Uncertainty, legitimacy, and old elites:

Internationalization, change, and continuity in firms

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Felix Roedder

born on March 31, 1986 in Ludwigshafen am Rhein

Berlin

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Doctoral examination committee

Chair: Prof. Dr. Martin Schmidt

Examiner: Prof. Dr. Stefan Schmid

Examiner: Prof. Dr. Stefan Eckert

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Abstract

This thesis expands our knowledge on the antecedents of change and continuity in the governance and strategy of firms against the backdrop of an increasingly international business environment. Three research manuscripts form the core of the thesis and highlight the following issues: the reasons behind the growing internationalization of corporate boards (manuscript 1), the causes of the rising CSR activities of firms (manuscript 2), and the basis for the continued dominance of 'old elites' at the helm of many firms (manuscript 3). The investigated antecedents of change and continuity include a range of different internationalization dimensions, such as firms' increasing foreign market activities and rising foreign ownership levels. The three manuscripts draw on resource dependence theory, legitimacy theory, and elite theory, respectively, to establish testable hypotheses. The hypotheses are then empirically analyzed using quantitative methods on original samples of Japanese firms listed on the Tokyo Stock Exchange. The results inform us about the far-reaching consequences of internationalization on firms. However, the findings also underline that some firms can resist pressure to change under the right circumstances, thereby resulting in important implications for business scholarship and practice.

Keywords

Internationalization, ownership, corporate governance, CSR, Japan

井の中の蛙大海を知らず。

The frog in the well knows nothing of the sea.

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1. Introduction

The increasing internationalization of firms is an omnipresent topic in business literature[1] (Buckley et al., 2017; Dunning, 2009; Ghauri et al., 2021). Early work in this area that went beyond the centuries-old discussion on international trade (e.g., Berdell, 2002) was predominantly occupied with deciphering why multinational enterprises (MNEs)[2] exist (e.g., Dunning, 1973; Hymer, 1976; Kogut and Zander, 1993), how they expand internationally (e.g., Johanson and Vahlne, 1977), or in what ways they can be categorized (e.g., Bartlett and Ghoshal, 1989; Perlmutter, 1969). Over time, the discussion on MNEs has matured, and now, for instance, it emphasizes different dimensions of internationalization, considers the role of countries' different institutions, and highlights how firms not only act as drivers of internationalization, but also, conversely, how internationalization affects firms (e.g., Eckert et al., 2010; Hassel et al., 2003; Hooghiemstra et al., 2019; Hurtado-Torres et al., 2018; Kronborg and Thomsen, 2009; Lu et al., 2014; Luo, 2005; Ruigrok and Wagner, 2003; Strike et al., 2006).

The broadening of the research horizon has increased our understanding of MNEs substantially, but it is accompanied by rising complexity in clearly identifying relationships within the firm-internationalization nexus. The three research manuscripts at the core of this thesis confront this complexity by focusing on specific research questions in a specific research context. At the risk of neglecting the pleas of some international business scholars to focus only on 'big research questions' (e.g.,

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[1] This thesis uses 'business literature' as an umbrella term that also comprises 'management literature'.
[2] Unless noted otherwise, the terms 'firm' and 'multinational enterprise' (MNE) are used interchangeably in this thesis, since the majority of firms included in the empirical research herein qualify as multinational enterprises. In the absence of a precise definition, multinational enterprises are defined as firms that are engaged in business activities in more than one country. For a more elaborate discussion on the problems of defining multinational enterprises, see, for instance, Aggarwal et al. (2011) or Kutschker and Schmid (2011).

Buckley, 2002; Buckley et al., 2017; Peng, 2004), the manuscripts thus account for the intricacies of firms operating in international environments in the 21st century. Furthermore, they accentuate the integrative, eclectic, and constantly changing character often accredited as a (potential) strength of the literature on MNEs (e.g., Dunning, 2009; Jackson and Deeg, 2008; Jones and Khanna, 2006; Shenkar, 2004).

Each of the three manuscripts has a distinct focus, but they also share several characteristics. A first common denominator is that they concentrate on phenomena indicating either changes to or continuity of a firm's governance and strategies. Manuscript 1 considers the rise of foreign investors around the globe (De La Cruz et al., 2019) and argues that firms react to the internationalization of ownership by adding foreign directors to the board. Manuscript 2 contends that internationalization along different dimensions gives rise to diverse interests that pressurize firms to increase their corporate social responsibility (CSR). In contrast to the changes highlighted in manuscripts 1 and 2, i.e., board internationalization and increasing CSR, respectively, manuscript 3 deciphers why some firms do *not* follow a seemingly inexorable trend. Specifically, manuscript 3 proposes that—instead of increasing board diversity—certain firm antecedents prompt firms to continue filling director positions with members from the 'old elite'[3].

A second commonality between the manuscripts is that the internationalization of firms, aligned with its effect on different outcomes, is present in all three studies. In manuscripts 1 and 2, different internationalization antecedents are at the core of the

[3] The term 'old elite' refers to the group of board directors that share similar characteristics, experiences, and attitudes based on backgrounds commonly associated with traditional elites, such as elite university affiliation. Please see manuscript 3 for a more thorough introduction to elite terminology.

research questions and hypotheses. In manuscript 3, internationalization issues also play a role, although these are embedded in larger groups of firm antecedents.

The manuscripts also share a third attribute: the research context, namely, Japan. Arguably, Japan provides an interesting case to explore the theme of change and continuity in firms, for the country's firms have shown a willingness to transform on many occasions in the past, but they are also accused of being notoriously slow to adapt at other times (e.g., Jackson and Miyajima, 2007; Jackson and Moerke, 2005; Kambayashi, 2015; Mun and Jung, 2018; Schaede, 2020; Yoshikawa et al., 2007). Each of the manuscripts accounts for contextual specificities to underpin assumptions and empirical results that may differ from other contexts. Thus, this thesis stands in the tradition of research on MNEs by acknowledging that differences between firms from different countries persist or, in other words, that 'context matters' (e.g., Ahmadjian, 2016; Jackson and Deeg, 2019; Tihanyi et al., 2005; Xu and Shenkar, 2002). Nonetheless, the research questions and hypotheses formulated in the manuscripts are clearly not exclusively bound to Japan, and the thesis results offer implications that go beyond the Japanese case.

Lastly, all of the manuscripts follow a similar research approach and methodology by initially establishing hypotheses that are grounded in distinctive theories, namely, resource dependence theory (manuscript 1), legitimacy theory (manuscript 2), and elite theory (manuscript 3). In a second step, hypotheses are empirically tested using different statistical methods on samples of Japanese firms. Finally, the three manuscripts discuss the empirical results before closing with respective contributions and limitations. Figure 1 summarizes the themes and commonalities between the three manuscripts.

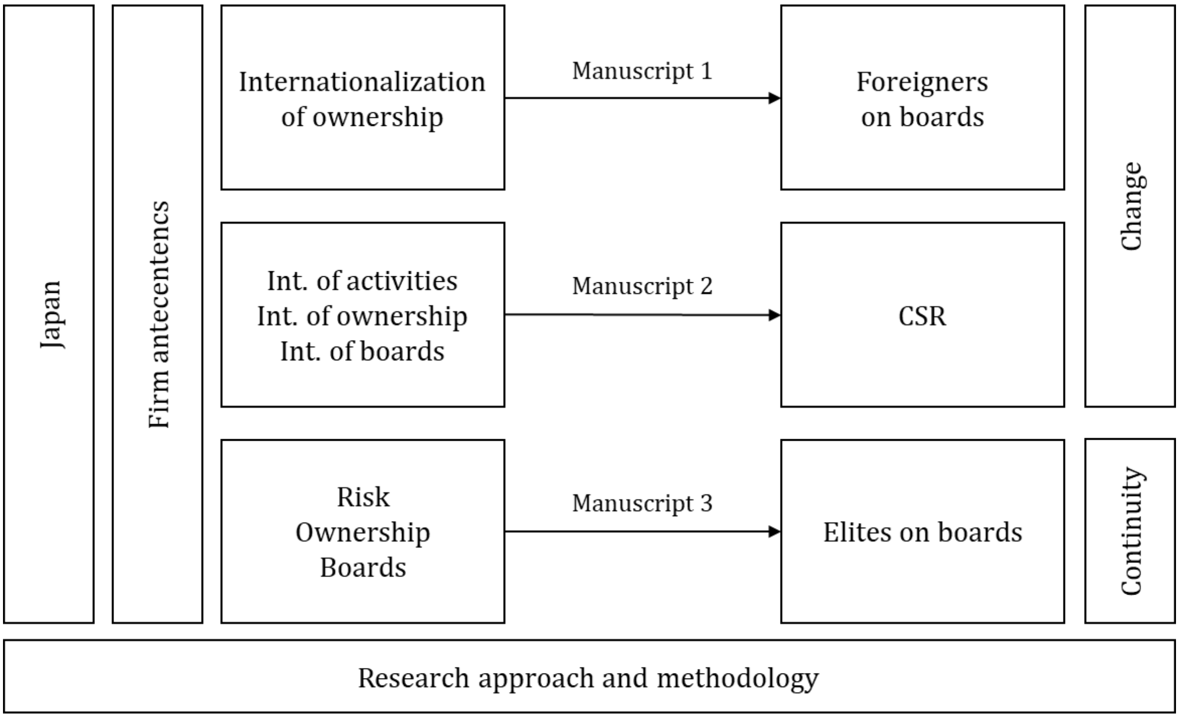

Figure 1: Themes and commonalities between the three manuscripts

The following chapters introduce the research fields of the three manuscripts along with a synopsis of Japan as a research context (Chapter 2). Next, the manuscripts are presented in greater detail (Chapter 3), followed by sections highlighting the contributions and implications of the thesis (Chapter 4). Recognition of important limitations concludes the thesis (Chapter 5).

