Transplanting Corporate Culture across International Borders: FDI and Female Employment in Japan♦

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This paper examines the effect of foreign ownership on gender-related employment outcomes and work practices in Japan. The data indicate that the proportion of females among workers, managers, directors, and board members is higher in foreign affiliates than in domestic firms of comparable size operating in the same industry. Foreign affiliates are also more likely to offer flexible working arrangements, telecommuting, and child care subsidies as well as employ foreign workers. These effects are visible almost exclusively in older affiliates. The analysis of foreign acquisitions combining propensity score matching with a difference in differences suggests that increase in the female labor share takes place a few years after the ownership change. All these patterns are in line with the view that it takes time to transplant corporate culture to an overseas affiliate.

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I. Introduction

In ancient times, foreign newcomers sometimes accepted the gender norms prevailing in their destination and sometimes replaced them with their own.[1] The same could be said about modern times: in the 1980s and early 1990s, it was thought that foreign pressure was one of the few effective forces for advancing the women's status in the Japanese society.[2] More recent commentaries point to foreign direct investment (FDI) as a catalyst for change, suggesting that Japanese women are likely to have more opportunities for professional advancement in foreign affiliates operating in Japan than in Japanese firms.[3] This matters, because creating opportunities for professional advancement for disadvantaged groups, which before were not fully able to purse their comparative advantage, improves the allocation of talent and translates into a faster economic growth (Hsieh et al. 2013).

The aim of this paper is to document one channel through which globalization affects the gender norms and labor allocation. More specifically, we examine the effect of foreign ownership on gender-related employment outcomes and work practices in Japan. We compare female employment (at various levels) in foreign affiliates and domestic firms operating in Japan. We also consider differences in the self-reported work practices and some aspects of corporate culture, such as, offering flexible working arrangements, telecommuting, job sharing, child care subsidies and the average share of vacation days used by employees, all of which are likely to make employment attractive to female

[1] Graves (1960) describes how different waves of migrants to Greece had a different effect on the societal gender norms. For instance, he claims that the Ionians and Aeolians, the first two waves of patriarchal Hellenes to invade Greece, accepted the matrilineal customs prevailing in Greece. Only later the arrival of Achaeans and Dorians succeeded in establishing patriarchal rule and patrilinear inheritance.

[2] For example, when the Equal Employment Opportunity Act for men and women was passed in 1985, it was suggested that international pressure, especially pressure stemming from the ratification of the UN Convention concerning the Elimination of All Forms of Discrimination against Women, was the major force behind passing this law (Parkinson 1989).

[3] See, for example, *The Economist* Briefing "Japanese women and work" March 29, 2014.

workers.

Japan is an interesting setting for our study for three reasons. First, gender inequality is greater in Japan than in other developed countries, suggesting that there are ample opportunities for foreign affiliates to bring changes in this dimension. According to the World Economic Forum, Japan ranked 111th among 144 countries in terms of the Gender Gap Index in 2016. Japan is also at the bottom of the Glass Ceiling Index compiled by *The Economist* magazine, ranking 26th among 27 countries considered. While Nordic countries attain a score of 80 percent, the index value for Japan reaches only 20 percent. Moreover, the gender wage gap is much larger in Japan than in other developed countries (Blau et al. 2014).

Second, most FDI inflows into Japan come from countries that are more gender-equal than Japan is. This can be seen in Figure 1 which plots the Gender Gap Index against the number of foreign affiliates operating in Japan, with the index value attained by Japan shown with the horizontal line. Thus it is likely that foreign investors bring gender norms that are different from the existing norms in Japan.[4]

Third, a lot of anecdotal evidence suggests that Japanese women are likely to have greater career opportunities in foreign affiliates operating in Japan than in Japanese firms. For instance, the female manager ratio in Texas Instruments Japan Ltd. was equal to 10 percent in 1995, and the company set a target of raising it to 15 percent by 1999 (Taniguchi 2008).[5] In IBM Japan utilizing female talent was a crucial part of the corporate strategy: in 1999 the company announced an intent to quadruple the number of female managers to 700 by 2003. Nissan Motor Co. employed only five female managers before the acquisition by Renault in 1998. This number increased to 36 in 2004

[4] The data presented in Figure 1 come from an external source. Unfortunately, our data do not allow us to observe the nationality of foreign owners.

[5] The average ratio of female managers in Japan was only 2 percent in 1989 and 8 percent in 2012 (White Paper of Gender Equality, the Cabinet Office of Japan). Among publicly traded companies it was even smaller reaching 3.6 percent in 2012.

and to 101 in 2007. Furthermore, the proportion of female managers in design, planning, and product development doubled.[6]

Our analysis is based on two datasets that allow us to capture gender outcomes and management practices in foreign and domestic firms in Japan from the 1990s to the present. Our first dataset comes from the Corporate Social Responsibility (CSR) survey, which covers all listed companies, including about 1000 firms per year from 2004 to 2014. The second dataset is obtained by combining the Establishment and Enterprise Census (EEC) and Basic Survey of Japanese Business Structure and Activities (BSJBSA). This dataset allows us to examine the effect of foreign acquisition on gender outcomes in the firm. The second dataset includes small firms that are not covered in the first dataset.

Our first set of the results, based on the CSR data covering publicly traded firms, suggest that foreign affiliates are more gender-equal than Japanese firms are. We find that the proportion of females among workers, managers, directors, and board members is higher in foreign affiliates than in domestic firms of comparable size operating in the same industry in the same year. Foreign affiliates are more likely to offer flexible working arrangements, such as flexible working hours or telecommuting. They are also more likely to offer child care facilities or child care subsidies. Moreover, their employees take on average a larger proportion of their vacation allowance. Finally, they are more likely to hire foreign workers and such workers constitute a larger share of their workforce. These differences are present for the most part only in foreign affiliates that have been in operation for more than three years, suggesting that it takes time to transplant a corporate culture across international borders. The difference is also more pronounced in affiliates with a higher foreign ownership share suggesting that control is essential for ability of the foreign parent to affect the corporate culture in the overseas

[6] This increase took place soon after the acquisition of Nissan by Renault: the Renault-Nissan alliance started in 1999, and Renault's shareholding increased from 36.8 percent to 44.4 percent in 2002.

affiliate.

In our second exercise, we examine whether there is a link between foreign acquisitions and gender outcomes. We conduct an analysis that combines propensity score matching with a difference-in-differences approach and find that foreign acquisitions are associated with a 9-10 percentage point increase in the share of female workers, though this effect takes place with a delay. Foreign acquisitions do not appear to influence female representation at the board level within the timeframe considered. Both findings are consistent with the results based on the CSR data.

