2000). Complementarity, status similarity and social capital as drivers of alliance formation. *Strategic Management Journal*, *21*(1), pp.1–22. https://doi.org/10.1002.

Colpan, A. M., & Yoshikawa, T. (2012). Performance Sensitivity of Executive Pay: The Role of Foreign Investors and Affiliated Directors in Japan. *Corporate Governance: An International Review*, **20**(6), pp.547–561. https://doi.org/10.1111/j.1467-8683.2012.00923.x.

Cox, D. R. (1972). 'Regression models and life-tables in the chair'. *Journal of the Royal Statistical Society*, **34**(2), pp.187–220.

Cuomo, F., Zattoni, A., & Valentini, G. (2013). The effects of legal reforms on the ownership structure of listed companies. *Industrial and Corporate Change*, 22(2), pp.427–458. https://doi.org/10.1093/icc/dts015.

Desender, K. A., Aguilera, R. V., Crespi, R. and García-Cestona, M. (2013). 'When does ownership matter? Board characteristics and behavior'. *Strategic Management Journal*, **34**(7), pp.823–42. doi: 10.1002/smj.2046.

DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, **48**(2), pp.147-160. http://www.jstor.org/stable/2095101.

Donadelli, M., Fasan, M., & Magnanelli, B. S. (2014). The agency problem, financial performance and corruption: Country, industry and firm level perspectives. *European Management Review*, **11**(3-4), pp.259–272. https://doi.org/10.1111/emre.12038.

Friedman, M. (1982). Piecewise Exponential Models for Survival Data with Covariates. *The Annals of Statistics*, **10**(1), pp.101-113. https://www.jstor.org/stable/2240502.

Geng, X., Yoshikawa, T., & Colpan, A. (2016). Leveraging Foreign Institutional Logic In The Adoption Of Stock Option Pay Among Japanese Firms. Strategic Management Journal, 37, pp.1472-1492. https://doi.org/10.1002/smj.2391.

Gedajlovic, E., Yoshikawa, T., & Hashimoto, M. (2005). Ownership structure, investment behaviour and firm performance in Japanese manufacturing industries. *Organization Studies*, 26(1), pp.7-35. https://doi.org/10.1177/0170840605046346.

Gilson, R. J., & Milhaupt, C. J. (2005). Choice as Regulatory Reform: The Case of Japanese Corporate Governance. *American Journal of Comparative Law*, **53**(2), pp.343-377. http://www.jstor.org/stable/30038699.

Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate governance and equity prices. *Quarterly Jour-*

nal of Economics, **118**(1), pp.107–155. https://doi.org/10.1162/00335530360535162.

González, M., Guzmán, A., Téllez, D., & Trujillo, M. A. (2021). The effectiveness of corporate governance hybrid models in emerging markets: The case of the Issuer Recognition program. *Corporate Governance: An International Review*, **29**(3), pp.252–276. https://doi.org/10.1111/corg.12358.

Gourevitch, P., and J. Shinn., (2007). *Political Power and Corporate Control: The New Global Politics of Corporate Governance*. New Jersy: Princeton University Press.

Greene, W. H. (2003). *Econometric Analysis*. Hoboken, NJ: Prentice Hall.

Gruenhagen, J. H., & Parker, R. (2020). Factors driving or impeding the diffusion and adoption of innovation in mining: A systematic review of the literature. *Resources Policy*, **65**, pp.1-9. https://doi.org/10.1016/j.resourpol.2019.101540.

Greve, H. R. (1995). Jumping Ship: The Diffusion of Strategy Abandonment. *Administrative Science Quarterly*, **40**(3), pp.444-473. https://www.jstor.org/stable/2393793.

Greve, H. R. (2011). 'Fast and expensive: The diffusion of a disappointing innovation'. *Strategic Management Journal*, **32**(9), pp.949–68. doi: 10.1002/smj.922.

Haunschild, P. R., & Miner, A. S. (1997). Modes of Interorganizational Imitation: The Effects of Outcome Salience. *Administrative Science Quarterly*, **42**(3), pp.472-500. https://www.jstor.org/stable/2393735.

Hill, A. D., Johnson, S. G., Greco, L. M., O'Boyle, E. H., & Walter, S. L. (2021). Endogeneity: A Review and Agenda for the Methodology-Practice Divide Affecting Micro and Macro Research. *Journal of Management*, **47**(1), pp.105–143. https://doi.org/10.1177/0149206320960533.

Jackson, G., & Miyajima, H. (2007). 'Introduction: The Diversity and Change of Corporate Governance in Japan'. In Aoki, M., Jackson, G., & Miyajima, H. (Eds.), *Corporate Governance in Japan*. Oxford: Oxford University Press, pp.1-50.

