

Top Executives and the Insiders' Effects on Downsizing in Japan

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Abstract

The authors investigate whether the attributes of top executives affect downsizing-related decisions of insider-dominated boards. Using a dataset firm-level panel data over the period 1997-2003, they find that the influence of inside directors varies across the attributes of top executives. Inside directors are likely to place ultimate priority on job security in promoted-manager firms which are managed by a president promoted from among the employees. Conversely, they are inclined to promote the corporate value over job security in owner-manager firms managed by the owner and/or the owner's family who are major stockholders and have a strong voice to management.

Key Words: Employment Adjustment, Corporate Governance, Separation of Ownership and Management, Attributes of Top Executives, Inside Directors

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