Together, all of these results suggest that inflows of FDI affect gender-related labor market outcomes in Japan. Given that innate ability is unlikely to differ between men and women and that women have been historically disadvantaged in the Japanese labor market, our results suggest FDI has the potential to improve the allocation of talent and mobilize the so far underutilized female labor. Both of these factors may contribute to a faster economic growth.[7,8]

Our paper is related to three strands of the economic literature. The first strand examines the impact of globalization (and more specifically, international trade) on gender outcomes. In an early study, Black and Brainard (2004) use industry-level data for the period 1977-94 to show that increased import competition reduces the gender wage gap in the more concentrated industries in the United States. Juhn, Ujhelyi, and Villegas-Sanchez (2012) argues that tariff reductions under the North American Free Trade Agreement (NAFTA) prompted Mexican establishments to adopt modern technologies that require less physical strength resulting in an increase in the number of female blue-collar workers and their wages, but not the number and wages of white

[7] FDI can also contribute to economic growth through other channels, such as technology transfer and impact on innovation, but these channels are not of immediate interest in this study.

[8] Siegel et al. (2013) show greater representation of females in managerial and executive roles translates into improved firm-level outcomes in Japan.

collar workers.[9] Boler et al. (2014) argue that there is a systematic difference in the gender wage gap (GWG) between exporting firms and non-exporters. Exporters may require greater commitment from their employees, such as working particular hours to communicate with partners in different time zones or travelling at short notice, and may therefore disproportionately reward the ability of employees to work flexibly. If women are less flexible, or perceived as such, exporters will exhibit a higher GWG than non-exporters. Using matched employer-employee data from Norway, the authors find that a firm's entry into exporting increases the GWG by about 3 percentage points for college educated workers. A lower overlap in business hours between the Norwegian exporters and its foreign markets, and a greater need for interactions with foreign buyers are associated with a higher GWG.

The second strand of the related literature documents the impact of foreign ownership on various aspects of plant operations. Arnold and Javorcik (2009) show that foreign acquisitions of Indonesian plants lead to a 13.5 percent productivity boost after three years under foreign ownership. The rise in productivity is a result of restructuring, as acquired plants increased investment outlays, employment and wages. Foreign ownership also enhances the integration of acquired plants into the global economy through increased exports and imports.[10] Similarly, Guadalupe et al. (2012) show that in foreign acquisitions in Spain result in more product and process innovation and adoption of foreign technologies, also leading to higher productivity. Brucal et al. (2016) find that foreign acquisitions are associated with a decline in energy intensity of the production process.

[9] Kazekami and Endoh (2012) estimate labor demand elasticity using Japanese data, and arrive at mixed conclusions concerning the effect of trade on labor demand elasticity of female and male workers.

[10] Javorcik and Poelhekke (2017) show that foreign divestment have the opposite impact on divested plants.

The final strand of the literature related to this study documents the differences in management practices across firms and countries. Bertrand and Schoar (2003) show that manager fixed effects matter for a wide range of corporate decisions. A large portion of the heterogeneity in investment, financial, and organizational practices of firms can be explained by manager fixed effects. Management practices display significant cross-country differences and are strongly correlated with firm productivity (Bloom and Van Reenen 2007). Multinational firms appear to transplant their management practices to host countries. For instance, while there is a wide dispersion in management scores across countries, the subsidiaries of foreign multinationals score highly regardless of their location.[11] Multinationals also transplant other features of their organizational form overseas, such as the average degree of decentralization (Bloom, Sadun, and Van Reenen 2012).[12,13]

Our study makes three contributions to the existing body of knowledge. First, we contribute to the labor literature focusing on gender issues by investigating how another aspect of globalization, namely FDI, influences the gender-related labor market outcomes. Second, we contribute to the literature documenting the impact of FDI on the recipient plants by examining outcomes that the previous studies were unable to explore. And third, we contribute to the literature on management practices by examining how the foreign affiliates age affects the process of transplanting corporate culture across

[11] There exists also international business literature which studies the choice of human resource practices in foreign affiliates of multinational enterprises (see, for instance, Rosenzweig and Nohria 1993; Taylor, Beechler and Napier 1996, and citations therein).
[12] Expatriate staff plays an important role in transplanting management practices across international borders. Marin et al. (2014) mention that 43% of eastern European affiliates of German and Austrian multinationals had at least one manager sent from the headquarters. The average number of expatriate managers per affiliate was 2.63.
[13] Detailed case studies of the Philippines, Dominican Republic, and Costa Rica suggest that FDI can create favorable institutional externalities for workers, both at the national level and within export processing zones or industrial parks. This externalities stem from foreign affiliates introducing different management practices and labor relations (for more details see Moran (2002)).

countries.

The paper is organized as follows. In the next section, we describe the data, followed by the discussion of the empirical strategy in Section 3. Section 4 reports the regression results on various gender outcomes. In Section 5, the results from our matching exercise are presented. The last section presents conclusions of the study.

II. Data and Empirical Strategy

II.1 Data sources

Our analysis relies on two distinct datasets, which are described below.

CSR data (Dataset 1). The Corporate Social Responsibility survey is conducted by a private publishing company Toyo Keizai among all the listed companies and a subset of large non-listed companies. It covers about 1000 firms per year and is available for the period 2004-14 (with the exception of 2005). The survey includes questions about the number of employees by gender, the number of managers by gender, whether the firm has introduced a flextime system, whether the firm allows its employees to have temporary part-time work arrangements, whether the firm offers an option of telecommuting to its employees, whether the firm offers child care facilities or subsidies for child care, and what share of vacation days is utilized on average by firm employees. In order to identify foreign affiliates we merge the CSR data with the information on foreign equity shares available from the Development Bank of Japan (DBJ). As the DBJ data cover only publically traded firms, we lose all non-traded firms from the sample. The merged dataset contains between 5,000 and 7,000 firm-year observations depending on the outcome considered.

EEC & BSJBSA (Dataset 2). To create our second dataset we combine information from two sources: the EEC and BSJBSA. The EEC is the census that covers all

establishments in Japan and is conducted twice in every five-year period by the Ministry of Internal Affairs and Communications. We use years 1996, 2001, 2004, 2006, and 2009. The EEC data contain annual information on the number of employees and board member by gender in all establishments operating in Japan. The BSJBSA survey is conducted among approximately 30,000 firms, which have 50 or more employees and the value of capital of at least 30 million yen.[14] The BSJBSA data contain information on the foreign ownership, sales, total number of employees, debt/asset ratio, and R&D/sales ratio. The EEC and the BSJBSA are merged using the company name, address, and phone number. The dataset we use in this analysis contains 52,616 firm-year observations.

II.2 Definition of foreign ownership

We define a foreign affiliate dummy (*Foreign affiliate*) as 1 for a firm with a foreign equity share of at least ten percent, and zero otherwise.[15]

As transplanting corporate culture to a foreign affiliate may take time and is likely to be facilitated by greater control, we want to distinguish between newly established affiliates and those that have been in operation for a while, as well as between affiliates with different levels of foreign control. We define *New foreign affiliates* as those that are in their first, second or third year of operation under foreign ownership. *Old foreign affiliates* are defined as those that have been operating under foreign

[14] The BSJBSA survey is conducted annually by the Ministry of Economy, Trade, and Industry as part of governmental effort to collect statistical data. It covers all manufacturing, trade companies, and parts of service companies except for finance, real estate sectors, and non-profit service sector (e.g., hospitals and schools).