Jackson, G. (2009). The Japanese firm and its diversity. *Economy and Society*, **38**(4), pp.606–629. https://doi.org/10.1080/03085140903190334.

Jain, T., Aguilera, R. V., & Jamali, D. (2017). Corporate Stakeholder Orientation in an Emerging Country Context: A Longitudinal Cross Industry Analysis. *Journal of Business Ethics*, **143**(4), pp.701–719. https://doi.org/10.1007/s10551-016-3074-1.

Jo, H., & Harjoto, M. A. (2011). Corporate Governance and Firm Value: The Impact of Corporate Social Responsibility. *Journal of Business Ethics*, **103**(3), pp.351–383. https://doi.org/10.1007/s10551-011-0869-y.

Kennedy, M. T., & Fiss, P. C. (2009). Institutionalization , Framing , and Diffusion : The Logic of TQM Adoption and Implementation Decisions among U.S Hospitals. *Academy of Management Journal*, **52**(5), pp.897–918. http://www.jstor.com/stable/40390323.

Kim, T., Oh, H., & Anand, S. (2006). Framing Interorganizational Network Change: A Network Inertia Perspective. *Academy of Management Review*, **31**(3), pp.704-720. https://doi.org/10.5465/amr.2006.21318926.

Larcker, D. F., Richardson, S. A., & Tuna, I. (2007). Corporate governance, accounting outcomes, and organizational performance. *Accounting Review*, **82**(4), pp.963–1008. https://doi.org/10.2308/accr.2007.82.4.963.

Lechevalier, S. (2014). 'Introduction: Seven Japanese Lessons on the Diversity of Capitalism and its Future'. In Lechevalier, S. (Eds.), *The Great Transformation of Japanese Capitalism*. Oxon: Routledge, pp.1-25.

Lei, A. C. H., & Song, F. M. (2012). Board structure, corporate governance and firm value: Evidence from Hong Kong. *Applied Financial Economics*, **22**(15), pp.1289–1303. https://doi.org/10.1080/09603107.2011.650329.

Lieberman, M. B., & Asaba, S. (2006). Why do firms imitate each other? *Academy of Management Review*, **31**(2), pp.366–385. https://doi.org/10.5465/AMR.2006.20208686.

Marquis, C. (2021). *Better Business: How the B Corp Movement Is Remaking Capitalism*, New York: Yale University Press.

Miletkov, M., Poulsen, A., & Babajide Wintoki, M. (2017). Foreign independent directors and the quality of legal institutions. *Journal of International Business Studies*, **48**(2), pp.267–292. https://doi.org/10.1057/s41267-016-0033-0.

Mitsuhashi, H., & Min, J. (2016). Embedded Networks and Suboptimal Resource Matching in Alliance Formations. *British Journal of Management*, 27(2), pp.287–303. https://doi.org/10.1111/1467-8551.12134.

Miyajima, H. & Saito, T. (2021) "Corporate Governance Reforms under Abenomics The Economic Consequences of Two Codes" in Takeo Hoshi, Phillip Y. Lipscy (Eds.) *The Political Economy of the Abe Government and Abenomics Reforms*. Cambridge: Cambridge University Press, pp.357-393.

Mukherjee, S., & Bonestroo, H. J. M. (2021). Why corporate board insiders still matter: Evidence using aggregate earnings shocks. *European Management Review*, **18**(4), pp.500–520. https://doi.org/10.1111/emre.12473.

Naumovska, I., Gaba, V., & Greve, H. R. (2021). The diffusion of differences: A review and reorientation of 20 years of diffusion research. *Academy of Management Annals*, **15**(2), pp. 377–405 https://doi.org/10.5465/annals.2019.0102.

Neville, F., Byron, K., Post, C., & Ward, A. (2019). Board Independence and Corporate Misconduct: A Cross-National Meta-Analysis. *Journal of Management*, **45**(6), pp.2538–2569. https://doi.org/10.1177/0149206318801999.

Piazza, A., & Abrahamson, E. (2020). Fads and Fashions in Management Practices: Taking Stock and Looking Forward. *International Journal of Management Reviews*, 22(3), 264–286. https://doi.org/10.1111/ijmr.12225.

Posen, H. E., Yi, S., & Lee, J. (2020). A contingency perspective on imitation strategies: When is "benchmarking" ineffective? *Strategic Management Journal*, **41**(2), pp.198–221. https://doi.org/10.1002/smj.3101.

Rabe-Hesketh, S. and Skrondal, A. (2012). *Multilevel and Longitudinal Modeling Using Stata Volume II: Categorical Reponses, Counts and Survival*. Texas: Stata Press Publication.

Rasheed, A, A. and Yoshikawa, T. (2012). 'The Convergence of Corporate Governance: Promise and Prospects'. In Rasheed, A, A. and Yoshikawa, T. (Eds.), *The Convergence of Corporate Governance: Promise and Prospects*. New York: Palgrave Macmillan, pp.1-31.