2. Thematic background

2.1 Foreign ownership and the internationalization of corporate boards

Whereas the internationalization of firm activities, for instance in the form of foreign sales or overseas production, has traditionally sat at the core of research on MNEs, the internationalization of ownership is still a relatively new phenomenon that only caught the attention of scholarship following the rise of global investors in the 1990s and 2000s (De La Cruz et al., 2019; Fichtner, 2020).

The notion that foreign ownership in the form of majority ownership or strategic long-term investments may affect the focal firm (compared to a firm that is purely domestically owned) appears obvious (e.g., Chen et al., 2017; Filatotchev et al., 2008; Guadalupe et al., 2012). However, the impact of foreign ownership in the form of small stakes held by numerous foreign investors is less clear. Most prominent in this regard are Anglo-American institutional investors who are often associated with short-term portfolio investments seeking to maximize financial profits (Ahmadjian, 2007; Fichtner, 2016, 2020; Langley, 2007). While individual foreign institutional investors typically only hold small, non-controlling ownership stakes, the aggregated shares held by these investors often gives substantial weight and power to foreign owners. The expectations of what constitutes 'good governance' or 'good performance' expressed by these investors frequently clash with the conventions, strategies, and practices of focal firms, especially when these are not accustomed to Anglo-American shareholder capitalism (e.g., Ahmadjian, 2007; Ahmadjian and Robbins, 2005; Eckert, 2004; Goyer, 2006; Kim et al., 2010).

Japan, for instance, is a country that had long been known for its stable domestic ownership structures, and the rising influence of foreign investors after 1990 was accompanied by some previously unknown practices, such as performance-based incentive systems and a greater focus on shareholder returns (Ahmadjian, 2007; Nakano and Nguyen, 2013; Yoshikawa et al., 2010). To date, prior research has shown that higher foreign ownership levels affect firms in many ways, from employee downsizing, research and development practices, and gender equality issues through corporate governance reform measures (Ahmadjian and Robbins, 2005; Chizema and Shinozawa, 2012; Jacoby, 2007; Mun and Jung, 2018; Yoshikawa et al., 2010).

Despite growing research on foreign ownership, previous literature has so far largely neglected the influence of foreign ownership on a firm's top management[4]. Although there is evidence that foreign ownership is associated with a higher number of outside directors on boards (Ahmed and Iwasaki, 2021; Chizema and Kim, 2010), few studies highlight how it relates to the composition of boards in terms of directors' professional, educational, or demographic backgrounds (e.g., Mun and Jung, 2018; Rhee and Lee, 2008). The absence of studies investigating the effects of foreign ownership on the internationalization of boards, specifically, is part of this literature gap (for a notable exception, see, for instance, Oxelheim et al., 2013). This is surprising, given that the study of boards' internationalization has otherwise gained considerable attention in recent years. Commonly, studies in this area focus on the nationalities, international experiences, or a combination of directors' characteristics to determine the degree of board internationalization (Schmid and Dauth, 2012). Following isolated early studies (e.g., Perlmutter and Heenan, 1974; Simmonds and Connell, 1974), the internationalization of boards became a 'hot topic' in the 2000s

[4] This thesis uses the terms 'top managers' and 'board directors' interchangeably. In many corporate governance contexts, firms' top managers simultaneously hold board positions, making a distinction between top managers and board directors difficult. In cases where the thesis refers to non-managing board directors that are not primarily affiliated with the focal firm, this is stressed by using the term 'outside directors'. For an introduction to terminology and different corporate governance systems, see, for instance, John et al. (2015) and Mallin (2011).

whereby research—aside from highlighting increasing board internationalization itself—frequently sought to unravel its impact on firms, such as the impact on firm activities or firm performance (Carpenter et al., 2001; Herrmann and Datta, 2005; Le and Kroll, 2017; Nielsen, 2010).

However, while the study of board internationalization's consequences has become an established research topic within the wider field of upper echelons research (Hambrick and Mason, 1984), work on the determinants thereof seems relatively underdeveloped. The apparent lack of such studies is in line with a generally still narrow understanding of what determines the composition of boards and why they differ between countries (Adams et al., 2010; Schmid et al., 2015; Withers et al., 2012). Foreign ownership as a potential determinant of board composition is no exception: whereas a relationship between ownership and board composition seems obvious, the nature of this relationship—especially against the backdrop of different ownership types and national contexts—is far from conspicuous (Aguilera and Crespi-Cladera, 2016). Hence, it is also at the junction between ownership internationalization and board internationalization, where manuscript 1 seeks to fill a literature gap.

2.2 Internationalization and CSR

CSR has become a ubiquitous topic within business literature (e.g., Agudelo et al., 2019; Christensen et al., 2021; Velte, 2021; Yawar and Seuring, 2017). In the absence of a consensual definition of CSR[5], the term is usually understood to summarize firm actions and policies that go beyond legal requirements—commonly in fields such as environmental protection or social welfare (McWilliams and Siegel, 2001). Similar to

[5] For an elaborate discussion on the definition of CSR, see Sheehy (2015).

the discussion on board internationalization, literature on CSR has paid much heed to the effects that increased CSR has on the firm, most prominently on financial performance (e.g., Cho et al., 2019; McWilliams and Siegel, 2000; Torugsa et al., 2012; Van Beurden and Gössling, 2008). Nonetheless, the discussion on CSR appears more balanced in the sense that its antecedents, i.e., what encourages firms to engage in CSR in the first place, have also received considerable attention in prior studies (e.g., Ali et al., 2017; Jain and Jamali, 2016; Sharfman et al., 2004; Wickert et al., 2016; Yang and Rivers, 2009).

One of the suggested antecedents of CSR is the internationalization of firms. Studies, predominantly in Anglo-American contexts, have shown that increasing firm internationalization acts as a positive driver of CSR (Attig et al., 2016; Brammer et al., 2006; Strike et al., 2006; Zhang et al., 2021). The underlying notion of most publications in this field is that firms' higher international exposure leads to confrontation with a larger number of stakeholders and issues, and that CSR is a valuable resource with through the effects of this confrontation are mitigated (e.g., Brammer et al., 2006; Kang, 2013; Strike et al., 2006). However, although the idea of a general link between internationalization and CSR is firmly established, prior studies have so far mostly only employed broad concepts of firm internationalization, typically embodied by constructs that resemble the internationalization of activities, such as foreign sales or the geographical dispersion of subsidiaries (e.g., Strike et al., 2006).

Contrarily, only a few studies have looked beyond the internationalization of firm activities by considering other (less-obvious) dimensions of internationalization. For example, some scholars have stressed that internationalization of ownership is also associated with higher CSR (Al-Gamrh et al., 2020; Khan et al., 2013; Oh et al., 2011;

Suzuki et al., 2010). These studies are usually set in emerging market contexts and argue that foreign investors, through their superior know-how and management capabilities, help to boost firms' CSR or—conversely—that socially responsible firms attract more foreign investments (e.g., Al-Gamrh et al., 2020; Oh et al., 2011). By comparison, the internationalization of boards and their association with CSR has been almost completely overlooked to date. In terms of research on board-CSR links, studies focusing on the impact of gender diversity on CSR are a notable exception (e.g., Hafsi and Turgut, 2013; Rao and Tilt, 2016; Zhang et al., 2013).

Moreover, very few studies address the relationship between internationalization and individual dimensions of CSR (i.e., the environment or social dimension). Whereas it is generally established that different firm antecedents may affect individual CSR dimensions in different ways, not much attention has been paid with respect to the diverse nature of CSR in international contexts (e.g., Brammer et al., 2006; Jackson and Apostolakou, 2010). Manuscript 2 addresses these gaps within literature by expanding the conceptualization of internationalization and considering different dimensions of CSR—all against the backdrop of a 'new', i.e., Japanese, CSR context.

2.3 Corporate elites and corporate stability

The study of elites dates back at least as far as the early 20th century (e.g., Michels, 1911/1989; Pareto, 1935; Weber, 1922/1972). The study of corporate elites, in particular, started to gain more attention after World War II when the previously European-dominated research field caught the interest of US-based scholars (e.g., Domhoff, 1967; Mills, 1956; Zeitlin, 1974). The corporate elite, at whose core the board of directors stands, is part of what Mills (1956) defined as the "power elite," i.e., a small group of people with disproportional power and control over resources.