[15] We clean the data to correct for what most likely are coding errors. A sequence of *Foreign affiliate* values observed for the same firm over four consecutive years equal to 0010 and 0100 is replaced with 0000. Analogously 1101 and 1011 become 1111. Missing values (denoted as .) due to the firm not being present in the data set in a given year are replaced with the ownership status in the adjacent years (e.g., 0.0 becomes 000, 1.1 becomes 111, 0..0 becomes 0000, and 1..1 becomes 1111).

ownership for more than three years. *Majority owned affiliates* are defined as those with the foreign ownership share above 50 percent. *Blocking share* is defined as foreign ownership share of at least 25 percent but no more than 50 percent. Foreign affiliates with the foreign ownership share of less than 25 percent (but at least 10 percent) are considered to be *Minority foreign owned.*

II.3 Summary statistics

As shown in the Appendix Table A1a, the number of foreign affiliates operating in Japan increased over time: the share of foreign affiliates among listed firms went up from 38 percent in 2004 to 55 percent in 2014. The number of new affiliates declined significantly during the financial crisis, though it started to recover in the most recent years. According to Appendix Table A1b, most affiliates in our sample involve minority shareholding by foreign owners. There is only a handful of majority-owned foreign affiliates.

In Appendix Table A2, we present the summary statistics for gender-related outcomes and work practices, broken down by detailed ownership type. Several patterns are worth noting. There is a lot of heterogeneity across different types of foreign affiliates. Majority foreign-owned affiliates tend to outperform Japanese firms in terms of gender-related outcomes. They also seem to differ from Japanese firms in terms of other human resource practices. The same is true, though to a lesser extent, of old foreign affiliates. In contrast, minority foreign-owned and new foreign affiliates tend to lag behind Japanese firms in terms of the outcomes mentioned.

Having said that, we are hesitant to read too much into the summary statistics for two reasons. First, foreign affiliate may be attracted to industries which are less intensive in the use of female labor. Second, foreign affiliates tend to be larger than domestic firms and thus firm size should taken into account when making comparisons.

III. Empirical Strategy

III.1 Comparing foreign affiliates and Japanese firms

Our first exercise, based on Dataset 1, focuses on comparing various gender-related outcomes and management practices in domestic and foreign firms. We distinguish between new and established (old) foreign affiliates as transplanting the corporate culture across international borders is likely to take time. The former are defined as those in their first three years of operation, while the latter definition encompasses the remaining affiliates. In order to distinguish the effect of size from the effect of "foreigness", we control for the firm size measured using the number of employees (logged), and industry-year fixed effects.[16] More formally, we estimate the following model:

$$Outcome_{it} = \beta_1 Old\ foreign\ affiliate_{it} + \beta_2 New\ foreign\ affiliate_{it} + \beta_3 \ln(Employment_{it}) + \alpha_{jt} + \varepsilon_{it} \quad (1)$$

where $Outcome_{it}$ is a gender-related variable pertaining to firm i in year t, $Old\ foreign\ affiliates_{it}$ and $New\ foreign\ affiliates_{it}$ are the indicator variables that are defined as described earlier, $Employment_{it}$ is the number of standard employees and α_{jt} represents industry-year fixed effects. We cluster standard errors at the level of firm.

III.2 Impact of foreign acquisitions on female employment

In our second exercise, we explore the link between foreign ownership and gender-related outcomes. More specifically, we focus foreign acquisitions and ask whether the ownership change from domestic to foreign resulted in changes in gender-related outcomes. As Japanese establishments acquired by foreign owners are not a random sample of firms, we address the selection bias through propensity score matching combined with a difference-in-differences approach. Propensity score allows us to create the missing counterfactual of how the acquired firm would have performed in

[16] We distinguish between 40 industries.

the absence of ownership change, while the difference-in-differences approach allows us to take into account unobservable firm heterogeneity.

Our exercise is based on Dataset 2. To obtain a propensity score we estimate a logit model predicting the probability of a future foreign acquisition based on firm size (proxied by employment), R&D intensity (defined as R&D expenditure over sales), indebtness (debt to asset ratio), fraction of women in the workforce and its interaction with the firm size, indicator for having a female board member, and dummies for the year of the census.

We employ a matching procedure based on 300 nearest matches (recall that we have 52,616 data points), where our focus is on the comparison of changes in a given outcome between the treated (acquired) firms and the matched controls. We exclude observations outside the common support.[17] More specifically, we focus on the average treatment effect on the treated (ATE) defined as follows:

$$ATE = \frac{1}{N_{treated}} \sum_{i=1}^{N_{treated}} \left(\text{Outcome}_{i,\tau+k}^{\text{treated}} - \text{Outcome}_{i,\tau-1}^{\text{treated}} \right) - \frac{1}{N_{control}} \sum_{i=1}^{N_{control}} \left(\text{Outcome}_{i,\tau+k}^{\text{control}} - \text{Outcome}_{i,\tau-1}^{\text{control}} \right) \quad (2)$$

where τ is the acquisition period, τ-1 pertains to the previous survey wave and τ+k where k=0, 1 or 2 pertains to the subsequent waves. Where appropriate, we weight the observations by firm size.[18] We present bootstrapped standard errors.

IV. Estimation Results

IV.1 Female employment: Baseline estimates from the CSR data

Using Dataset 1 (CSR data), we examine whether foreign affiliates differ from Japanese firms of similar size operating in the same industry in terms of gender-related outcomes.

[17] The common support is bound by the lowest propensity score of a treatment observation and the highest propensity score of a control observation.
[18] Our results are robust when we do not use weights.

The first set of dependent variables consists of the proportion of women in the firm's workforce and in the following managerial positions: (1) managers, (2) directors, and (3) board members. The second set of outcome variables takes the form of indicator variables equal to one if at least one female holds a given position, and zero otherwise. When we use the second set of outcomes, we estimate a logit model which is more appropriate for indicator variables.

The estimation results based on the first set of variables, shown in the top panel of Table 1, suggest that established (old) foreign affiliates indeed hire and promote more women than do other firms of similar size operating in the same industry. The results are statistically significant in all regressions (at the 1 percent level in three of four specifications). The estimates are also economically meaningful. For example, the results from column (1) suggest that the proportion of women in the firm's workforce is on average 2 percentage points higher in established foreign affiliates than in Japanese firms. For managers, the corresponding figure is 1.6 percent, which is meaningful given that the average ratio of female managers in Japanese companies in our dataset is only 3.5 percent. Established affiliates have almost a fifty percent higher share of female directors and board members than Japanese firms do, though it is also true that the ratio of women in these positions is very low in domestic establishments. The estimated effects for new foreign affiliates are much smaller in magnitude and do not reach the conventional significance levels, with the exception of the share of females in total workforce.