Sako, M. & Kotosaka, M. (2012). 'Institutional change and organizational diversity in Japan'. In Lane, C. and Wood, G. (Eds.), *Capitalist Diversity and Diversity within Capitalism*. London: Routledge Taylor & Francis Group.

Sanders, W. G., & Tuschke, A. (2007). The adoption of institutionally contested organizational practices: The emergence of stock option pay in Germany. *Academy of Management Journal*, **50**(1), pp.33–56. https://doi.org/10.5465/AMJ.2007.24160889.

Schaede, U. (2006). The strategic logic of Japanese keiretsu, main banks and cross-shareholdings, Working Papers No.247, Columbia, Columbia Business School Centre on Japanese Economy and Business. Also available online at: www.gsb.columbia.edu/cjeb.

Schaede, U. (2020). *The Business Reinvention of Japan*. California: Stanford University Press.

Shi, W., Pathak, S., Song, L. J. and Hoskisson, R. E. (2018). The adoption of chief diversity officers among S&P 500 firms: Institutional, resource dependence, and upper echelons accounts. *Human Resource Management*, **57**(1), pp.83–96. doi: 10.1002/hrm.21837.

Shin, S., Lee, J. and Bansal, P. (2021). 'From a shareholder to stakeholder orientation: Evidence from the analyses of CEO dismissal in large U.S. firms'. *Strategic Management Journal*, doi: 10.1002/smj.3369.

Shishido, Z. (2006). 'The turnaround of 1997: changes in Japanese corporate law and governance'. In Aoki, M., Jackson, G. and Miyajima, H. (Eds), *Corporate Governance in Japan: Institutional Change and Organizational Diversity*. Oxford University Press, pp.310–29.

Strang, D. and Macy, M. W. (2001). 'In search of excellence: Fads, success stories, and adaptive emulation'. *American Journal of Sociology*, **107**(1), pp.147–82. doi: 10.1086/323039.

Tuschke, A., & Sanders, G. (2003). Antecedents and consequences of corporate governance reform: The case of Germany. *Strategic Management Journal*, *24*(7), pp.631–649. https://doi.org/10.1002/smj.324.

Uchida, D. (2021). The Wheel Comes Full Circle? An Integrated View of Organizational Responses to Institutional Pressures. *Journal of Management*. https://doi.org/10.1177/01492063211057845. Forthcoming.

Uzzi, B. (1996). The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect. *American Sociological Review*, *61*(4), pp.674–698. https://doi.org/10.2307/2096399.

Vogel, K. S. (2006). *Japan Remodeled: How Government and Industry Are Reforming Japanese Capitalism*. New York: Cornell University Press.

Westphal, J. D. & Park, H. S. (2020) *The Symbolic Management; Governance, Strategy, and Institu-*

tions. Oxford: Oxford University Press.

Wey, A., Salkowski, N., Kremers, W., Ahn, Y. S., & Snyder, J. (2020). Piecewise exponential models with time-varying effects: Estimating mortality after listing for solid organ transplant. *Stat*, **9**(1), pp.1-9. https://doi.org/10.1002/sta4.264.

Witt, M. A. (2006). *Changing Japanese Capitalism: Societal Coordination and Institutional Adjustment*. Cambridge: Cambridge University Press.

Witt, M. A., Fainshmidt, S., & Aguilera, R. (2022). Our Board, Our Rules: Nonconformity to Global Corporate Governance Norms. *Administrative Science Quarterly*, **67**(2), pp.131-166. https://doi.org/10.1177/00018392211022726.

Yoshikawa, T., & Phan, P. H. (2005). The effects of ownership and capital structure on board composition and strategic diversification in Japanese corporations. *Corporate Governance: An International Review*, **13**(2), pp.303–312. https://doi.org/10.1111/j.1467-8683.2005.00424.x.

Yoshikawa, T., Tsui-Auch, L. S., & McGuire, J. (2007). Corporate Governance Reform as Institutional Innovation: The Case of Japan. *Organization Science*, **18**(6), pp.973-988. https://doi.org/10.1287/orsc.1070.0290.

Yoshikawa, T., Zhu, H., & Wang, P. (2014). National governance system, corporate ownership, and roles of outside directors: A corporate governance bundle perspective. *Corporate Governance: An International Review*, **22**(3), pp.252-265. https://doi.org/10.1111/corg.12050.

Younkin, P. (2016). Complicating Abandonment: How a Multi-Stage Theory of Abandonment Clarifies the Evolution of an Adopted Practice. *Organization Studies*, 37(7), pp.1017–1053. https://doi.org/10.1177/0170840615613376.