Although 'corporate elite' is a widely used phrase to refer to a firm's top management, most studies employing this terminology do not explicitly build on elite theory and traditional sociology-based elite literature (e.g., Gregorič et al., 2017; Jaw and Lin, 2009; Jensen and Zajac, 2004; Oehmichen et al., 2017). A notable exception, however, is the study of board interlocks, with some scholars proposing that the rise of these interlocks between MNEs is a sign of an emerging (or already existing) 'international ruling class' of directors, albeit some doubt how relevant and international this class really is (e.g., Carroll and Fennema, 2002; Carroll and Sapinski, 2010; Heemskerk and Takes, 2016; Kentor and Jang, 2004; Mizruchi, 1982, 1996; Mizruchi and Stearns, 1988). Nonetheless, as Zald and Lounsbury (2010) remark, the debate on interlocks has largely lost its connection to more traditional elite research and neglects issues on elites' origins, wealth, power, and perpetuation in favor of a more technical approach to the study of elites.

Despite these shortcomings, there is evidence that many of the findings from the more traditional elite literature prevail. For example, studies have shown that a large number of boardrooms around the globe are still disproportionally filled with members of the 'old elite', i.e., usually men from the respective country's dominant ethnic group who have enjoyed privileged upbringings and visited leading educational institutions before embarking on corporate careers (Bauer and Bertin-Mourot, 1999; Hartmann, 2018; Maclean et al., 2010; Maclean et al., 2014; Zweigenhaft and Domhoff, 2018). Japan is no exception in this regard (e.g., Amano, 2017; Hartmann, 2018; Kariya, 2001). The profound reason as to why these 'old elites' continue to thrive—at least in some countries and firms—is seen in their ability to perpetuate based on shared backgrounds, attitudes, behavioral patterns, and tastes (Hartmann, 2000; Maclean et al., 2010; Maclean et al., 2014). In other words, potential top managers who diverge too far from the established norms are likely to face opposition by incumbent top managers, thus limiting the career prospects of candidates who are 'different' (Gao et al., 2018; Park and Westphal, 2013; Schmid and Mitterreiter, 2020; Westphal and Khanna, 2003; Westphal and Stern, 2006). Eventually, this leads to a situation where new board members usually closely resemble those from previous generations (Bauer and Bertin-Mourot, 1999; Hartmann, 2018).

Since corporate elites are often pictured as a 'self-contained' group, and their perpetuation is assumed as an 'isolated mechanism', most studies tend to neglect other factors that may enhance or impede their status and ability to perpetuate. From the perspective of business literature, most strikingly, firm factors are largely omitted from the discussion. This gap seems noteworthy in light of a tradition of studies arguing that board compositions are directly linked to the characteristics and requirements of individual firms (e.g., Bandiera et al., 2015; Govindarajan, 1989; Szilagyi Jr and Schweiger, 1984; Thomas and Ramaswamy, 1996). The rare exceptions that have connected firm antecedents, such as size or location, with corporate elites have focused on board members who are specifically *not* part of the traditional elite, such as women directors (Chizema et al., 2015; Gregorič et al., 2017). However, there is little prior research regarding firms' characteristics under which 'old elites' can maintain the status quo—despite changing societal expectations towards firms and their top management (Krause and Miller, 2020).

A potential point of reference in this regard is the literature discussing the indicators, processes, and consequences of organizational change or, conversely, organizational stability (e.g., Al-Haddad and Kotnour, 2015; Armenakis and Bedeian, 1999; Buchanan et al., 2005; Rajagopalan and Spreitzer, 1997). Within this field, some studies argue that either changing or stable firm requirements are linked to top managers' backgrounds, i.e., backgrounds that also imply either change or stability (Goodstein and Boeker, 1991; Hermalin and Weisbach, 1988; Hillman et al., 2000; Lynall et al., 2003; Westphal and Bednar, 2005; Wiersema and Bantel, 1992). Since elites are inclined to preserve their power and the status quo (Mills, 1956), it is likely to assume that it is easier to realize this inclination in firms that are characterized by stability. Overall, however, very few prior studies have specifically linked firm characteristics with those of top managers—and even less so with a potential elite nature of top managers. Manuscript 3 thus approaches this literature gap by taking a closer look at how the characteristics of Japanese firms are related to the presence of directors from the 'old elite' on boards.

2.4 Business studies in the Japanese context[6]

Compared to the rather recent rise of scholarly interest in other Asian countries, notably China and India (e.g., Luo and Zhang, 2016), business studies on Japan have a long tradition within the international[7] academic business community. Pioneered by early sociological and culture-anthropological studies on Japanese firms (e.g., Abegglen, 1958; Dore, 1973), Japan entered the mainstream of international business literature following the global success of its firms in the 1970s and 1980s. Publications such as Ezra Vogel's (1979) "Japan as number one: Lessons for America"

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[6] It should be noted that the focus of this chapter is not narrowly set on 'business literature'. Instead, this chapter intends to provide a brief outline with regards to where many of the lasting assumptions on Japan found in business literature derive from.

[7] In this context, 'international' (business) literature and 'international' scholars are used to refer to literature and scholars primarily not published in the Japanese language. It is not restricted to the narrower scope of 'international business literature'.

or Chalmers Johnson's (1982) "MITI and the Japanese Miracle" became bestsellers (in 'the West' and in Japan) and paved the way for the stark rise in academic studies on Japanese firms during the 1980s and 1990s that tried to unravel the secrets of their success. Frequently, a base of this success was seen in the 'peculiarities' of Japanese culture and society (e.g., Alston, 1989; Bhappu, 2000; Ford and Honeycutt Jr, 1992; Hatvany and Pucik, 1981; Oikawa and Tanner, 1992).

The bursting of Japan's bubble economy and the decline in its economic influence in the 1990s also led to a relative decline of interest in the country. Furthermore, this turn of events was accompanied by simultaneously rising attention devoted to other Asian countries, such as the aforementioned China and India. Nonetheless, a stable academic output featuring Japanese firms exists today, and while such studies provide contextual information, they portray Japan—for the most part—as a relatively 'normal country' whose firms experience challenges and changes not unlike elsewhere (e.g., Desender et al., 2016; Hashai and Delios, 2012; Huang et al., 2020; Magoshi and Chang, 2009; Yoshikawa et al., 2010). Figure 2 briefly summarizes into different phases the post-World War II business-related literature on Japan.

Despite the normalization process that set in during the 2000s, some recent publications can be understood as a continuation of the almost glorifying tone apparent in many publications of the 1970s to 1990s—albeit now the tone has changed to one of negativity. These works frequently pick up on the ascribed 'peculiarities' of Japan and its firms to argue that the same 'peculiarities' that were once believed to be a source of strength now stand in the way of necessary change (see, for instance, Brad Glosserman's (2019) "Peak Japan: The End of Great Ambitions"). Furthermore, even recent publications do not shy away from repeating questionable and outdated arguments. For example, Hirata and Warschauer (2014, p. 10-11) write:

> Some 1400 years after *wa*[8] was written into Japan's constitution, the concept remains widely accepted. […] Hierarchical structures and a checks-and-balances system for ego in the workplace ensure the continuation of *wa*, and public disagreement with leadership is generally suppressed in the interests of preserving communal harmony.

Thus, there are ample signs that some of the beliefs about Japan have today been established to a degree that they are hard to dismiss, regardless of whether they are relevant or not.

Time	**View on Japan**	**Description**	**Examples**[9]
1940s to 1960s	Negative	Reasons for Japan's defeat in World War II and its (economic) backwardness are sought in the 'uniqueness' of Japan.	Abegglen (1958); Benedict (1946)
1970s to 1990s	Positive	Japan's 'uniqueness' is portrayed as a source of its economic success and superiority.	Nonaka and Takeuchi (1995); Vogel (1979)
From 2000s onwards	Relative	Globalization and the relative decline of Japan's economy lead to relativization and a more differentiated assessment of Japan's 'uniqueness'.	Aoki et al. (2007); Schaede (2020)

Figure 2: Phases of business literature on Japan (based on input from Ando (2010); Befu (2001); Sugimoto (2021))

[8] The Chinese-originated character 和 (*wa*) is usually translated to 'peace' or 'harmony'. Going back to a historic name used by China to refer to Japan, *wa* is today used in multiple contexts (e.g., 和食, *washoku*, refers to Japanese cuisine). In international publications on Japan, *wa* is often used to describe the 'mystical' harmony principle perceived as a defining attribute of Japanese culture and society (e.g., Alston, 1989; Cho and Yoon, 2001; Parry, 2006).

[9] The listed publications are examples of 'typical' works of the respective time period. The focus, especially of earlier works, is not exclusively on business issues, although these works are considered cornerstones for later business-related publications. Furthermore, it should be stressed that for each time period, notable (positive and negative) exceptions from the mainstream of literature exist. For instance, Buckley and Mirza (1985) published a reflected assessment—in many parts—of Japanese firms and management practices for their time.