Moving on to our control variable, we find that the fractions of women in the workforce and in managerial positions are lower in large firms, as the significant coefficients on the total firm employment suggest. Large firms appear to be more male-dominated than smaller firms are.

The lower panel of Table 1 reports the results from regressions where the dependent variable is an indicator capturing the presence of women in managerial positions. The basic pattern is very similar to that found in the top panel. Controlling for a firm's employment and industry–year fixed effects, we find that, relative to Japanese firms, established foreign affiliates are more likely to have at least one female manager, director, and board member. New foreign affiliates exhibit this pattern only in the case of female managers.

Overall, we find support for the view that foreign affiliates hire and promote more women than do domestic firms. Our results also suggest that implementing the more female-friendly hiring and promotion practices takes time.

IV.2 Does the extent of foreign control matter?

So far we have established that foreign affiliates hire and promote more women and that implementing these policies takes time. Next, we examine whether the extent of foreign ownership plays a role. We do so by allowing for a differential effect for majority owned affiliates (i.e., those with foreign ownership share above 50 percent), affiliates where foreign owners have a blocking share (with foreign ownership share between 25 and 50 percent), and minority owned affiliates (with foreign share exceeding 10 percent but being below 25 percent). As before, we keep the distinction between old and new affiliates.

Two patterns are clearly visible in the results for female shares presented in Appendix Table A3a. First, the more gender-equal employment outcomes are driven almost exclusively by established affiliates. Second, there is a monotonic relationship between the share of females at various levels and the extent of foreign ownership. These conclusions are broadly confirmed when we consider outcomes captured by indicator

variables in Appendix Table A3b.

In sum, we confirm our main conclusion that only older foreign affiliates differ from Japanese firms in terms of gender-related outcomes, which suggests that it takes time to transplant the corporate culture abroad. We also find that within the group of older affiliates the extent of foreign ownership matters when it comes to transplanting the corporate culture.

IV.3 Management practices

We would expect that more balanced gender-related outcomes should go hand in hand with more flexible working arrangements which women tend to find attractive.[19] The CSR survey asks firms about their human resource practices, and their responses are used as dependent variables. We consider the following human resource practices: (1) flexible working hours (flextime); (2) the option to temporarily reduce one's employment to a part-time position for the purpose of childcare (short-time); (3) telecommuting arrangements; (4) the employer offering child care facilities or child care subsidies; and (5) the average share of vacation days used by workers. The first four variables are indicator variables, while the last one is continuous. Thus we employ a logit model in the first four specifications and OLS in the last specification. We control for firm size and industry-year fixed effects.

Table 2 reports the results from regressions on human resource practices. The sample sizes are smaller than those in Table 1 because questions related to work practices were not asked in all waves of the CSR survey. In all regressions in the top panel of Table 2, the estimates imply that established foreign affiliates are more likely than Japanese firms are to offer flexible working arrangements. Their employees also

[19] Kato and Kodama (forthcoming, 2018) show that management practices emphasizing work-life balance and performance related pay are associated with gender diversity.

tend to take a larger portion of the annual leave allocation. Interestingly, both new and old foreign affiliates are more likely to offer child care facilities or child care subsidies than Japanese firms are. This finding is intuitive as establishing child care facilities or offering child care subsidies can be accomplished through a central decision and does not require behavioral changes on the part of the workforce.

In the Appendix Table A4, we additionally distinguish between affiliates with different degrees of foreign control. As before, we confirm that the differences between Japanese and foreign firms are driven by old foreign affiliates and that the degree of foreign control is positively correlated with the introduction of the practices studied (though the pattern does not hold for flextime).[20]

IV.4 Foreign workers

Japanese firms tend to employ very few foreign workers. Although 78.6% of firms in Dataset 1 have at least one foreign worker, such workers constitute a tiny share of the workforce, accounting on average for 1.1% of employees. We would expect foreign affiliates to be more welcoming to foreign workers. To examine this possibility, we repeat our earlier exercise focusing on the following dependent variables: (1) the share of foreign workers in the workforce and (2) an indicator variable equal to one when there is at least one foreign worker in the workforce and equal to zero otherwise. The results in columns 6 and 7 of Table 2 suggest that this is indeed true. According to the estimation results, established foreign affiliates are 9.4% more likely than other firms in their industry to employ at least one foreign worker. In such affiliates, the share of foreign workers is 2.3 percentage points higher than in Japanese firms. New foreign affiliates do not seem to differ from Japanese-owned firms in this respect.

[20] We have very few observations on majority-owned new affiliates we are unable to separately estimate a coefficient on this variable.

In Appendix Table A4, we show that the share of foreign workers is primarily driven by the affiliate age rather than by the extent of foreign control. Thus, greater presence of foreign workers is likely to reflect a corporate culture that is more open to people of different origins rather than the ability of the foreign owner to bring own staff from headquarters due to a larger ownership share. In other words, these results support our hypothesis about foreign ownership leading to changes in corporate culture over time.

IV.5 Is it really about corporate culture?

Could it be that foreign affiliates hire proportionately more females because Japanese workers prefer being employed by Japanese firms and Japanese firms exhibit a preference for hiring males? In other words, do foreign affiliates hire more females because it is more expensive for them than for Japanese firms to have a preference for male workers?

Two of our findings speak against this possibility. First, we find that only older foreign affiliates differ from Japanese firms in terms of the share of female workers, managers, directors and board members. This is consistent with the view that it takes time to transfer corporate culture for an overseas operation. Also, if Japanese workers are concerned about the stability or "quality" of employment in foreign affiliates, we would expect these concerns to dissipate over time. In other words, we would expect new foreign affiliates to be more reliant on female workers relative to older affiliates. We find exactly the opposite pattern. Second, our results indicate that workers in foreign affiliates tend to use a higher share of their allocated vacation days. This type of behavior is unlikely to be driven by the gender composition of the workforce and is consistent with a different corporate culture prevailing at foreign affiliates.

Furthermore, there is a large body of anecdotal evidence documenting gender-biased culture of Japanese corporations. For instance, a recent *Financial Times* article speaks about "a [Japanese] corporate world where "maternity harassment" — when women are hounded out of their jobs once they become pregnant — is so common it is abbreviated to "matahara".[21] Such a practice would go against corporate social responsibility guidelines followed by firms from other industrialized countries and would expose a foreign investor to a potentially costly reputational damage in the home country.

Finally, our results that established foreign affiliates employ more foreign workers than other firms do are also consistent with the notion that the changes in corporate culture being driven by foreign ownership.

