

Institutional Reform and New Firm Performance: More or Better Firms?

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This paper asks how a particular institutional punctuation in Japan affected organization mechanisms that may change the number and performance trajectory of new firms. It shows that the institutional changes that were designed to lower the costs of entry for individuals did not alter the number and variety of firms contrary to predictions by a great deal of literature. On the other hand, we show that the performance of new firms, after reforms, were materially improved which suggests that lowered entry barriers may have attracted individuals with greater human capital, or the lowered entry barriers may have altered markets. Using data on 16,824 firms founded from 1950 to 2008 in Japan we test the idea that institutional reform can affect entrepreneurial performance by altering the selection of individuals deciding to become entrepreneurs. The study makes two main contributions. First, it contributes to institutional theory by showing how institutions affect the performance of entrepreneurial organizations through the mechanism of altering the proportion of capable individuals that will select entrepreneurship. Second, it contributes by showing that policy intended to recalibrate institutions can have unanticipated effects. By showing that institutional change affects individuals who choose to become entrepreneurs and thus new firm performance, we gain a deeper understanding of the mechanisms of how the institutional environment changes organizations.

Robert Eberhart is a SPRIE Fellow at Stanford's Program on Regions of Innovation and Entrepreneurship where he leads the project on Japanese Entrepreneurship. His research focuses on comparative corporate governance of growth companies with special emphasis on Japan and the role of Japanese institutions in fostering entrepreneurship. His papers include topics such as corporate governance, entrepreneurship in Japan, and institutional analysis of innovation. He is a member of the American Economic Association, the Academy of Management, and the International Society for New Institutional Economics. Robert also lectures in classes on Japanese business and entrepreneurship at Stanford University. He is an academic advisor to Japan's Board of Director's Training Institute, and on the ACCJ's New Company Growth Task Force. Prior to resuming his academic career, Robert founded and was the CEO of a successful and venture capital financed Japanese startup from 1999 until it was purchased in 2007.

Lecture in English

No registration necessary

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