One reason why some assumptions on Japan are so persistent is that they have been frequently repeated, at the very least since World War II. Publications such as "The Chrysanthemum and the Sword" by Ruth Benedict (1946) remain highly influential to this day (e.g., Watsuji, 2016). Remarkably, Benedict's work gained even more popularity among a Japanese compared to a Western readership, and it has had a profound impact on Japanese self-reflection (Kent, 1999). Benedict and like-minded authors addressed issues that helped Japan to understand itself, and they contributed to a whole bulk of publications that have come to be known as the *nihonjinron* genre ('theories about the Japanese'), a genre with an impressive output that remains popular in Japan today (Ando, 2010; Befu, 2001; Sugimoto, 2021). Recurring arguments within the *nihonjinron* genre highlight a distinctive 'Japaneseness' based on the country's (ethnic and cultural) homogeneity, the importance of group consciousness, and the value of harmony (for an overview of arguments, see, for instance, Rear, 2017).

Not surprisingly, as Japan's economic boom spurred the initial interest of the international business community in the 1970s, the cluster of ideas already established within *nihinjinron* became a rich source of inspiration to decipher the success of Japanese firms. For instance, Nakane's (1967) concept of a 'vertical society' was translated into English in 1970 and delivered ideas ready for adoption by international business authors to explain the nature of Japanese firms (e.g., hierarchical structures, importance of group work, loyalty, seniority principle). Through non-Japanese authors such as Vogel (1979), these ideas were further spread and eventually reimported back to Japan, leading to a mutual reinforcement of ideas by Japanese and international scholars.

The realization that many of the omnipresent ideas on Japan and its firms were built on false premises already seems too late at this point, as many ‘truths’ about the country are likely to endure. However, as part of a contemporary thesis set in the Japanese context, it is important to acknowledge evidence that early questionable receptions and adaptions of Weberian and Marxian writings, for instance, are an important source of these ‘truths’ (e.g. Distelrath, 1996; Morris-Suzuki, 1989; Schwentker, 1998). Japanese scholars themselves have contributed to this development by transferring Weber’s socio-religious ideas, known from “The Protestant Ethic and the Spirit of Capitalism” (Weber, 1920/2004), to the Japanese context (e.g., Ōtsuka et al., 1976). Weber himself originally identified Confucianism as a main source of East Asia’s ‘backwardness’ compared with the ‘progressive’ (Protestant) West (Weber, 1915/1991). Ironically, later authors turned this argument upside down and specifically picked up on Weber to present “Confucianism as the midwife of East Asian development and the East Asian version of the Protestant Work Ethic” (Chan, 1996, p. 39). Similarly, Marx’s works, such as his concept of a pre-capitalist “Asiatic mode of production” (Marx, 1983), nourished the interpretation of Japan’s economic development (e.g., Yamada (1934/1977); for an introduction on Marx’s influence in Japan, see also Itoh (2021)).

At least from today’s perspective, it stands to reason that the writings of both Weber and Marx, each with direct references to ‘the Orient’, are, put delicately, dubious and that, conversely, the interpretation of their publications by Japanese scholars and transfer to a Japanese setting were not always meaningful accomplishments (Anderson, 2010; Distelrath, 1996). Aggravating this problem, the scholastic maladaptation on the part of Japanese scholars who tried to fit ‘Western theories’ into a Japanese setting was complemented by international scholars who resorted to the logic of Orientalism (Said, 1978) to identify Japan's 'otherness' as a source of economic success vis-à-vis 'the West' (e.g., Iwabuchi, 1994; Jacob and Surace, 2021; Minear, 1980; Sum, 2000). Incidentally, the latter helped to cement Japan's self-identity and outside perception by picking up on core assumptions of the *nihonjinron* canon (e.g., the 'collectivism argument' or the 'homogeneity argument').

The point to be stressed here is that Japanese and international scholars, arguably unintentionally, reinforced each other's ideas and perceptions and constructed an image of Japan that is not always accurate but extremely stable to this day. However, as mentioned previously, especially in recent times, many examples within business literature employ a more differentiated view on Japan. Potentially, the end of the 'Japan boom' brought with it a positive side effect: a gradual demystification and reassessment of the country. Coupled with a relativization of its (past) economic success against the backdrop of other successful economies—in Asia and elsewhere—the discernment that 'all that glitters is not gold' might, eventually, lead to a more prosaic assessment of the country's economic trajectory. In this sense, this thesis also aims to contribute to the gradual convalescence of business studies in the Japanese context.

3. Research manuscripts

Three manuscripts form the core of this thesis. Whereas Chapter 3.1 gives an overview of the research questions and the main findings, Chapters 3.2 and 3.3, respectively, provide introductions to the employed theories and methodologies. Figure 3 summarizes the manuscripts in terms of content, and Chapters 3.4 to 3.6 highlight the respective bibliographic information and publication status of the three manuscripts.

	Manuscript 1	**Manuscript 2**	**Manuscript 3**
Title	Gaijin invasion? A resource dependence perspective on foreign ownership and foreign directors	Internationalization, legitimacy, and CSR: The case of Japanese firms	Much ado about diversity? The perpetuation of old elites on corporate boards
Research question	Is there a link between foreign ownership and foreigners on boards?	Does the internationalization of firms lead to an increase in CSR?	What drives the board elite level?
Theory	Resource dependence theory	Legitimacy theory	Elite theory (+ organizational change and stability literature)
Sample	242 Nikkei 400 firms, 2017-2018	190 Nikkei 400 firms, 2015-2019	212 Nikkei 400 firms, 2015-2019
Data sources (main)	• Nikkei NVS • Refinitiv Eikon • Annual reports • Securities reports	• Nikkei NVS • Refinitiv Eikon • Toyo Keizai CSR data • Toyo Keizai overseas subsidiary data	• Nikkei NVS • Refinitiv Eikon • Toyo Keizai board directory
Methods (incl. supplementary and robustness analyses)	• Logistic regression • Propensity score matching	• Random effects regression • Fixed effects regression • Two-stage least squares regression	Random effects regression

Figure 3: Overview of the manuscripts

3.1 Overview of the manuscripts

Manuscript 1 (*Gaijin invasion? A resource dependence perspective on foreign ownership and foreign directors*) embarks on two observable changes in Japanese corporate governance since the early 1990s. First, the ownership structure of Japanese firms has substantially changed, in that the influence of formerly dominant domestic shareholders, i.e., Japanese financial institutions and corporations, has declined in favor of foreign owners, whose ownership ratio on the Tokyo Stock Exchange increased from approximately 5% to 30% between 1990 and 2020 (JPX, 2021a). Second, there is evidence that some Japanese firms have started to add foreign directors to their boards (Nikkei, 2017; Stuart, 2021). Although the internationalization of Japanese boards can still be considered modest compared to other countries, this marks a major change compared to previous times when they were almost exclusively filled with Japanese nationals, most of whom had never worked outside of the focal firm (e.g., Hartmann, 2018; Li and Harrison, 2008; Waldenberger, 2013). By drawing on the literature streams on foreign ownership and the internationalization of boards introduced in Chapter 2.1, manuscript 1 asks if there is a link between the increase in foreign ownership and the increasing number of directors on boards. The manuscript's main hypothesis proposes that such a relationship exists, and that its nature is positive. Two additional hypotheses suggest moderation effects. First, it is argued that a higher foreign market exposure of firms positively moderates the association between foreign ownership and foreign directors. The second moderation hypothesis suggests that the adoption of newly available board systems[10] by firms positively moderates the link between foreign ownership and foreign directors. The empirical results of the study lend support to the main hypothesis as well as the first moderation hypothesis, albeit there is no support for the second moderation hypothesis. In addition, supplementary analyses provide evidence that higher foreign ownership promotes the inclusion of Anglo-American directors, in particular, as well as internally promoted (i.e., inside) directors rather than outside directors.

Manuscript 2 (*Internationalization, legitimacy, and CSR: The case of Japanese firms*) ties in with prior literature and the notion that there is a positive relationship between firms' internationalization and CSR (Chapter 2.2). The study also asks whether increasing internationalization leads to an increase in CSR. However, this question is formulated against the backdrop of different dimensions of internationalization and their influence on CSR. Furthermore, the question entails the requirement to analyze whether the assertions of previous studies relate to the Japanese context—a context that offers a shorter CSR tradition, at least in terms of CSR that is 'Anglo-American-inspired' and easily measurable (e.g., Fukukawa and Teramoto, 2009; Matten and Moon, 2008). A conspicuousness pointing to the idea of a generally positive relationship between internationalization and CSR in Japan is that the increased interest in CSR by Japanese firms since the 2000s has occurred simultaneously (or closely followed) in relation to increasing internationalization levels across several dimensions (e.g., Suto and Takehara, 2018). Notably, these dimensions include the growing internationalization of ownership and the

[10] Japanese firms are free to choose between one of three board systems. The choice has implications, for instance, with regards to the number of required outside directors on the board. The traditional audit and supervisory board system (*kansayakukai setchi kaisha*) was subsequently complemented by the Anglo-American-inspired three committees system (*iinkai setchi kaisha*) in 2002 and a supervisory committee system (*kansai iinkai setchi kaisha*) in 2015.

internationalization of boards, both of which are at the center of manuscript 1. But even the most 'traditional' internationalization dimension, i.e., firms' international activities, has changed dramatically since the 2000s, as data on sharply rising exports and foreign direct investments by Japanese firms indicate (World Bank, 2021a, 2021b). Hence, through its main hypotheses, manuscript 2 proposes that three dimensions of internationalization, namely, i) internationalization of activities, ii) ownership internationalization, and iii) board internationalization, have a positive impact on CSR. The results of the quantitative analyses support the hypotheses concerning the internationalization of activities and board internationalization, but they provide no evidence for a positive relationship between ownership internationalization and CSR. Supplementary analyses reveal that the effect of the internationalization dimensions differs depending on the CSR dimension in question (e.g., the environment vs the social dimension). Further supplementary analyses also show that, among other things, the scope of internationalization (i.e., the number of host countries), the regional focus of MNEs, as well as the institutional distance between home (i.e., Japan) and host countries positively affect CSR.