V. Foreign acquisitions and gender-related outcomes

In our second exercise, we explore the link between foreign acquisitions and gender-related outcomes by combining propensity score matching with a difference-in-differences approach. Our exercise is based on Dataset 2.

Before discussing the main results, we briefly mention our analysis of determinants of foreign acquisitions, which forms the basis of our propensity score (see Table 3). We find that larger, more R&D intensive and less indebted firms are more likely to be attractive to foreign investors. The higher fraction of women in the workforce increases the likelihood of a future foreign acquisition, although this effect is smaller for large firms. Having a female board member decreases the probability of being acquired.

How well does our matching procedure work? In the right hand side panel of Table 4, we demonstrate that our matching procedure satisfies the balancing property. In

[21] https://www.ft.com/content/60729d68-20bb-11e5-aa5a-398b2169cf79
Matahara occurs despite the fact that discrimination because of pregnancy or having children is illegal. In a Supreme Court ruling in 2014, a physical therapist won the case against her employer for having been demoted after the second pregnancy and later received compensation.

other words, there is not statistically significant difference in the means of the variables considered between the acquired (treated) firms and the matched controls. This contrasts with the left hand side panel of Table 4 which shows that in the full sample the two groups differ along a number of dimensions.

In Table 5, we present the matching results side by side with OLS estimation based on the full (unmatched) sample.[22] We consider three outcomes: (1) the share of female workers, (2) a dummy for the firm having at least one female board member, and (3) the total employment.[23]

Starting with the top panel of the table, the sign patterns and the significance levels in the OLS results and in the matching results are very similar. The results indicate that foreign acquisitions are associated with a boost to employment as well as a higher share of women among workers. The effect on employment (an over 5 percent increase) is visible already in the year of ownership change. By the time we observe the firm two periods later, the magnitude of the effect more than doubles. The estimates are statistically significant in all the periods considered in both the OLS and the matching exercises. The increase in the share of female employees is statistically significant only in the last time period considered. Relative to the control group (firms remaining in Japanese hands), the acquired firms see an increase in female employment share by 9.2 percentage points according to the matched results (and 7.2 according to the OLS). Unlike the OLS, the matching results show a temporary decline in the likelihood of having a female board member in the year of acquisition. In general, we observe differences in the magnitudes between the OLS and the matching results, which suggests that ignoring the determinants of foreign acquisitions leads to a selection bias.

[22] In the OLS exercise, we simply regress the change in the variable of interest on the dummy for acquired firms in the post-acquisition period.

[23] Although total employment is not a gender-related outcome, it is easier to change the composition of the firm's workforce through growth than through downsizing, thus it is of interest to understand the impact of foreign acquisitions on employment.

In the bottom panel of the table, we restrict our attention to firms that we observe in the pre-acquisition survey, in the survey year of the ownership change and the next two surveys after the acquisition (and the corresponding periods for the controls). Thus comparisons across columns are made on exactly the same sample of firms, which unfortunately lowers the sample size to between 151 and 177 acquisition cases depending on the outcome of interest. The message remains unchanged. The acquired firms outperform the control observations in terms of employment. They also see a larger increase in the share of females in their workforce, with the latter effect being now statistically significant in two of the three time periods considered (or in all periods in the case of OLS). As before, we do not find an effect on the female representation at the board level. The matched results are larger in magnitude than the OLS estimates confirming the existence of a selection bias.

In summary, we find that foreign acquisitions are associated with employment growth and an increase in the female share of workers, but not with the likelihood of having a female board member. To the extent that the female employment share is a proxy for the corporate culture of the parent company, our results suggest that foreign investors transfer their corporate culture to foreign affiliates and that doing so takes time.

VI. Conclusions

Globalization influences countries not only by bringing foreign goods and foreign capital but also by exposing them to foreign cultural norms. These foreign cultural norms are likely to manifest themselves in the corporate culture transplanted by foreign investors from their headquarters to their affiliates operating in host countries.

In this paper, we study how transplanting foreign cultural norms affects

gender-related labor market outcomes and human resource practices in Japan. More specifically, we use multiple data sources to examine whether female representation in the workforce and human resource practices are related to foreign ownership. We focus on Japan because it exhibits very different attitudes toward female employment than do most countries from which it receives inflows of foreign direct investment.

We find that foreign affiliates are more gender-equal than Japanese firms are, but this difference, while meaningful, is not dramatic. This suggests that foreign investors bring their home country attitudes to overseas investments but they also adjust them to the local culture. The higher representation of women in foreign affiliates goes hand in hand with flexible and family-friendly human resource practices, such as telecommuting and child care subsidies.

The difference in gender-related outcomes is driven mostly by older foreign affiliates and by affiliates where the foreign parents has a greater degree of control. These patterns suggest that transplanting corporate culture from abroad takes time and is facilitated by having greater control over operations.

While many observers believe that FDI inflows contribute to economic growth by bringing capital, knowledge and creating jobs, our study points to another channel through which FDI may benefit host countries. Namely, our results suggest that by mobilizing the female labor force, FDI inflows may contribute to improved allocation of talent in traditional societies, which is likely to make a positive contribution to economic growth.

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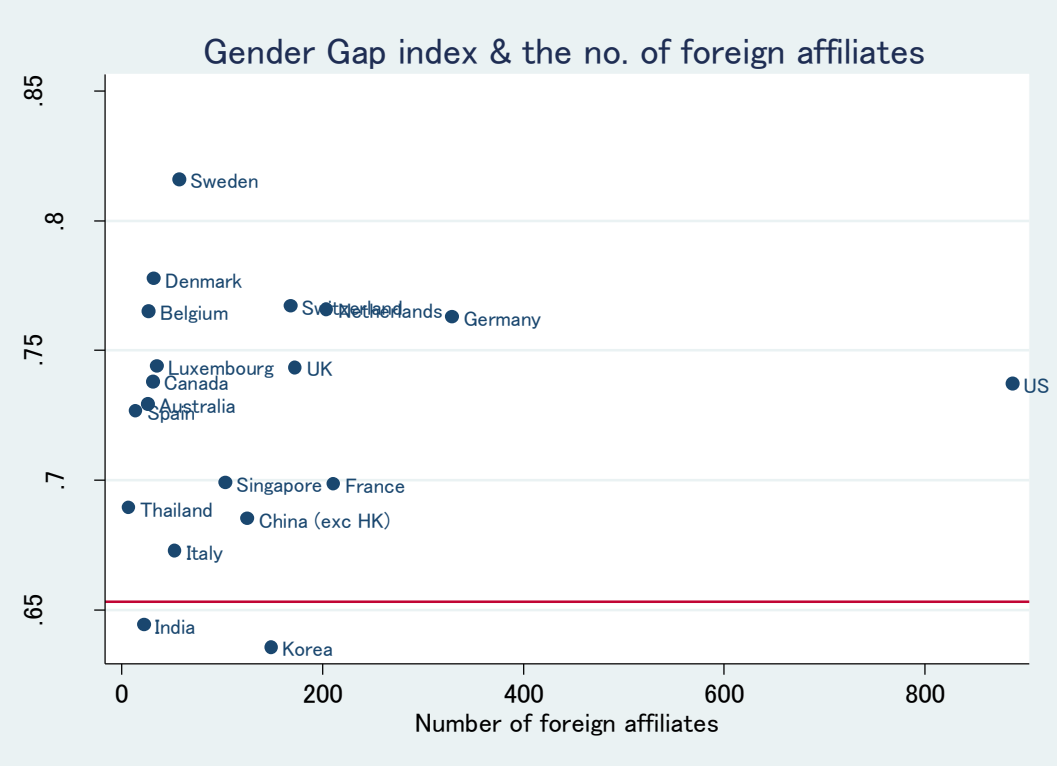
Figure 1. Gender Gap Index and the number of foreign affiliates



