

## **New approach to corporate governance. Lessons from Japan<sup>1</sup>**

### **Report of Joint Research**

It is a common knowledge that a corporate stakeholder is a party who affects, or can be affected by the company's actions. Stakeholder refers to any party (such as stockholders, government, management and non-management staff, customers, creditors, local community) who has something to lose or to gain as a result of the organization's activities, existence or presence. That "something to lose or to gain" constitutes not only what is "at stake" in the company but also the basis of the stakeholder's claims.

We think therefore that the purpose of any organization's governance is to include the expectations of all stakeholders as a regard to the value of their claims. These claims are the ethical foundation for the legitimate influence of stakeholders on corporate governance.

Unfortunately, most approaches to corporate governance, both in practice and theory, by putting too much emphasis on financial aspects or monetary contributions (stakes as capital) of stakeholders, sideline or ignore the claims of the majority of those holding other types of stakes in the company.

At another extreme is the case of Japan that gives a clear picture of the primacy of "non-monetary or non-financial" stakeholders in the corporate governance. The Japanese model may not be perfect but it sheds the light on the possible role that other stakeholders might play in the corporate governance. It is a model that takes into account the specificities of the social and cultural environment within which the company is based and/or operating.

In fact, whereas in most parts of the world, corporate governance is mainly controlled by the group of stakeholders called stockholders, in Japan, those who invest their entire working life, their whole knowledge and skills to the survival and prosperity of just one company seem to keep a tight rein on the corporate governance. To our amazement, during our research at Wakayama University, we took knowledge of a few cases where either middle class management or company unions brought down the boards of their respective companies. It is clear that Japanese companies care a lot for its most important stakeholders, i.e. the working force (from management to non-management staff) who care a lot for the company itself. It is the same employees who, toward the end of their long career within the same company of their life, go up their way to its corporate governance.

The research done at Wakayama University Faculty of Economics in the framework the International Visiting Research Fellowship helped better understand not only the specificities of corporate governance in Japan but also its links with local institutions. One

---

<sup>1</sup> We are grateful to Wakayama University Faculty of Economics for granting Professor Pige the research fellowship thanks to which this research has been realized

of the most promising topics we took knowledge of is the interactions between local institutions and corporate governance mechanisms.

The specs of the Japanese corporate governance have convinced us that there must be some specificities of the African cultural and social environment that need to be integrated in the corporate governance of African companies or companies operating in Africa. That is why we have decided to undertake an ambitious project to identify and then propose a typical model that suits corporate governance in developing countries in general where local communities as stakeholders ignore their legitimate claims, and are ignored. How can we make the voice of these voiceless stakeholders heard? How can we make known the tacit claims of this ignorant mass at the corporate governance level? This ambitious project is made of researchers from France, Japan (Wakayama University), some African countries and Mexico.

Japan is a clear example of the capacity of a country (or a region) to adapt foreign corporate governance mechanisms to local institutions to create and implement an original corporate governance system. We sustains that a new approach to stakeholder theory could therefore be a real contribution to understanding diversities and, maybe, to help improve local features and better answer expectations of each specific local communities.

Professor Benoit PIGE,  
University de France Comte, France;  
Wakayama University Faculty of Economics International Research Fellow for the  
Period: October-November 2009)  
Professor Lumbidi KUPANHY, Wakayama University, Japan