Manuscript 3 (*Much ado about diversity? The perpetuation of old elites on corporate boards*) begins with the observation that many boards around the globe still resemble those of the past and are dominated by directors with traditional elite backgrounds. This occurs despite the omnipresent pledges and pressures for more diversity in firms (e.g., Dooley, 2021a; Nikkei, 2021a). Whereas previous studies have elaborated on the triggers of rising board diversity (Gregorič et al., 2017; Grosvold and Brammer, 2011; Mun and Jung, 2018), manuscript 3 sheds light on the question of why some firms resist change or, in other words, which factors drive these firms to adhere to traditional 'elite boards' instead. The question is set in the Japanese context where—

as in many other countries—a distinguished corporate elite, based on backgrounds such as elite university affiliation, is well-established (e.g., Hartmann, 2018; Maclean et al., 2010; Ono, 2008). Based on literature on elites as well as literature on organizational change and stability (Chapter 2.3), manuscript 3 argues that the 'old elite' can maintain itself easier in firms with certain antecedents. Specifically, three hypotheses posit that i) firms that are more risk averse, ii) firms with domestic and stable owners, and iii) firms with conservative boards possess higher board elite levels, i.e., they have a higher occurrence of directors with typical elite characteristics. The empirical evidence provided in manuscript 3 supports the hypotheses and concludes that more stable and conservative firms tend to offer the 'old elite' a setting that allows its continued perpetuation. Supplementary analyses complement these findings by revealing that the board elite level is particularly high in firms headquartered in Tokyo and in firms associated with one of Japan's large industrial groups (*keiretsu*).

3.2 Theoretical perspectives

All three manuscripts are grounded in theories well-established in business literature. Broadly speaking, all of the employed theories are found within the tradition of 'behavioral approaches' and 'organizational studies' (e.g., Aharoni, 1966; Blau, 1970; Child, 1972; Cyert and March, 1963; Scott, 1981; Simon, 1947). Each manuscript is based on the notion that firms are social actors driven by the behaviors and decision-making processes of individuals. Furthermore, none of the theories is a 'genuine' business theory, and they all borrow heavily from other disciplines, most notably sociology—a common practice within business literature (e.g., Agarwal and Hoetker, 2007; Whetten et al., 2009). However, differences exist concerning their origins, assumptions, and the possibility to demarcate them from related theoretical streams.

Manuscript 1 draws on resource dependence theory, which is a relatively coherent theory and can be clearly attributed to the work of Jeffrey Pfeffer and Gerald R. Salancik, albeit previously established behavioral and organizational premises are obviously present in their writings (Pfeffer and Salancik, 1978). The theory suggests that firms face uncertainties stemming from their dependence on external resources, and that they try to reduce these uncertainties through different responses. The board of directors is one example of such a response, since firms can deliberately nominate directors who bring resources to the board that will help mitigate uncertainties. For instance, directors can provide valuable advice, legitimacy, or access to new networks (Hillman et al., 2009). Following these assumptions, manuscript 1 contends that firms face uncertainties caused by a growing dependence on foreign owners—a group of shareholders with which firms were previously unfamiliar. The manuscript argues that foreign directors offer a potential means to provide firms with resources (i.e., skills, knowledge, and competencies) that help reduce these uncertainties. Thus, the paper hypothesizes that growing foreign ownership levels will also lead to an increase in foreign directors on boards.

Legitimacy theory is the theoretical foundation of manuscript 2. In business literature, this theory is most commonly associated with Mark C. Suchman's contribution (1995). Undoubtedly, Suchman's work played a pivotal role in synthesizing and refining previously loose concepts of organizational legitimacy into a more coherent theory. However, it should be noted that organizational legitimacy, i.e., what Suchman (1995, p. 574) defines as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate […]", is a recurring theme on what is usually clustered as neo-institutional approaches (e.g., Powell and DiMaggio, 1991; Scott, 1981; Stinchcombe, 1968; Streeck and Schmitter, 1985). Hence, drawing a sharp line between legitimacy theory and bordering perspectives is neither possible nor meaningful (Fernando and Lawrence, 2014; Gray et al., 1995). Concerning manuscripts 2's main research question—whether internationalization leads to more CSR—the idea of organizational legitimacy is applied in an international context. The study suggests that internationalization leads to an increasing confrontation of firms with diverse interests and ideas with regards to what constitutes a 'good firm'. Eventually, this places increasing pressure on the legitimacy of firms stemming from a larger (i.e., international) legitimizing environment. In line with theoretical considerations that firms seek to protect their legitimacy through actions and communication (Dowling and Pfeffer, 1975), manuscript 2 suggests that increasing CSR efforts, specifically, is a means by which firms can defend and expand their legitimacy in an international setting. Hence, the study hypothesizes a positive relationship between internationalization and CSR.

Manuscript 3 draws on elite theory and literature on organizational change and stability. Albeit labeled a 'theory', elite theory is less a coherent theory than a collective term reflecting the long history of elite studies, as briefly outlined in Chapter 2.3. One of the most distinguished authors in this realm is Pierre Bourdieu (e.g., 1977, 1986, 1998). Based on his own empirical analyses, Bourdieu attempted to unravel not only the characteristics of elites, but also, more specifically, how they function and perpetuate. Bourdieu posited that individuals accumulate economic, social, cultural, and symbolic capital throughout their lives and that this accumulation leads to the development of a certain habitus, i.e., 'a way of being'. Furthermore, according to Bourdieu, the gained capital and habitus are the basis for social distinction and a social reproduction that exclude individuals who do not share the 'appropriate' capital and habitus. Transferred to the corporate world, this means that incumbent board members are inclined to prefer aspiring candidates who resemble their own capital and habitus traits. Thus, it is likely that board members will share similar elite backgrounds over a number of generations (e.g., Bauer and Bertin-Mourot, 1999; Hartmann, 2000; Westphal and Stern, 2006). However, in the research context of manuscript 3, elite theory only elucidates the basic mechanism of elite reproduction. Hence, to answer the research question as to why some firms still have more elite directors on boards than others, this study also draws on findings from literature on organizational change and stability. While this body of work in itself is diverse and uses multiple theoretical perspectives (e.g., Al-Haddad and Kotnour, 2015), manuscript 3 focuses on prior findings suggesting a relationship between firm and board characteristics. Within these findings, specifically, manuscript 3 focuses on three important firm antecedences (i.e., risk, ownership, and boards) and hypothesizes a positive link between firms characterized by stability and a higher board elite level.

3.3 Research approach and methodology

All three manuscripts follow the functional research paradigm as described by Burrell and Morgan (1979). Furthermore, they can be classified as 'positivist' in their approach (e.g., Aliyu et al., 2014). In other words—within the boundaries of social sciences—each manuscript seeks to objectify phenomena and explain regularities and associations between different observable variables. Thus, this thesis stands in the long tradition of business studies following a functionalist, positivist approach (e.g., Barmeyer et al., 2019; Crane and Glozer, 2016; Ferlie and Mark, 2002; Gond and

Matten, 2010). For this approach, the choice of well-established theories (Chapter 3.2) is common, and all manuscripts build on existing research to answer knowledge-expanding questions by utilizing quantitative hypothesis testing (Bell et al., 2019; Edmondson and McManus, 2007).

To implement this research approach, the manuscripts proceed similarly to establish empirical datasets suitable for statistical analyses. First, they are all based on the Japanese Nikkei 400 stock index, which is grounded on quantitative indicators (e.g., market capitalization) and comprises many firms from Japan's flagship industries (JPX, 2021b). Whereas the Nikkei 400 contains internationally renowned firms with a long tradition in foreign markets (e.g., from the automotive industry), it also encompasses firms that are less famous outside of Japan and still heavily embedded in the domestic environment (e.g., rail companies). Hence, the Nikkei 400 constitutes a diverse group of firms suitable for testing the manuscripts' respective hypotheses and identifying differences and commonalities between firms. Data were collected for years 2017 to 2018 in the case of manuscript 1, and years 2015 to 2019 for manuscripts 2 and 3.