Notes: The horizontal line depicts the value of the Gender Gap Index for Japan. The FDI data pertain to year 2011 and come from the Survey of Foreign Firms in Japan by Ministry of Economy, Trade and Industry. The Gender Gap Index is from World Economic Forum and pertains to 2012.

Tabel 1. Foreign affiliates more female friendly

	Share of females			
	Workers	**Managers**	**Directors**	**Board members**
Old foreign affiliate	**0.020*****	**0.016*****	**0.010*****	**0.004***
	[0.007]	[0.004]	[0.003]	[0.002]
New foreign affiliate	**0.015***	0.007	0.009	0.004
	[0.009]	[0.004]	[0.006]	[0.003]
ln (Employment)	-0.013***	-0.007***	-0.004***	-0.001*
	[0.003]	[0.001]	[0.001]	[0.001]
Constant	0.263***	0.063***	0.033***	0.012**
	[0.023]	[0.010]	[0.009]	[0.005]
r2	0.354	0.299	0.173	0.142
N	7266	6613	6355	6551
p_diff	0.560	0.049	0.900	0.914
Avg in Japanese companies	**0.192**	**0.035**	**0.016**	**0.011**

	At least one female		
	Manager	**Director**	**Board member**
Old foreign affiliate	**0.103*****	**0.107*****	**0.084*****
	[0.024]	[0.024]	[0.020]
New foreign affiliate	**0.103*****	0.046	0.044
	[0.030]	[0.040]	[0.031]
ln (Employment)	0.099***	0.109***	0.023***
	[0.007]	[0.009]	[0.008]
r2	0.227	0.224	0.128
N	6228	6075	5614
p_diff	0.992	0.101	0.204
Avg in Japanese companies	**0.787**	**0.300**	**0.138**

Notes: The analysis is based on Dataset 1. The top panel presents OLS results. The bottom panel presents results from a logit model expressed as marginal effects. Each regression controls for industry-year fixed effects. Japanese firms are the omitted category. Standard errors, presented in brackets, are clustered at the firm level. ***, **, * denote significance at the 1, 5 and 10% level, respectively.

Table 2. Foreign affiliates follow different work practices

	(1) Flextime	(2) Short time	(3) Tele-commuting	(4) Child care	(5) Share of vacation days used	(6) Share of expat workers	(7) At least one expat worker
Old foreign affiliate	**0.069****	**0.064*****	**0.084*****	**0.086*****	**0.040*****	**0.023****	**0.094****
	[0.027]	[0.024]	[0.021]	[0.025]	[0.011]	[0.010]	[0.045]
New foreign affiliate	0.053	0.021	0.011	**0.063****	-0.003	0.016	0.067
	[0.038]	[0.031]	[0.034]	[0.028]	[0.014]	[0.010]	[0.079]
ln (Employment)	0.119***	0.078***	0.042***	0.103***	0.028***	-0.009**	0.095***
	[0.011]	[0.008]	[0.008]	[0.009]	[0.004]	[0.004]	[0.016]
R^2	0.266	0.172	0.184	0.287	0.449	0.169	0.318
N	6793	6548	5921	6307	5487	1366	1213
Avg in Japanese companies	**0.553**	**0.77**	**0.104**	**0.177**	**0.498**	**0.011**	**0.786**

Notes: All analysis is based on Dataset 1. The Column (1)-(4) and (7) presents results from a logit model expressed as marginal effects, and the column (5)-(6) show the OLS results. Japanese firms are the omitted category. All regressions control for industry-year fixed effects. Standard errors are clustered at the firm level. ***, **, * denote significance at the 1, 5 and 10% level, respectively.

Table 3. Predicting foreign acquisitions

ln(Employment)_lag	0.515***
	[0.032]
(Debt/Assets)_lag	-0.835***
	[0.089]
(R&D/Sales)_lag	8.082***
	[1.366]
Share of female workers (SFW)_lag	1.314***
	[0.456]
(ln(Employment)*SFW)_lag	-0.226***
	[0.075]
At least one female board member_lag	-0.312***
	[0.059]
N	52616
Pseudo r2	0.200

Note: The analysis is based on Dataset 2. The table presents results from a logit model where the dependent variable is an indicator variable that equals 1 when the firm change from domestic to foreign ownership in year t, and 0 when the firm remains domestic. All independent variables are in the year of the previous survey. All specifications include year fixed effects. ***, **, * denote significance at the 1, 5 and 10% level, respectively.

Table 4. Balancing test

	Unmatched					Matched				
	Treated	Control	%bias	t-stat	p-value	Treated	Control	%bias reduction	t-stat	p-value
ln(Employment)_lag	6.55	5.09	128.00	37.80	0.00	6.55	6.49	95.90	0.71	0.48
(Debt/Assets)_lag	0.43	0.60	-55.40	-11.43	0.00	0.43	0.44	94.20	-0.54	0.59
(R&D/Sales)_lag	0.01	0.00	42.10	20.24	0.00	0.01	0.01	74.30	1.30	0.19
Share of female workers (SFW)_lag	0.36	0.34	7.80	1.65	0.10	0.36	0.36	68.40	-0.38	0.70
(ln(Employment)*SFW)_lag	2.32	1.76	42.80	9.91	0.00	2.32	2.36	93.00	-0.41	0.68
At least one female board member_lag	0.11	0.25	-37.10	-7.12	0.00	0.11	0.10	98.30	0.12	0.91

Note: The analysis is based on Dataset 2. % bias is defined as the difference between the sample means of the treated and non-treated sub-samples expressed as a percentage of the square root of the average of the sample variances in the treated and non-treated groups (Rosenbam and Rubin, 1985).

Table 5. OLS and Matching results.

