The Shareholder versus Stakeholder Wealth Maximization Debate: Is the New Keiretsu Framework the Answer?

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Abstract

As the Denis (2016) contended in her paper that re-advocated for a focus on shareholder wealth maximization, there seems to be a public outcry for corporations to shift their focus from shareholder to stakeholder wealth maximization. Japanese firms have historically embraced more of a focus on the stakeholder through their Keiretsu management framework, which has created both vertical and horizontal cross-shareholding relationships with various stakeholders. According to Aoki and Lennerfors (2013) the traditional form of Keiretsu is changing and instead of looking to engage in long-term cross-shareholding relationship with stakeholders that can benefit the parent company by providing a product or service based upon a specification or at a price, the relationship is evolving into one that provides the parent company with integrated solutions and innovative ways to meet critical business needs. Aoki et al. (2013) contend that the Keiretsu model is evolving and the cross-shareholding relationships seems to create anshin, which means peace of mind, between the parent and the stakeholder based upon the knowledge that both parties are acting in the Keiretsu's best-interest. This study seeks to examine the recent developments in the evolving Keiretsu structure by examining the ownership structure and the performance of firms that have gone public on Japanese Markets from 2012 to the end of 2015. Our intention is to determine if the Keiretsu framework is indeed alive and well and whether we can highlight any differences in the structure or performance of the historical Keiretsu as compared against the new Keiretsu.

References
