Securities Analysts Journal®

【 Vol.62, No7. July 2024 】

Feature Articles

This month's focus: CEOs of Japanese Companies

Professional Managers and Top Management Teams

Katsuyuki Kubo : kkubo@waseda.jp
Shigeru Uchigasaki, Susumu Seko & Takuya Kiriu, CMA

This paper uses a novel database to examine the change in boards of directors and top management teams of Japanese companies. We developed our database on top management teams by text-mining annual reports. Using this database, we focus on the following two questions. Firstly, we examine whether there is a market for professional managers in Japan. In other words, we study how many top managers had CEO experience at different firms before they took on their current positions. In addition, we pay particular attention to whether the so-called CxO has infiltrated top management teams.

The Secret to the Longevity of Japanese Family Businesses

Jungwook Shim
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This paper highlights the utilization of diverse human resources as a strength of Japanese family businesses. By analyzing the period from 1955 to 2010 using family businesses that went public between 1945 and 2010, this paper finds that the banto-style of management is not a minority approach but rather a widely used method in Japanese family businesses. The banto plays the role of relief pitcher, stepping in to stabilize management and pass the baton to the next generation, particularly in the most critical situations in family businesses where the successor is not yet prepared.

The Personality of CEOs and Corporate Performance

Shunsuke Managi
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Jun Xie :

This study examines the impact of CEO personality on corporate performance through strategies related to leverage and research and development investment, using data from 970,000 companies and considering the five personality traits known in psychology as the Big Five, along with four key qualities. The analysis indicates that this influence is particularly pronounced in small and medium-sized enterprises. Furthermore, it is suggested that specific personalities are more inclined towards adopting riskier strategies.

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CEO Background Characteristics and Firm Performance

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This study examines the relationship between the financial and stock performance of Japanese companies and CEO career background characteristics. Many internally promoted CEOs are alums of leading national universities and lead Japan's mainstream companies. These companies, however, tend to exhibit lower market-to-book ratios and have weaker growth potential compared to others. In contrast, although only a few founder CEOs graduated from leading universities, their companies actively invest in growth opportunities and exhibit high market-to-book ratios, high ROEs, and high stock returns. A strong relationship exists between Japanese companies' performance and the background characteristics of their CEOs.

Articles

Business Withdrawal/New Entry and Introduction of Outside Directors in the Japanese Manufacturing Industry

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This paper examines the relationship between the ratio of outside directors and business withdrawals and new entries in the Japanese manufacturing industry in the 2010s. The results empirically confirm that the higher the ratio of outside directors, the more likely a company will withdraw an old business or enter a new business in the following year. This suggests that the presence of outside directors may disrupt a company's pursuit of the "quiet life" stemming from the inward-looking nature of CEOs and self-protective actions of business divisions, thereby encouraging business withdrawals and new entries.

An Empirical Study on the Execution Costs of SOR Orders

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Smart Order Routing (SOR) is a system that routes orders to multiple venues. In recent years, its use has expanded to not only institutional investors but also individual investors. While SOR offers various routing methods, the comparison and verification of these methods have not been conducted due to challenges in acquiring and organizing trading data. In this paper, we investigate the relationship between order routing methods and their opportunity costs based on actual trading data and show that improving the opportunity costs of SOR orders is achievable when ensuring that the time difference of order arrival at each venue is within 100 microseconds.