	OLS			ATE		
	Acquisition year	One period later	Two periods later	Acquisition year	One period later	Two periods later
Share of female workers	**0.002** (0.009)	**0.016** (0.012)	**0.072*** ** (0.014)	**-0.018** (0.013)	**0.037** (0.040)	**0.092** ** (0.039)
N of acquisitions	496	351	200	463	332	185
At least one female board member	**0.009** (0.016)	**-0.001** (0.021)	**0.016** (0.030)	**-0.065** ** (0.032)	**0.016** (0.051)	**0.011** (0.055)
N of acquisitions	471	322	189	463	315	182
ln(Employment)	**0.047*** ** (0.010)	**0.057*** ** (0.016)	**0.085*** ** (0.029)	**0.055*** ** (0.021)	**0.059** * (0.031)	**0.114** ** (0.051)
N of acquisitions	530	362	208	488	336	186
	Keeping sample size constant					
Share of female workers	**0.027** ** (0.012)	**0.094*** ** (0.018)	**0.079*** ** (0.015)	**-0.007** (0.017)	**0.098*** ** (0.031)	**0.098** ** (0.046)
N of acquisitions	160	160	160	151	151	151
At least one female board member	**-0.007** (0.028)	**-0.003** (0.031)	**0.007** (0.032)	**-0.005** (0.034)	**0.011** (0.058)	**0.042** (0.052)
N of acquisitions	164	164	164	158	158	158
ln(Employment)	**0.043** ** (0.017)	**0.044** ** (0.022)	**0.064** ** (0.026)	**0.079*** ** (0.027)	**0.092** ** (0.042)	**0.092** * (0.048)
N of acquisitions	193	193	193	177	177	177

Notes: The analysis is based on Dataset 2. Columns (1)-(3) present OLS estimates based on the full (unmatched) sample. Columns (4)-(6) show average treatment effect on the treated (ATE) from the matching exercise using k-nearest matching (k=300). The reported coefficients are changes in a given outcome between the treated firms and the matched controls from the previous survey wave (τ-1) to (τ+k), where k=0, 1, 2 pertains to the subsequent waves. In the matching panel, bootstrapped standard errors are presented in parentheses. The details of the estimation are explained in Section III.2. ***, **, * denote significance at the 1, 5 and 10 percent level, respectively.

ONLINE APPENDIX

Table A1a. Percentage of Japanese and Foreign Companies by year (among listed companies)

Year	Domestic	New foreign affiliate	Old foreign affiliate	Total
2004	62.0%	5.3%	32.7%	100.0%
2006	51.8%	12.2%	36.0%	100.0%
2007	53.2%	9.1%	37.6%	100.0%
2008	55.5%	6.1%	38.5%	100.0%
2009	56.5%	2.6%	40.9%	100.0%
2010	55.1%	2.7%	42.3%	100.0%
2011	51.9%	2.3%	45.8%	100.0%
2012	50.4%	1.7%	47.9%	100.0%
2013	49.9%	2.5%	47.6%	100.0%
2014	45.5%	4.9%	49.6%	100.0%
Total	53.0%	4.8%	42.2%	100.0%

Note: The statistics are based on Dataset 1. In the case of 12 firms, we are unable to distinguish between the new and the old foreign affiliate status because of the missing information on the year of ownership change.

Table A1b. Percentage of companies by ownership status year (listed companies)

Year	Domestic	Majority	Blocking	Minority	Total
2004	62.0%	0.9%	10.7%	26.4%	100.0%
2006	51.8%	0.9%	18.0%	29.2%	100.0%
2007	53.2%	0.9%	18.1%	27.8%	100.0%
2008	55.3%	1.0%	17.1%	26.6%	100.0%
2009	56.4%	0.4%	10.5%	32.7%	100.0%
2010	55.0%	0.8%	15.6%	28.6%	100.0%
2011	51.8%	1.2%	18.8%	28.2%	100.0%
2012	50.4%	1.1%	18.0%	30.6%	100.0%
2013	49.8%	1.5%	19.2%	29.6%	100.0%
2014	45.4%	0.9%	23.2%	30.4%	100.0%
Total	52.9%	1.0%	17.0%	29.1%	100.0%

Note: The statistics are based on Dataset 1. Minority foreign owned affiliates are defined as those with foreign capital ratio of more than 10% but less than 25%, Blocking share is between 25% and 50%. Majority foreign owned affiliates have more than 50% of foreign ownership share.

Table A2. Summary statistics

	All sample	Domestic	Old foreign affiliate		New foreign affiliate		Majority owned		Blocking share		Minority owned	
	N/mean	N/mean	N/mean		N/mean		N/mean		N/mean		N/mean	
Foreign capital ratio	12.80	3.12	15.57		24.60		61.00		32.97		17.00	
	[7278]	[3853]	[349]		[3064]		[71]		[1238]		[2116]	
Old foreign affiliate	0.42	0.00	0.00		1.00		0.97		0.98		0.85	
	[7266]	[3853]	[349]		[3064]		[70]		[1236]		[2107]	
New foreign affiliate	0.05	0.00	1.00		0.00		0.03		0.02		0.16	
	[7266]	[3853]	[349]		[3064]		[70]		[1236]		[2107]	
Majority owned	0.01	0.00	0.01		0.02		1.00		0.00		0.00	
	[7278]	[3853]	[349]		[3064]		[71]		[1238]		[2116]	
Blocking share	0.17	0.00	0.06		0.40		0.00		1.00		0.00	
	[7278]	[3853]	[349]		[3064]		[71]		[1238]		[2116]	
Minority owned	0.29	0.00	0.94		0.58		0.00		0.00		1.00	
	[7278]	[3853]	[349]		[3064]		[71]		[1238]		[2116]	
Female ratio	0.19	0.20	0.18	***	0.18	***	0.23	**	0.18	***	0.18	***
	[7278]	[3853]	[349]		[3064]		[71]		[1238]		[2116]	
Female manager ratio	0.04	0.04	0.03	***	0.03	*	0.07	***	0.03	**	0.03	***
	[6625]	[3409]	[330]		[2874]		[66]		[1171]		[1979]	
Female director ratio	0.02	0.02	0.02		0.01	**	0.03		0.01		0.01	*
	[6367]	[3258]	[310]		[2787]		[60]		[1136]		[1913]	
Female board member ratio	0.01	0.01	0.01		0.01		0.03	***	0.01		0.01	*
	[6563]	[3393]	[321]		[2837]		[65]		[1159]		[1946]	

