



Business organization and market behavior

Alternative disciplinary mechanisms in different corporate systems

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Abstract

Corporate systems across the industrialized world differ markedly with respect to their historical origins, their methods of capital mobilization, and their structures of ownership and control. Those institutional differences seem to have an influence on economic behaviour, including the manner in which corporate restructurings take place. Whereas in the Anglo-Saxon world hostile takeovers are commonplace, they are virtually unknown in most countries of continental Europe and in Japan. In these latter countries other disciplinary mechanisms are at work, especially through the intense involvement of universal banks and financial holding companies in corporate decision-making and restructuring. These salient differences raise a number of interesting questions concerning the relationships between varying institutional settings and corporate behaviour, control and performance. This study provides a comparative analysis of *market-oriented* corporate systems on the one side and *network-oriented* corporate systems on the other. It indicates significant differences in the way the inherent agency conflicts are resolved. The typical disciplinary mechanisms employed in either system have a number of pros as well as cons, which suggests that the implied optimization of economic organization leaves room for multiple configurations.

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