

Open Lecture

Overseas Entry Decision and Ownership Strategy of Japanese Companies: Institution and Corporate Governance

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Using 20-year panel data, this lecture tests Japanese companies' sequential decisions: (1) to invest abroad or not and (2) if so, what ownership strategy for that local company to be employed. In addition to transaction advantage emphasized by traditional studies on FDI, the main focus of the lecture is the role of corporate governance of the parent companies and institutional environment of the host countries. Through Heckman's two-step estimation, corporate governance is found to play an important role for entry decision but not for ownership strategy. Transaction cost approach approximated by R&D and real GDP per capita has been well supported. Most importantly, an institutional environment favorable to MNEs leads to higher level of ownership of local companies. Firm size plays a significant role for FDI decision but not for ownership decision.