At least one female manager	0.79	0.68	0.85	***	0.90	***	0.96	***	0.93	***	0.88	***
	[6625]	[3409]	[330]		[2874]		[66]		[1171]		[1979]	
At least one female director	0.30	0.19	0.27	***	0.44	***	0.63	***	0.50	***	0.37	***
	[6367]	[3258]	[310]		[2787]		[60]		[1136]		[1913]	
At least one female board	0.14	0.10	0.12		0.19	***	0.40	***	0.24	***	0.14	***
member	[6563]	[3393]	[321]		[2837]		[65]		[1159]		[1946]	
Flextime	0.55	0.40	0.62	***	0.73	***	0.61	***	0.76	***	0.70	***
	[7000]	[3650]	[336]		[3004]		[71]		[1213]		[2066]	
Short time	0.77	0.68	0.76	***	0.88	***	0.90	***	0.90	***	0.85	***
	[7001]	[3648]	[335]		[3008]		[71]		[1216]		[2066]	
Telecommuting	0.10	0.04	0.06		0.18	***	0.32	***	0.23	***	0.13	***
	[6974]	[3636]	[336]		[2992]		[71]		[1205]		[2062]	
Child care	0.18	0.06	0.15	***	0.32	***	0.41	***	0.41	***	0.24	***
	[6853]	[3571]	[330]		[2942]		[66]		[1190]		[2026]	
Share of vacation days used	0.50	0.44	0.52	***	0.56	***	0.59	***	0.57	***	0.55	***
	[5498]	[2677]	[254]		[2556]		[47]		[1070]		[1704]	
Foreign workers ratio	0.01	0.01	0.02		0.01		0.01		0.01	*	0.01	
	[1371]	[562]	[34]		[770]		[20]		[337]		[452]	
At least one foreign worker	0.79	0.61	0.79		0.91	**	1.00	***	0.96	***	0.87	***
	[1371]	[562]	[34]		[770]		[20]		[337]		[452]	

Notes: The statistics are based on Dataset 1. Under each mean value the number of observations is reported in brackets.
***, **, * denote significance at the 1, 5, and 10 percent level, respectively. They pertain to the two-sample t-test between comparing each type of foreign affiliates to Domestic firms.

Table A3a. Differences in gender outcomes: Role of the foreign ownership share

	Share of female			
	Workers	**Managers**	**Directors**	**Board members**
Majority owned * Old affiliate	**0.056****	**0.041*****	**0.014****	**0.021***
	[0.024]	[0.013]	[0.007]	[0.012]
Blocking share * Old affiliate	**0.031*****	**0.022*****	**0.013*****	**0.008*****
	[0.009]	[0.005]	[0.003]	[0.003]
Minority owned * Old affiliate	**0.014***	**0.013*****	**0.008*****	0.002
	[0.008]	[0.004]	[0.003]	[0.002]
Majority owned * New affiliate	-0.012	0.006	-0.007**	-0.002*
	[0.039]	[0.018]	[0.003]	[0.001]
Blocking share * New affiliate	0.002	0.024*	0.008	0.023
	[0.018]	[0.014]	[0.013]	[0.018]
Minority owned * New affiliate	0.017*	0.007	0.009	0.004
	[0.009]	[0.005]	[0.006]	[0.003]
ln (Employment)	-0.014***	-0.008***	-0.005***	-0.002**
	[0.003]	[0.001]	[0.001]	[0.001]
Constant	0.269***	0.066***	0.034***	0.014***
	[0.024]	[0.011]	[0.010]	[0.005]
r2	0.357	0.301	0.174	0.147
N	7266	6613	6355	6551
Avg in Japanese companies	**0.192**	**0.035**	**0.016**	**0.011**

Notes: OLS results. Each regression controls for industry-year FE. Standard errors are clustered at the firm level.

***, **, * denote significance at the 1, 5 and 10% level, respectively.

Table A3b. Differences in gender outcomes: Role of the foreign ownership share

	At least one female		
	Manager	**Director**	**Board member**
Majority owned * Old affiliate	**0.328****	**0.174*****	**0.199*****
	[0.135]	[0.067]	[0.063]
Blocking share * Old affiliate	**0.129*****	**0.145*****	**0.141*****
	[0.035]	[0.030]	[0.025]
Minority owned * Old affiliate	**0.089*****	**0.085*****	**0.045****
	[0.024]	[0.024]	[0.022]
Majority owned * New affiliate	0.032	n.a.	n.a.
	[0.282]		
Blocking share * New affiliate	**0.193**	0.025	0.191**
	[0.148]	[0.123]	[0.082]
Minority owned * New affiliate	0.101***	0.051	0.037
	[0.031]	[0.040]	[0.031]
ln (Employment)	0.098***	0.105***	0.018**
	[0.007]	[0.009]	[0.008]
r2	0.228	0.226	0.142
N	6228	6075	5614
Avg in Japanese companies	**0.787**	**0.300**	**0.138**

Notes: The analysis is based on Dataset 1. The table presents results from a logit model expressed as marginal effects. Japanese firms are the omitted category. Standard errors, presented in brackets, are clustered at the firm level. ***, **, * denote significance at the 1, 5 and 10 percent level, respectively. n.a. denotes variable dropped due to colinearity.

Table A4. Foreign affiliates follow different work practices

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Flextime	**Short time**	**Telecommuting**	**Child care**	**Share of vacation days used**	**Share of expat workers**	**At least one expat worker**
Majority owned * Old affiliate	-0.075	0.162	**0.149*** **	**0.120** **	0.059	**0.026** **	n.a.
	[0.086]	[0.140]	[0.053]	[0.057]	[0.037]	[0.011]	
Blocking share * Old affiliate	0.049	**0.090*** **	**0.105*** **	**0.116*** **	**0.039*****	**0.027** **	**0.147****
	[0.038]	[0.034]	[0.025]	[0.030]	[0.014]	[0.011]	[0.069]
Minority owned * Old affiliate	**0.083*** **	**0.051** **	**0.070*** **	**0.069*** **	**0.040*****	**0.021** **	**0.074**
	[0.029]	[0.025]	[0.021]	[0.025]	[0.011]	[0.010]	[0.047]
Majority owned * New affiliate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Blocking share * New affiliate	**0.281** **	0.052	0.06	0.042	0.049	0.024**	n.a.
	[0.142]	[0.083]	[0.085]	[0.075]	[0.035]	[0.011]	
Minority owned * New affiliate	0.041	0.023	0.012	**0.068** **	-0.006	**0.015**	0.061
	[0.039]	[0.032]	[0.033]	[0.029]	[0.014]	[0.010]	[0.081]
ln (Employment)	0.120***	0.077***	0.039***	0.099***	0.028***	-0.010**	0.093***
	[0.011]	[0.009]	[0.008]	[0.010]	[0.004]	[0.004]	[0.017]
R^2	0.2672	0.172	0.1878	0.2901	0.449	0.171	0.316
N	6792	6546	5920	6306	5487	1366	1192
Avg in Japanese companies	**0.553**	**0.77**	**0.104**	**0.177**	**0.498**	**0.011**	**0.786**

Notes: All analysis is based on Dataset 1. The Column (1)-(4) and (7) presents results of a logit model expressed as marginal effects, and the column (5)-(6) show the OLS results. Japanese firms are the omitted category. All regressions control for industry-year FE. Standard errors are clustered at the firm level. n.a. denotes variable dropped due to collinearity. ***, **, * denote significance at the 1, 5 and 10% level, respectively.