Second, data collection for all manuscripts involved a mix of database extractions and collections by hand from secondary data sources. The bulk of firm-level data stems from the Nikkei NVS and Refnitiv Eikon (former Thomson Reuters Datastream) databases. These databases were important sources for all manuscripts, and in particular for control variables (e.g., firm size or firm performance). In addition, each manuscript demanded specific data references, depending on its thematic focus. For instance, firm ownership data were collected from securities reports filed with the Japanese Financial Service Agency (FSA) for manuscript 1. Furthermore, information on boards and their foreign directors was obtained from annual reports, using a manual name analysis to distinguish foreign from Japanese directors (e.g., Sekiguchi et al., 2011). For manuscript 2, Toyo Keizai's CSR data served as the main source for all CSR-related data. Manuscript 3 required detailed information on boards with regards to the (elite) backgrounds of directors. In this regard, Toyo Keizai's board directory was utilized to identify directors with elite credentials, such as a degree from a prestigious university.

Lastly, to ensure data consistency, all manuscripts employed a hierarchical collection process and used the respective most established data source as a primary reference. Additional sources (e.g., corporate websites or financial data websites) were only used to complement data when necessary. However, obtaining complete datasets was not possible, since required information was missing in the cases of some firms. For example, service industry firms often do not publish details on their foreign market activities. As only firms with completely available information were used for the analyses, some thus had to be excluded. T-tests were conducted to ensure that no substantial differences existed between the discarded firms and those making up the respective final samples, i.e., 242 firms (manuscript 1), 190 firms (manuscript 2), and 212 firms (manuscript 3).

All of the manuscripts use statistical methods for quantitative hypothesis testing. Generally, they rely on well-established forms of multiple regression analyses within business studies (e.g., Ghauri et al., 2020; Waters, 2011). Due to the discrete nature of its dependent variable, manuscript 1 employs logistic regressions for its main analysis, while random effects regressions are used to analyze the panel data in manuscripts 2 and 3. Supplementary analyses employing different statistical methods add to the findings of the main analyses of each manuscript. In all manuscripts, a one-year lag is utilized to increase causal inferences (e.g., Bellemare et al., 2017). For instance, manuscript 2 uses independent and control variables from 2015 to 2018, whereas the dependent variable accounts for 2016 to 2019. Furthermore, each manuscript entails a range of statistical robustness tests to ensure reliability. The empirical results are then discussed and put into the context of existing literature, thus giving rise to the respective manuscripts' contributions and implications.

3.4 Manuscript 1 bibliographic information

Title	Gaijin invasion? A resource dependence perspective on foreign ownership and foreign directors
Co-author	Schmid, Stefan
Journal	*International Business Review*
Status	Published
Available	DOI: https://doi.org/10.1016/j.ibusrev.2021.101861

3.5 Manuscript 2 bibliographic information

Title	Internationalization, legitimacy, and CSR: The case of Japanese firms
Co-author	Schmid, Stefan
Journal	*Journal of Business Ethics*
Status	Revised and resubmitted
Available	Upon request

3.6 Manuscript 3 bibliographic information

Title	Much ado about diversity? The perpetuation of old elites on corporate boards
Co-author	Schmid, Stefan
Journal	*Managerial and Decision Economics*
Status	Published
Available	DOI: https://doi.org/10.1002/mde.3601

4. Contributions and implications

This thesis contributes to business literature has both theoretical and practical implications. Chapter 4 synthesizes the contributions and implications of the three manuscripts.

4.1 Contributions to literature

This thesis adds to literature in the international business, upper echelons, and organizations fields, as well as literature on firms and business practices in the Japanese context. Furthermore, each manuscript adds to the specific literature streams in which they are grounded (Chapters 2.1 to Chapter 2.3).

For manuscript 1, this particularly applies to the growing body of studies on the effects of foreign ownership as well as on the internationalization of boards (e.g., Buckley et al., 2010; Carney et al., 2019; Desender et al., 2016; Nielsen, 2010; van Veen et al., 2014). Whereas the notion that ownership matters and differs around the world has been established for a long time (e.g., La Porta et al., 1999), the actual impact of foreign ownership on firms is not yet fully understood. The association between foreign ownership and board internationalization is no exception, and it has been significantly overlooked in the past (notable exceptions include Oxelheim et al., 2013). Since many of today's globally active investors are of Anglo-American origin, the study of these effects is particularly worthwhile in contexts that traditionally promote ideas regarding the interplay between shareholders and firms that are different than those dominating the Anglo-American context (Ahmadjian and Robbins, 2005). As such, manuscript 1 advances literature on foreign ownership and (the antecedents of) board internationalization, and it brings the two streams together by highlighting the role of foreign ownership in Japan, a country where boards, until recently, could be classified as 'purely domestic'.

Manuscript 2 contributes to literature on CSR by highlighting firm antecedents to CSR (e.g., Ali et al., 2017; Sharfman et al., 2004; Yang and Rivers, 2009); particularly, the focus is on their internationalization. While prior studies have examined the relationship between firm internationalization and CSR (e.g., Attig et al., 2016; Brammer et al., 2006), manuscript 2 advances the field by differentiating between several dimensions of internationalization, on the one hand, and effects on different dimensions of CSR on the other hand. Furthermore, manuscript 2 shows not only that the overall *quantity* of firms' internationalization is a trigger for CSR, but also that a deeper look into the *quality* of this internationalization is warranted in order to fully appreciate the internationalization-CSR link. Specifically, the manuscript highlights that the 'where' of internationalization matters—in terms of both geographical region and the institutional distance between home and host countries where firms' foreign activities take place. Thus, manuscript 2 also adds to the literature on the importance of regions and institutional distance for firms' internationalization trajectories (e.g., Bae and Salomon, 2010; Eckert et al., 2016; Rosa et al., 2020; Xu et al., 2004).

Manuscript 3 is embedded in literature on corporate elites (e.g., Bühlmann et al., 2018; Davoine et al., 2015; Hartmann, 2018; Maclean et al., 2010) but goes beyond the often rather descriptive nature of corporate elite studies (e.g., Maclean et al., 2010) to analyze reasons, i.e., firm antecedents, for the continuity of elites on corporate boards. The identification of such antecedents is closely aligned with prior findings from literature on organizational change and stability. While this literature stream has highlighted relationships between firm characteristics and board composition, these relationships have previously not involved issues relating to the elite nature of boards (e.g., Hillman et al., 2000; Kisfalvi, 2000; Triana et al., 2014; Westphal and Bednar, 2005). Manuscript 3, based on the analyzed firm antecedents risk, ownership, and boards, shows that firms characterized as more stable and conservative are likely to have boards that are dominated by directors who are part of the 'old elite'. In light of these findings, manuscript 3 also adds to literature on the 'fit' between firms and their leaders (e.g., Govindarajan, 1989; Markarian and Parbonetti, 2007; Nielsen and Nielsen, 2010).

4.2 Contributions to theory

The manuscripts advance their respective theoretical perspectives. Although all used theories are generally well-established (Chapter 3.2), the manuscripts' utilization of these theories exceeds their traditional areas of application. Manuscript 1, for instance, uses resource dependence theory to fathom associations between foreign ownership and board internationalization. This is a clear deviation from the vast majority of studies in the ownership-board nexus that employ agency theory as the main theoretical lens (e.g., Adams et al., 2010; Boyd and Solarino, 2016; Daily et al., 2003). There is evidence that many of agency theory's basic assumptions, which originated within Anglo-American corporate governance settings, are problematic when applied to not only the Japanese context but also others (Cuevas-Rodríguez et al., 2012; Filatotchev et al., 2013; Phan and Yoshikawa, 2000; Yoshikawa and McGuire, 2008). Instead of the shareholder-driven approach postulated by agency theory, resource dependence theory allows for a more firm and board-centered perspective from which to appreciate the reasons why foreign directors are deemed useful resources when considering rising foreign ownership levels. Furthermore, manuscript 1 shifts the dominant focus of resource dependence theory on outside directors towards inside directors as potential candidates to manage firm uncertainties. This is a relevant extension of the theory's scope, given that outside directors still only play a relatively small role in many corporate governance systems (e.g., Wei et al., 2018).

Manuscript 2 is based on legitimacy theory, which was (and still is) an established theory in accounting literature and the context of CSR disclosure long before Suchman's (1995) attempt to open it up for the wider application of organizational and strategic questions (e.g., Abbott and Monsen, 1979; Bachmann and Ingenhoff, 2016; Chauvey et al., 2015; Guthrie and Parker, 1989; Patten, 1991). Manuscript 2 makes use of this development and moves legitimacy theory away from the mere 'communicative' side of CSR (i.e., CSR disclosure) to broader use (i.e., overall CSR). This is a deviation from large parts of the CSR field, where theories highlighting CSR's impact on firms' resources and capabilities dominate (e.g., Frynas and Yamahaki, 2016; Malik, 2015). Prior studies investigating internationalization-CSR relationships, specifically, often refer to stakeholder-centered approaches (e.g., Attig et al., 2016; Brammer et al., 2006). Instead, manuscript 2 contends that internationalization poses a threat to firms' legitimacy that mandates a response. As internationalization levels rise, it becomes increasingly difficult for firms to respond to the individual demands of a growing number of interest groups. Hence, firms resort to CSR as an overall 'shield' against legitimacy issues. This shield can entail more action-based, substantive CSR measures along with the more communicative measures highlighted by accounting literature, and so CSR covers the whole spectrum of potential firm responses to legitimacy threats (Dowling and Pfeffer, 1975; Suchman, 1995). Furthermore, the manuscripts' results indicate that CSR becomes more important when firms are more active in regions and countries where institutional distances are greater and weightier legitimacy threats arise (e.g., Kostova and Zaheer, 1999; Xu et al., 2004). Thus, manuscript 2 provides empirical evidence for legitimacy theory's explanatory power in the internationalization-CSR nexus.

