CORPORATE GOVERNANCE AND FIRM PERFORMANCE IN PUBLICLY LISTED FAMILY AND NON-FAMILY FIRMS IN MANUFACTURING INDUSTRY IN JAPAN

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Abstract

This study aims to explore the relationship between corporate governance practices and the corresponding performance of publicly-listed family and non-family firms in Japanese manufacturing industry. The objectives of the research are to determine to what extent corporate governance affects a firm's performance and to identify if family firms perform better than non-family firms in Japanese business context.

To achieve the overarching objectives, data of Japanese publicly listed firms in manufacturing industry from 2014 to 2018 is obtained from Bloomberg Terminal and Bureau Van Dijk. A sample size of 1,412 companies, comprising of 861 non-family and 551 family firms, is used for the purpose of this study. As for the research approach, Fixed Effect Regression Model for panel data is used to study the effect of corporate governance (especially in terms of ownership and board structure) on firm performance using both accounting-based (Return on Assets) and market-based (Tobin's Q) measures. The study reaffirms previous findings that family firms tend to outperform non-family counterparts in terms of Tobin's Q and also shows that ownership structure and board structure do have an influence on the firm's performance, and ownership structure seems to have more significant impacts than the latter.

The findings from this study reinforce the knowledge base about family and non-family firms in Japanese unique business context. It also contributes to the general study of corporate governance, providing management teams with insights into what constitutes good corporate governance practices in Japan. With the rising importance of corporate governance and its impact on any firm's performance, improving corporate governance is undoubtedly a vital task to ensure long-term sustainable growth and success for any Japanese firms.

Key Words: Japan; family firm; non-family firm; firm performance; corporate governance; ownership structure; panel data; regression.