Manuscript 3 uses elite theory as a baseline for its arguments on how 'old elites' perpetuate on corporate boards. While 'elite' is a ubiquitous term used in upper echelons literature, many studies do not pick up on any of the assumptions associated with elites in the more traditional, sociological sense (e.g., Gregorič et al., 2017; Jensen and Zajac, 2004; Mellahi and Collings, 2010; Oehmichen et al., 2017). Zald and Lounsbury (2010) argue that the neglecting of dedicated elite perspectives in contemporary studies could be related to the 'Marxist aura' often associated with elite theory, even though there is evidence that such an association is largely unjustified—unless one also allocates the likes of Weber or Durkheim to this aura (e.g., Desan, 2013; Fowler, 2011; Joppke, 1986). Manuscript 3 shows that elite theory has a place in the study of contemporary corporate boards, as it provides a line of argument for why some firms—against all odds and pressures—do *not* open up their boards to more diversity. Furthermore, manuscript 3 draws on inputs from literature on organizational change and stability to argue which specific firm antecedents promote the continuity of 'old elites' on boards. Hence, it also shows how basic ideas from elite theory can be combined with insights from other literature streams and theoretical perspectives (Zald and Lounsbury, 2010).

4.3 Contributions to comparative studies

The manuscripts are all set in the same, i.e., the Japanese, context. This is a departure from the overwhelming amount of studies that only consider the topics board internationalization, CSR, and corporate elites in the 'Western world' (e.g., Attig et al., 2016; Hooghiemstra et al., 2019; Maclean et al., 2010; Oehmichen et al., 2017; Strike et al., 2006; van Veen et al., 2014). Naturally, this thesis is only a small step in moving away from dominant Western-centric perspectives within business studies (for a critical introduction to this topic, see, for instance, Prasad et al., 2016). However, by realizing and admitting that some of the petrified assumptions of prior research may require adaptations to other contexts, this thesis highlights the need for a more differentiated appreciation of some of the investigated phenomena. The historically less shareholder-driven link between owners and firms (manuscript 1), the relatively recent development of 'modern' CSR (manuscript 2), or the different composition of 'old elites' (manuscript 3) are all examples of (Japanese) context-sensitive issues that mandate a deeper examination with respect to, for instance, the application of theory, the development of hypotheses, and the interpretation of empirical results.

At the same time, the thesis does not intend to purposefully highlight the 'otherness' of Japan. Indeed, many of the manuscripts' empirical results point in directions that appear familiar to other countries. For example, increasing board internationalization or rising CSR efforts as responses to firms' internationalization by Japanese MNEs rather support than contradict the findings of prior studies based in other contexts (e.g., Cheung et al., 2015; Oxelheim et al., 2013). These results seem even more compelling when considering, in some instances, the diverging starting conditions of Japanese firms, such as the comparably low number of foreigners residing in the country or the aforementioned rather late adoption of 'modern' CSR practices by Japanese firms.

However, these results do not mean to imply that a convergence of firms around the globe is imperative. At the very least, there are many indications that full convergence is unlikely to occur in the near future or might only occur on small or regional scales (e.g., Aguilera and Crespi-Cladera, 2016; Aguilera et al., 2019; Ahmadjian, 2016; Eckert and Rossmeissl, 2005). Although a direct contrast between firms from different countries is beyond the scope of this work, this thesis can still deliver some insights into the state of convergence of firms around the globe and serve as a point of reference for future comparisons. For instance, it implies that there might be a potential convergence of firms on a more aggregated level (i.e., when comparing large MNEs from different countries) or that the transfer of selected business practices, such as CSR, is likely to intensify in the future (e.g., Gamble and Huang, 2009; Kristensen et al., 2001; Westney and Piekkari, 2020). However, this thesis also highlights that firms increasingly differ *within* countries. The scale and scope of activities in foreign markets vary greatly between firms from one country, while, congruently, their take on board internationalization or CSR also differs. Furthermore, manuscript 3 shows that some firms resist trends to open their boards to more diverse directors, and instead they choose to rely on directors who are part of the traditional elite. In sum, this thesis thus advises caution in predicting future developments, especially in terms of firms' convergence and the effect of seemingly 'unstoppable developments'.

4.4 Implications for practice

This thesis bears some overarching practical implications. Manuscripts 1 and 2 highlight the need for top managers to acknowledge their firms' circumstances and to formulate responses in cases where these circumstances are fundamentally altered. Failure to respond adequately might otherwise lead to severe negative consequences. In 2018, one of Japan's flagship MNEs, Toshiba, had a foreign ownership ratio of 72.3% but not a single foreign director on the board (Toshiba, 2018). Although the direct effects of this policy are arguably hard to isolate, it came as no complete surprise that this particular firm was caught in a major corporate governance scandal involving the disregarding of foreign investor interests and alleged manipulation of shareholder votes to the detriment of a major foreign shareholder in 2020 (Dooley, 2021b; Nikkei, 2021b). To stick with this example, it is probably also no surprise that even though half of Toshiba's revenues stem from outside of Japan, the firm was only ranked 137th in Toyo Keizai's 2019 CSR ranking (Toyo Keizai, 2019). The implication here is not that foreign directors or stronger CSR would have necessarily made Toshiba a 'better' firm. However, it illustrates that high foreign ownership ratios or considerable international activities do not *automatically* lead to the responses that manuscripts 1 and 2 identified as firms' general inclinations. It is up to firms and their top managers to actively formulate and implement responses to changing circumstances.

Furthermore, manuscript 3 specifically identifies some of the antecedents associated with firm stability and, subsequently, elite stability on boards. Even though the inference that stable firms might, in the long run, become uncompetitive is not far to seek, there is ample evidence that this is not necessarily the case, in that continuity and organizational routines can be an important source of competitive advantage (Feldman and Rafaeli, 2002; Witt, 2011). However, there is a fine line between stability as a source of a firm's strength, on the one hand, and inertia as an obstacle to necessary organizational change on the other hand (e.g., Amankwah-Amoah, 2014; Audia et al., 2000; Kelly and Amburgey, 1991; Leana and Barry, 2000; Pentland et al., 2011). Hence, the practical implication of manuscript 3 is congruent with implications from manuscripts 1 and 2, i.e., that firms need to constantly question existing organizational practices and strategies. Whereas a certain board composition might still seem adequate today, circumstances can drastically change within a few years. Firms and incumbent top managers should thus carefully monitor developments so as to remain in a position where they can still (proactively) act upon such changing circumstances.

5. Limitations

This thesis is subject to some limitations that open up opportunities for future research. While each of the three manuscripts entails specific limitations, Chapter 5 focuses on recurring and overarching limitations.

5.1 Sample and measurement limitations

The samples used in the respective manuscripts are all based on a set of large, publicly listed firms. It is hence not possible to conclude whether the analyzed associations also pertain to, for instance, small and medium-sized firms. Furthermore, only a few firms in the sample are not international at all (in terms of foreign market activities). The focus of analysis is therefore rather on MNEs with varying degrees of internationalization as opposed to contrasting MNEs with purely domestic firms. Another drawback is the relatively short timeframes used, due to the elevated efforts required in collecting some parts of the data. Manuscript 1 highlights associations between two firm years. Arguably, even the five years used in manuscripts 2 and 3 are relatively short. Although the theoretical foundations, background, and context provided in the manuscripts support the empirical inferences drawn, it is still important to keep these limitations in mind.

Future study opportunities also prevail concerning some of the variable measurements. For instance, prior literature has shown that 'board internationalization' can go beyond the identification of foreign directors and may, for example, include international work or education experiences (Le and Kroll, 2017; Nielsen, 2010; Schmid and Baldermann, 2021). Whereas the still small number of foreign directors on Japanese boards allows highlighting their 'elevated significance', future studies could expand the board internationalization measurement in Japan.

Similar limitations in manuscript 3 apply to the measurement of elite boards. While the measurement contains important elite characteristics grounded in literature, it could arguably be expanded in the future to also include, for instance, information on directors' pre-university education (LeTendre et al., 2006; Reeves et al., 2017). As for manuscripts 2's dependent variable (i.e., firms' CSR), Toyo Keizai's CSR rating is an established CSR standard for Japanese firms (e.g., Nakamura, 2013). However, it should be noted that the compilation methods and content of almost all CSR ratings are not without criticism. The partially diverging results utilizing the rating from Refinitiv Eikon's ESG data highlight that CSR ratings should generally be used and compared with caution. Furthermore, established CSR ratings allow for no differentiation between CSR measures that are of a more 'communicative' or 'substantial' nature (Dahlin et al., 2020; Suchman, 1995). While manuscript 2 is interested in the 'overall CSR' of firms, future studies focusing on a narrower scope of CSR measures could potentially apply such a differentiation.

5.2 Theory application and applicability limitations

Each manuscript stresses the relevance of its respective theory, and the areas and extension of theoretical applications are a contribution of this thesis (Chapter 4.2). Nonetheless, some critical annotations are in order with regards to the use of theory. For example, none of the theories can claim exclusive explanatory power. Whereas uncertainty stemming from increasing foreign ownership levels is highlighted as an antecedent of board internationalization in manuscript 1, it could be argued that, instead, organizational isomorphism is a key driver (e.g., Powell and DiMaggio, 1991). Similar limitations apply to manuscripts 2 and 3—neither legitimacy theory nor elite theory can deliver exclusive explanations as to why firms engage in CSR or maintain elite boards, respectively. While this limitation appears rather natural and applies to most business studies, it could be considered a call to extend the theoretical lens in the future by combining multiple theories or increasing the amount borrowed from other disciplines (e.g., Kenworthy and Verbeke, 2015; Whetten et al., 2009).

Perhaps as a more fundamental concern, this thesis also gives rise to questions regarding the general applicability of (established) theories. For instance, manuscript 1 specifically argues against the use of agency theory, i.e., the theoretical standard in the respective research area. By comparison, the use of research dependence theory seems like a less problematic choice in the Japanese context. However, there is no definite way to say that 'uncertainty' is the same for a Japanese firm as for a US firm. Likewise, in manuscript 2, there is no evidence relating to whether potential legitimacy threats are perceived in similar ways by Japanese firms and, for instance, Indian firms. The same concerns apply to manuscript 3 and the question of whether the assumptions of elite theory, such as the habitus concept, are universally applicable around the globe.

The point here is that most theories are naturally grounded within the context in which they were (first) formulated and do not necessarily consider the idiosyncrasies of other contexts (e.g., Aguilera and Jackson, 2010; Filatotchev et al., 2013). While this does not mean that theories are generally not transferable across contexts, this should at least be a reminder that theoretical assumptions dubbed 'natural' in one place should be critically questioned when applied in another place. Furthermore, whereas considering contextual factors may help to curb the risks of 'theoretical misapplication', it cannot completely eliminate the risk of oversimplification or unsuitable adaptations. In this regard, the misconceptions of Marx and Weber about ‘the Orient’, as well as the highly debatable transfer of their works to a Japanese context by Japanese scholars mentioned in Chapter 2.4, can provide a cautionary tale.

5.3 Research approach and methodology limitations

While limitations concerning the used samples have already been stressed (Chapter 5.1), this section critically comments on limitations regarding the research approach and methodology. From a technical, methodological perspective, all manuscripts have shortcomings with respect to the causality of the highlighted relationships. Several measures are employed to mitigate this shortcoming, such as the use of time-lags between independent and dependent variables (all manuscripts), or propensity score matching and two-stage least squares regressions (manuscripts 1 and 2, respectively). However, these measures cannot completely diminish potential endogeneity issues, particularly those common in studies involving corporate boards (Adams et al., 2010). For instance, manuscript 3 suggests that stable and conservative firm characteristics are antecedents to elite boards but, instead, one could argue that elite directors have a propensity to refrain from frequent and drastic organizational changes. As common for social sciences studies using quantitative approaches, the manuscripts thus refrain from claiming strong causal relationships and rather refer to ‘associations’ between different variables (e.g., Bell et al., 2019; Bryman, 2003).

Furthermore, it is beyond the scope of this thesis to pinpoint specific decision-making processes as well as the attributes and influence of top managers involved in these processes. Manuscript 2, for instance, suggests that foreign directors can help to facilitate firms’ CSR efforts, based on the different skills, knowledge, and competencies that they bring to the boardroom (compared to domestic directors). However, based on the proxy ‘nationality’, manuscript 2 only *assumes* that such differences exist, and the empirical analysis does not account for the actual skills, knowledge, and competencies of foreign (or domestic) directors. This black box is a common limitation of upper echelons research (e.g., Carpenter et al., 2004; Hambrick, 2007). Similarly, the manuscripts cannot penetrate the actual processes behind the nomination of directors. Arguably, multiple stakeholders are involved in board nominations, and they are one in an abundant amount of factors that play a role in the selection of directors (Withers et al., 2012).

While it seems bold to suggest a quantitative study that can effectively address all of the above limitations, it would be wrong to conclude that future studies should simply ignore them (e.g., Neely Jr. et al., 2020). For example, studies using qualitative comparative analysis (QCA) with small samples that offer an elevated level of detail could enable a better look behind the scenes. Alternatively, qualitative—for instance in-depth case study—approaches might allow a shift towards a less functionalist research paradigm—a plea that is frequently repeated but, so far, rarely heard (e.g., Barmeyer et al., 2019; Birkinshaw et al., 2011; Doz, 2011; Ferlie and Mark, 2002).

5.4 Contextual limitations

The last limitation stems from the thesis' concentration on one country, i.e., Japan. As an immediate consequence, this impedes the possibility of generalizations. While this thesis has highlighted the merits of research focusing on a single country (Chapter 4.3), its findings should be interpreted as points of reference rather than as universally applicable truths for other countries. For example, the internationalization of boards in many European countries has already advanced far beyond Japanese levels (e.g., van Veen et al., 2014), thereby suggesting that the antecedents and consequences of this internationalization might differ. The definition of elites arguably also varies across countries; whereas elite universities play an important role in shaping the Japanese corporate elite, this impact factor is less important elsewhere (Hartmann, 2018). Thus, either studies set in other countries or cross-country studies could investigate whether the highlighted relationships of this thesis also pertain in other contexts, and, if not, how they differ.

A perhaps less obvious consequence of a one-country study and a detailed consideration of contextual factors is that this approach may lead to an overstatement of such factors and the role they play. This risk might apply in particular when dealing with a country like Japan that is 'soaked' with attributes, many of which, at best, are only half-truths. However, the sheer amount of attributes accumulated in decades of research on Japanese firms make a consistent differentiation between valid and invalid arguments difficult. As Chapter 2.4 has shown, many false or overstated contentions can become 'facts' if repeated over an extended period. Although this thesis aims to blend in with the more sober post-2000s publications on Japan, the three manuscripts are arguably not free from certain oversimplifications. For instance, manuscript 1 purposefully illustrates the differences between Japanese corporate governance and Anglo-American corporate governance, and manuscript 3 refers to the alleged protruding status of Japanese bureaucrats. While the manuscripts also suggest many similarities between Japan and other countries and work hard to evade the 'Orientalism trap', this does not completely exclude the risk that a touch of 'otherness' resonates in one or another argument or underlying assumption.

Admittedly, this risk is a main factor in why none of the manuscripts explicitly draws on culture, neither as a conceptual input to formulate hypotheses nor to empirically analyze culture's impact on associations between different variables. Culture constructs, such as Hofstede's widely used cultural dimensions (e.g., Beugelsdijk et al., 2017), may only aggravate potential overgeneralizations. Indeed, the assumption of Hofstede's study as well as other cultural studies that 'country = culture' is highly problematic[11] (Baskerville, 2003; Smith et al., 2008; Venaik and Brewer, 2013). In the Japanese case, the use of such constructs could be considered grist to the mill for advocates of one of the most fundamental arguments of the *nihonjinron* genre: Japan's homogeneity as the basis of the country's 'uniqueness'. The tendency by some to expand the Japanese equation to 'country = ethnicity = culture' (Sugimoto, 1999) could thus potentially even strengthen some of the widespread and petrified assumptions on the country. It should be clear that, although perhaps less obvious than elsewhere, Japan is *not* a homogenous country (e.g., Chiavacci, 2016; Sugimoto, 2021; Weiner, 2009). However, the homogeneity narrative seems hard to overcome as long as prominent figures, such as Taro Aso, at the time finance minister, found it natural in 2020 to use the word *mindo* to explain Japan's (allegedly superior) coping with the COVID-19 pandemic—a word sometimes translated as 'cultural level' that is used to emphasize the country's socio-cultural homogeneity and superiority (Lewis, 2020).

Nonetheless, in the future, simply ignoring the impact of culture should not be a blueprint, especially for studies that otherwise specifically highlight the importance of contextual factors. Thus, similar to the remarks made with regards to directors' individual impacts and firm-internal processes (Chapter 5.3), future research should carefully approach this issue and, for example, concentrate on small sets of firms and

[11] One could argue that the use of institutional distance constructs in manuscript 2 is equally problematic. While the measurement of institutional distance is not without critique and assumes that 'country = institutions', there are still several advantages compared to the use of most culture constructs, such as Hofstede's cultural dimensions. For example, data on institutions are frequently updated and cover a wider range of countries, and at least basic regulative institutions are also more likely to be the same within a given country.

their respective *firm culture* rather than on *national culture*. Gradually, this might help in understanding culture and its influence—perhaps still the greatest black box of all in (international) business literature.

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